Corporate Directory

PACIFIC STAR NETWORK LIMITED
ABN 20 009 221 630

Directors

Andrew Moffat (Chairman)
Ronald Hall
Gary Pert
Michelle Guthrie
Colm O'Brien

Company Secretary

Stephen Sweeney FCA, MBA

Registered Office

473 Swan Street
RICHMOND VIC 3121

Telephone: (03) 8420 1116
Facsimile: (03) 9421 5383

Email: info@pacificstarnetwork.com.au
Internet: www.pacificstarnetwork.com.au

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnson Street
ABBOTSFORD VIC 3067

Telephone: 1300 137 328
Facsimile: 1300 134 341

Auditor

BDO East Coast Partnership
Level 14, 140 William Street
MELBOURNE VIC 3000

Solicitors

Minter Ellison
Rialto Towers, 525 Collins Street
MELBOURNE VIC 3000

Bankers

Commonwealth Bank of Australia
Level 20, Tower 1 Collins Street
727 Collins Street
MELBOURNE VIC 3008

Stock Exchange Listing

Pacific Star Network Limited ordinary shares are quoted on the Australian Securities Exchange (ASX code: PNW).

Annual General Meeting

Annual General Meeting will be held on Friday 27 November 2015 at 9.30am.

The venue for the meeting is 473 Swan Street, Richmond Victoria 3121.

Chairman's Report 2014-15

Dear Shareholder,

Welcome to the Pacific Star Network Annual Report for the 2014-15 financial year.

2015 Highlights

- In a significant year for the Company, we completed the acquisition of the Morrison Media business in late 2014. I am pleased to report that the integration of this business is proceeding to plan. In addition to our broadcast assets, this acquisition gives us a footprint in a new niche media sector and will provide a valuable contribution towards shareholder returns. In particular, I would like to extend a warm welcome to staff from the publishing division of the business.
- Established a new banking relationship with Commonwealth Bank of Australia (CBA) and executed a new funding facility for $8.6 million to assist with funding the new acquisition.
- In a recent January – June 2015 circulation survey conducted by the Australian Bureau of Circulation (ABC), frankie magazine, was ranked as the second largest selling print media brand in the Women's Lifestyle / Fashion category with a 16.2% market share.

  Frankie has maintained its position as a primary media brand for engagement in Australia. Coupled with ongoing strong paid copy sales, our readership and digital platforms continue to engage our brand community at all-time high levels.
- With respect to broadcasting, there is strong evidence that radio continues to connect with larger audiences. A recent survey by research company GfK (AudienScope 1, 2015) indicates that radio is a constant companion throughout the day, with nearly half of all listeners choosing to stay on the same station for long periods of time. The report shows that whilst the traditional media platforms fragment, radio is on throughout the day and keeps listeners informed relaxed and feeling good.
- Throughout 2015, we welcomed many employees to the "10 years' service club". We are extremely fortunate to have such a dedicated team of loyal staff and talent. It's pleasing to note that we can count the likes of broadcasters, news breakers and former champion sportsmen the ilk of Anthony Hudson, Kevin Bartlett, Tim Watson, Dermott Brereton, Andrew Maher, Mark Robinson, David Schwarz, Cameron Mooney, David King, Scott Lucas, Terry Wallace, Daniel Harford, Patrick Smith, Greg Denham, Jon Ralph, Rohan Connolly, Nick Maxwell, Andrew Gaze and Mark Allen, as part of our broadcast team.

Operating Results

EBITDA result of $1.413 million, down 24% on the comparative period (2014: $1.865 million).

Underlying EBITDA (excluding one-off acquisition costs of $1.319 million) was $2.732 million, up 46% on the same period last year (2014: 1.865 million).

Revenue at $20.868 million for the full year was up 37% on the comparative period (2014: $15.229 million). Reported revenues include 7 months of trading results for Morrison Media.

The underlying net profit after tax (excluding the impact of one off transaction costs of $1.319 million associated with the acquisition of Morrison Media) is $1.240 million, up 30% on the corresponding period (2014: $953,107).

The company reports a net loss after tax of $78,732 compared to the corresponding period (2014: $953,107).

Chairman's Report 2014-15 Cont'd

Operating Results Cont'd

Operating costs at $20.455 million up 48% on the comparative period (2014: $13.776 million).

Excluding the impact of one off transaction costs of $1.319 million, operating costs were up 39% on the comparative period, including operating costs consolidated for the first seven months of trading for the Morrison Media business.

Operating cash flows at $1.981 million (excluding the cash impact of one off transaction costs) down 8% on the comparative period (2014: $2.165 million) due to settlement of tax liabilities.

Taxable income for the full year is estimated at $1.813 million. Income tax expense for the period is estimated at $491,593 equating to an effective tax rate of 27%. This tax rate includes the effect of temporary timing differences, if these adjustments were excluded, the effective tax rate would be closer to 30%.

Review of Operations

- The material positive change on the Company during the year was the acquisition of the Morrison Media business, completed in December 2014. These are the first reported results with the inclusion of the Morrison Media business.
- Group revenue at $20.868 million was up 37% on the comparative period.
- Broadcast revenues grew 2.5% year on year compared to the comparative industry growth rate of 6.2%. Revenues were impacted by a shortfall in National revenue out of the Sydney market and also direct revenue was down in the March quarter before a recovery in the final quarter which saw our share of direct revenues rebound. The standout was the performance of the Melbourne agency team which was restructured twelve months ago and recorded revenue growth of 20% year on year.
- Whilst publishing revenues were on par with the comparative period, they were impacted by a management decision to defer the on-sale date of Spaces magazine with the result being that those revenues will be recognised in the next financial year. A change in sales mix in the traditional newsagents and supermarkets channel combined with shorter on-sale periods for some editions also contributed to lower copy sales.

Outlook

- At reporting date the company had net debt of $3.431 million and a gearing ratio of 16%.

  The company continues to generate positive operating cash flows and this structure provides the flexibility to continue generating sustainable shareholder returns.
- A major focus next financial year will be to generate new revenue streams whilst maintaining cost discipline.
- A recent strategic review of existing organisational structures, brands and future business opportunities has been concluded with a view to implementing a range of measures in the course of the next financial year that will lay the foundations for building further growth potential in our brands.
- Our key business objective is to build a sustainable growing earnings profile by expanding our footprint as a niche media company through the creation of highly engaging content.
- FY16 earnings guidance is an underlying EBITDA within the range of $3.8-$4.3 million.

Chairman's Report 2014-15 Cont'd

Dividends

Directors have declared a fully franked final dividend of 1.05 cents per share.

The combined interim and final dividend amounts to a full year franked dividend of 2.3 cents.

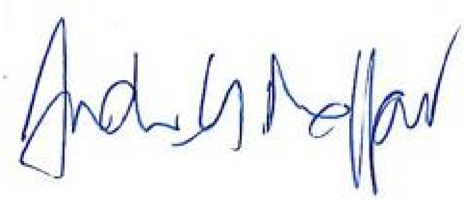
This compares favourably with the comparative year unfranked dividend of 1.6 cents and represents a 100% increase in gross dividends year on year.

The company's ability to continue to pay dividends is determined by taking account of underlying results, free cash flows and headroom in meeting banking covenants.

Record date for determining entitlements to the dividend is 11 September and payment date will be 2 October 2015.

This Chairman's Report should be read in conjunction with the Directors' Report in satisfying the required disclosures under the *Corporations Act.*

Signed in accordance with a resolution of the Directors,



Andrew Moffat
Chairman

Melbourne, 29 September 2015

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Corporate Governance Statement

ASX Listing rule 4.10.3 requires the Company to disclose the extent to which it has followed the ASX Corporate Governance Principles and Recommendations, (3rd edition, released in March 2014) (Principles).

Introduction

The board of Pacific Star Network Limited (Company) is committed to conducting the business of Pacific Star and the entities it controls both ethically and in accordance with principles of good corporate governance. The board recognises the importance of the eight core principles and the Company's practices are largely consistent with those Principles.

The board considers that the implementation of a small number of the Principles is not appropriate, for the reasons set out below in relation to the items concerned. The board uses its best endeavours to ensure that exceptions to the Principles do not have a negative impact on the business and the best interests of shareholders as a whole.

As required by the ASX Listing Rules, this Corporate Governance Statement (CGS) discloses the extent to which Pacific Star has followed the ASX Principles during the financial year ended 30 June 2015 as summarised below.

Pacific Star has also prepared an "ASX Appendix 4G – Key to Disclosures" which reports on the Company's compliance with each of the ASX Principles. This has been lodged separately on the ASX and may be viewed and downloaded on the Company's website.

Additional information about the Company's corporate governance practices and policies is set out on the Company's website at www.pacificstarnetwork.com.au.

PRINCIPLE 1 – Lay solid foundations for management and oversight

Recommendation 1.1

	Comply Yes/No
a) Disclose the respective roles and responsibilities of its board and management; and	***Yes***
b) Identify those matters expressly reserved to the board and those delegated to management.	***Yes***

The Board retains responsibility for the following:

(i) setting and monitoring of objectives, goals and strategic direction for management with a view to maximising shareholder value;
(ii) approving annual budgets and monitoring financial performance;
(iii) approving acquisitions / joint ventures;
(iv) ensuring adequate internal controls exist and are appropriately monitored for compliance;
(v) ensuring significant business risks are proactively identified and appropriately managed;
(vi) ensuring compliance with regulatory and statutory requirements;
(vii) selecting and appointing new Directors; and
(viii) maintaining the highest business standards and ethical behaviour.

Corporate Governance Statement Cont'd

Recommendation 1.2

	Comply Yes/No
a) *Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and*	Yes
b) *Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*	Yes

In appointing new members to the board, consideration is given to the ability of the appointee to contribute to the ongoing effectiveness of the board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of strategic direction of the business.

Prior to putting forward to shareholders a candidate for election, as a director, the Company will undertake checks to verify a directors' character, qualifications, skills and experience.

In relation to the recent appointment of Executive Director, Colm O'Brien on 10 September 2015, the Company will ensure that all material information in its possession relevant to a shareholders decision to elect or re-elect Colm O'Brien is provided to shareholders at the next Annual General Meeting.

Recommendation 1.3

a) *A listed entity should have a written agreement with each director and senior executives setting out the terms of their appointment.*	Yes

The terms of appointment for directors and executives in accordance with their written agreements is set out in the Remuneration Report contained within the Directors Report of the Annual Report and is audited by the Company's external auditors.

Recommendation 1.4

a) *The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*	Yes

The company secretary is accountable to the board, through the chair, on all matters to do with the proper functioning of the board.

Recommendation 1.5

A listed entity should:

a) *Have a diversity policy which includes requirements for the board to set measureable objectives for achieving gender diversity;*	Yes
b) *Disclose that policy or a summary of it; and*	Yes
c) *Disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board and its progress towards achieving them; and*	Yes

Corporate Governance Statement Cont'd

Comply Yes/No

(i) ***The respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes).*** ***Yes***

Pacific Star is committed to providing diversity of employment opportunities for, but not limited to, gender, age, ethnicity and cultural background for all Company roles and to providing a workplace where differences are respected and accepted and anti-discriminatory behaviours of any kind is strictly prohibited. More information on the Company's diversity policy can be located on our website at www.pacificstarnetwork.com.au/investors.

A "senior executive" for the purposes of this report is defined as someone working in the business who makes decisions and puts them into action.

The measureable objective set by the board for achieving gender diversity was to increase the percentage of females employed in the workforce by at least 10% by 2015. This objective was achieved in 2015. The table below discloses the gender diversity of the workforce:

	30 June 2015		30 June 2014	
Category	% Males	% Females	% Males	% Females
Board	75%	25%	75%	25%
Management	77%	23%	86%	14%
Part / full time employees	68%	32%	84%	16%
Casual employees	65%	35%	63%	37%
Total	69%	31%	78%	22%

Directors' intend to set a future gender diversity measurable objective to increase the percentage of females employed in the workforce, to 40% by 2018.

Recommendation 1.6

A listed entity should:

Comply Yes/No

a) ***Have and disclose a process for periodically evaluating the performance of the board, its committee's and individual directors; and*** ***No***

b) ***Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*** ***No***

Due to the size of the board and the nature of the business it has not been deemed necessary to institute a formal documented performance evaluation program of the board and individual board members. As the Company's activities expand in size, nature and scope, the implementation of a more formalised review process will be considered.

Corporate Governance Statement Cont'd

Recommendation 1.7

A listed entity should:

	Comply Yes/No
a) ***Have and disclose a process for periodically evaluating the performance of its senior executives; and***	***No***
b) ***Disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***	***No***

The board ensures that the executive management team is appropriately qualified and experienced to discharge their responsibilities. Whilst the board provides informal feedback to the CEO and executive management team, there is currently no formal evaluation process in place.

In the next reporting period, the board will initiate a more formal evaluation of the senior executive management team performance.

PRINCIPLE 2 – Structure the board to add value

Recommendation 2.1

The board of a listed entity should:

a) ***Have a nomination committee which has at least three members, a majority of which are independent directors, and is chaired by an independent director; and***	***No***
b) ***Disclose the charter of the committee.***	***No***

Due to the size of the board and the nature of the business it has not been deemed necessary to establish a separate nomination committee.

Directors' have reviewed the terms of reference for nomination committees and have formed the view that this key responsibility is more appropriately fulfilled by the full board.

Recommendation 2.2

A listed entity should:

a) ***Have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.***	***No***

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors Report of this Annual Report. As the composition of the board currently comprises a variety of skills and experience across the commercial, media, sport, publishing and digital sectors, it has not been deemed necessary to create a formal document outlining the particular skills matrix of the existing board.

The board reviews its composition on an annual basis to ensure that it has an appropriate mix of expertise and experience.

Corporate Governance Statement Cont'd

Recommendation 2.3

A listed entity should disclose:

	Comply Yes/No
a) The names of the directors considered by the board to be independent directors.	***Yes***
b) If a director is a substantial shareholder of the entity but the board does not believe that it compromises the independence of the director, the board should explain why the board is of that opinion.	***Yes***
c) The length of service of each director.	***Yes***

At reporting date the board comprised four directors. Three are considered to be independent, Andrew Moffat, Gary Pert and Michelle Guthrie and meet the criteria for director independence.

The remaining director, Ronald Hall is not considered independent as he is a substantial shareholder in the Company.

Whilst not applicable at reporting date, a new executive director, Colm O'Brien was appointed on 10 September 2015. As an executive director appointment, he would not be considered independent for these purposes.

Director independence is reviewed periodically. Each of the directors' is considered to bring experience from different industry sectors and contributes value to the board by combining their strengths and skills to lead the strategic direction of the business.

The board recognises that directors' remain in office for the benefit of and are accountable to shareholders and that shareholders have the voting power to elect members to the board regardless of their standing, independent or otherwise.

The majority of directors are considered to be independent.

The term in office held by each director at the date of this report is as follows:

Andrew Moffat, Chairman and Non-Executive Director	– 11.0 years
Ronald Hall, Non-Executive Director	– 13.5 years
Gary Pert, Non-Executive Director	– 7.0 years
Michelle Guthrie, Non-Executive Director	– 2.3 years
Colm O'Brien, Executive Director (appointed 10 September 2015)	– Not Applicable

Recommendation 2.4

a) A majority of the board of a listed entity should be independent directors.	***Yes***

At reporting date the board comprised four directors.

Three of the four directors and hence a majority are considered to be independent,

Andrew Moffat, Gary Pert and Michelle Guthrie meet the criteria for director independence.

Corporate Governance Statement Cont'd

Recommendation 2.5

	Comply Yes/No
a) The chair of the board of a listed entity should be an independent director and, in particular should not be the same person as the CEO of the entity.	***Yes***

The Chairman, Andrew Moffat, is an independent director and the role of chairman and CEO is not held by the same person.

Recommendation 2.6

a) A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain skills and knowledge needed to perform their role as effectively.	***Yes***

The letter of appointment for all new directors' sets out their duties, rights and responsibilities and new directors are provided with information that will enable them to carry out their duties in the best interests of the Company including briefings by management.

The board encourages directors to attend industry seminars and training courses run by professional bodies to ensure they are equipped to perform their role to high standards.

PRINCIPLE 3 – Promote ethical and responsible decision making

Recommendation 3.1

A listed entity should:

a) Have a code of conduct for its directors, senior executives and employees; and	***Yes***
b) Disclose that code or a summary of it.	***Yes***

The Code incorporates the practices necessary to maintain confidence in the Company's integrity, the steps necessary to take account of legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The business complies with this principle by ensuring that each employee / contractor is conversant with the company's policies including a Code of Conduct that sets out the principles and standards expected from all directors', employees and contractors.

This Code is supported by a range of additional policies including securities trading, privacy, communications, continuous disclosure, diversity, risk management and editorial policies.

Further information on these policies can be accessed on the Pacific Star Network Limited website www.pacificstarnetwork.com.au/investors.

The primary aim of embedding and monitoring compliance in the business is to ensure that at all times, the Company:

(i) complies with laws and regulations;

(ii) up-holds its ethical and environmental responsibilities;

(iii) ensures that assets are used appropriately for business purposes;

(iv) ensures that confidential information is maintained confidential and secured;

(v) ensures that all parties act so as not to conflict with business interests.

Corporate Governance Statement Cont'd

PRINCIPLE 4 – Safeguard integrity of financial reporting

Recommendation 4.1

	Comply Yes/No
The board of a listed entity should:	
a) Have an audit committee which consists of at least three members, all of whom are non-executive directors and the committee should be chaired by an independent director; and	*No*
b) Disclose the charter of that committee, the qualifications and experience of its members and the number of times the committee has met during the reporting period and the individual attendance of the members at those meetings; or	*No*
c) If it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguards the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	*Yes*

Directors' have reviewed the terms of reference for audit committees and have formed the view that this key responsibility is more appropriately fulfilled by the full board.

All matters, which might ordinarily be dealt with by an audit committee are discussed at board meetings, these include:

(i) ensuring that an effective internal control framework exists and operates within the business;
(ii) reviewing the annual report, financial statements and other information distributed externally;
(iii) reviewing audit reports and letters to the board from external auditors;
(iv) liaising with external auditors and ensuring the annual audit and half year review are conducted in an effective and timely manner;
(v) nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual audit and half year review; and
(vi) monitoring compliance with the *Corporations Act 2001*, ASX Listing Rules, and other matters outstanding with other regulatory and financial authorities.

Where it's proposed to change the auditor, the proposed removal / appointment of an auditor is voted on by shareholders, that is, unless there is a valid business reason for the Company to act before such a vote.

It is BDO Kendall's policy to rotate audit engagement partners on listed companies at least every five years.

Corporate Governance Statement Cont'd

Recommendation 4.2

	Comply Yes/No
The board of a listed entity should:	
a) Before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view.	*Yes*

The CEO and CFO provide a declaration to the board prior to approval of the annual financial statements that, in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Recommendation 4.3

a) A listed entity that has an AGM should ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.	*Yes*

The auditor usually attends two board meetings during the year and the Annual General Meeting (AGM).

The auditor is also available at the AGM to answer shareholder's questions on the conduct of the audit and the preparation and content of the auditor's report.

PRINCIPLE 5 – Make timely and balanced disclosure

Recommendation 5.1

A listed entity should:

a) Have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and	*Yes*
b) Disclose that policy or a summary of it.	*Yes*

It is the board's policy to provide timely, open and accurate information to its investors, regulators and the wider investment community.

The board has a continuous disclosure policy setting out the policies, accountabilities and procedures that govern the handling of sensitive information, continuous disclosure and communications to investors and regulators. This policy can be located on the Company's website at www.pacificstarnetwork.com.au/investors.

The chair, directors', CEO and company secretary are closely involved with day to day operations to ensure compliance with these continuous disclosure requirements and in particular Listing Rule 3.1.

Corporate Governance Statement Cont'd

PRINCIPLE 6 – Respect the rights of shareholders

Recommendation 6.1

	Comply Yes/No
A listed entity should:	
a) Provide information about itself and its governance to investors via its website.	***Yes***

Information released to the ASX and the Company's corporate governance policies are published and accessible at www.pacificstarnetwork/investors.

Recommendation 6.2

A listed entity should:

a) Design and implement an investor relations program to facilitate effective two-way communication with investors.	***Yes***

Communications with shareholders include:

(i) The annual report is published electronically on our website and a printed copy of the annual report is distributed to shareholders on request.

- a copy of the full annual report is available to any shareholder that requests it free of charge.
- the board ensures that the annual report includes relevant information about operations during the year, in addition to any other disclosures required by law.
- the annual report forms the primary source of publically available information about the business.

(ii) The half-year report contains summarised financial information and a review of the operations during the period. The half-year report is prepared in accordance with the requirements of Accounting Standards and the *Corporations Act* and is lodged with ASIC and ASX.

(iii) The board encourages the full participation of shareholders at the Annual General Meeting.

(iv) For formal meetings an explanatory memorandum on the resolutions is included with the notice of meeting and important issues are presented to shareholders as separate resolutions.

Recommendation 6.3

A listed entity should:

a) Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	***Yes***

Shareholders are encouraged to attend and participate in meetings of the Company.

The external auditor attends the AGM and is available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Corporate Governance Statement Cont'd

Recommendation 6.4

	Comply Yes/No
A listed entity should:	
a) Give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	***Yes***

The Company's registrar, Computershare Investor Services, provides the option for shareholders to receive and send communications electronically.

Hard copies of financial reports and news releases are made available on request.

The Company's website contains a 'Contact Us" tab enabling messages to be submitted.

PRINCIPLE 7 – Recognise and manage risk

Recommendation 7.1

The board of a listed entity should:

a) Have a remuneration committee which consists of at least three members, a majority of whom are independent directors; and is chaired by and independent director; and	***No***
b) Disclose the charter of that committee, the members of that committee and the number of times the committee has met during the reporting period and the individual attendance of the members at those meetings; or	***No***
c) If it does not have a remuneration committee, disclose the fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	***Yes***

Directors have reviewed the terms of reference for risk committees and have formed the view that this key responsibility is more appropriately fulfilled by the full board.

The board is briefed regularly on key risks in the business and in so far as it's possible, the steps being taken to mitigate those risks. All matters, which might ordinarily be dealt with by a risk committee are discussed at board meetings

Recommendation 7.2

The board or a committee of the board should:

a) Review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and	***Yes***
b) Disclose, in relation to each reporting period, whether such a review has taken place.	***Yes***

Corporate Governance Statement Cont'd

Directors' have adopted a Risk Management policy that sets out how the board oversees the management of key business risks within the business. The policy takes account of:

- definition of key risks;
- identification of material business risks;
- implementing mitigating actions and reporting on how these are managed.
- the recognition of risk as any adverse exposure to events that could affect its ability to discharge its responsibilities to its stakeholders and / or meet its objectives.

The senior management team has responsibility for the day-to-day implementation of the risk management framework and the internal controls that operate within the business.

Senior management reports regularly to the board through the CEO on key business risks and the extent to which it believes these risks are being adequately managed / mitigated.

Risks are managed based on the probability of occurrence and the impact of such an event is rated on a scale of impact to our reputation and / or financial performance to build up a matrix of the material business risks inherent in the business.

Risk management is considered part of day to day business and is comprised of risk oversight, management and internal controls operating at all levels of the business. The priority attributed to managing / mitigating specific risks can and does vary over time.

The senior management team manages the process to monitor and report risk at different operational levels and the ongoing effectiveness of managing business risks is regularly reviewed by directors'.

Recommendation 7.3

	Comply Yes/No
A listed entity should disclose:	
a) If it has an internal audit function, how the function is structured and what role it performs; or	***No***
b) If it does not have an internal audit function, that fact and the processes it employees for evaluating and continually improving the effectiveness of its risk management and control processes.	***No***

The Company does not have a formal internal audit function.

Processes for evaluating and continually improving the effectiveness of risk management and internal control processes include:

(i) Monthly management reporting of financial position, financial performance, cash flow forecasts and key performance indicators;

(ii) Periodical internal review of financial systems and processes undertaken by the CFO;

(iii) External audit reviews.

Corporate Governance Statement Cont'd

Recommendation 7.4

	Comply Yes/No
A listed entity should disclose:	
a) Whether it has any material exposure to economic, environmental and social sustainability risks and if it does, how it manages or intends to manage those risks.	***No***

The business does not have a material exposure to any one specific economic, environmental or social sustainability risk.

PRINCIPLE 8 – Remunerate fairly and responsibly

Recommendation 8.1

The board of a listed entity should:

a) Have a remuneration committee which consists of at least three members, a majority of whom are independent directors and is chaired by an independent directors; and	***No***
b) Disclose the charter of that committee, the members of that committee, the number of times the committee has met during the reporting period and the individual attendance of the members at those meetings; or	***No***
c) If it does not have a remuneration committee, disclose the fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring such remuneration is appropriate and not excessive.	***Yes***

Directors' have formed the view that this responsibility should be fulfilled by the full board.

The board regularly reviews the remuneration packages and policies applicable to the CEO and senior management team.

Directors' and Key Management Personnel remuneration is disclosed in detail in the Directors' report and notes to these financial statements.

Recommendation 8.2

The board of a listed entity should:

a) Separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	***Yes***

The principles, details of remuneration and terms of contracts are also outlined in the remuneration report section of the Directors' Report and the appointment of all senior executives and board members is approved by the full board.

Non-executive directors' are remunerated by way of fees and statutory superannuation contributions (where applicable).

Corporate Governance Statement Cont'd

Recommendation 8.3

	Comply Yes/No
A listed entity which has an equity-based remuneration scheme should:	
a) Have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme; and	***Yes***
b) Disclose that policy or a summary of it.	***Yes***

The Company operates an Employee Share Option Plan (ESOP) and Exempt Employee Share Plan (EESP).

Directors and employees are prohibited from short-term trading of the Company's securities and are prohibited from entering into any hedging arrangements over unvested options.

Directors and employees are required to notify the Company of the key terms of arrangements pertaining to any financing of securities of the Company which have an interest in where it is reasonable to expect that the terms and conditions of such financing may result in unilateral selling of the securities.

Directors and persons with access to sensitive financial information require approval prior to trading in the Company's securities.

Directors' Report

The directors of Pacific Star Network Limited, the consolidated entity, submit herewith the financial report for the year ended 30 June 2015.

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

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

Name	**Particulars**
Ronald Hall	Appointed Non-Executive Director on 13 February 2002
Andrew Moffat	Appointed Non-Executive Director on 1 September 2004
Gary Pert	Appointed Non-Executive Director on 1 July 2008
Michelle Guthrie	Appointed Non-Executive Director on 1 May 2013
Colm O'Brien	Appointed Executive Director on 8 September 2015

Current Directors

The biographies for current directors and other staff are detailed below:

Ronald Hall

Non-Executive Director - Aged 74

Mr Hall is the founder and promoter of a number of successful Melbourne based retail businesses. Mr Hall has been a long-time supporter of radio for marketing his products.

Andrew Moffat, B.Bus, Curtin University, Perth
Non-Executive Director

Chairman – Aged 54

Mr Moffat has over 20 years of corporate and investment banking experience and is the sole principal of Cowoso Capital Pty Ltd, a company providing corporate advisory services.

Prior to establishing Cowoso Capital Pty Ltd, Andrew was a Director of Equity Capital Markets & Advisory for BNP Paribas Equities Australia Limited where he was responsible for mergers and acquisition advisory services and a range of equity capital raising mandates including placements, IPO's, rights issues, dividend reinvestment plans and underwritings.

Mr Moffat is Chairman of 360 Capital Property Limited and Keybridge Limited and a Non-Executive Director of Rubik Financial Limited.

Gary Pert

Non-Executive Director - Aged 50

Mr Pert has extensive media industry experience gained whilst serving in various senior executive roles including Managing Director of the Channel Nine Network and General Manager of Austereo Melbourne.

After a successful AFL / VFL football career including 233 games with Fitzroy and Collingwood, Mr Pert took up a role with the AFL as promotions and development officer between 1989 and 1994, following which he became a sales executive in the Melbourne office of the Austereo radio network.

Directors' Report Cont'd

Current Directors Cont'd

During his 12 years with Austereo, Mr Pert held various senior management roles culminating in 2006 when he held the joint role of General Manager of Austereo Melbourne and Austereo's National Sales Director.

As Managing Director of Channel Nine Melbourne, Mr Pert held principal responsibility for one of Australia's largest media organisations with more than 450 staff. After one of the most profitable periods in Channel Nine's history, Mr Pert was recruited as Chief Executive Officer of the Collingwood Football Club, one of Australia's largest sporting brands.

Michelle Guthrie, B.Law, B.A, University of Sydney, Sydney

Non-Executive Director – Aged 49

Ms Guthrie has over twenty years' experience in the media and entertainment industry. Ms Guthrie is currently an executive at Google Asia International Pacific based in Singapore. Ms Guthrie was previously a Managing Director for the Hong Kong office of global private equity firm Providence Equity in 2007-09, and was a Senior Advisor in 2009-10.

Ms Guthrie was the Chief Executive Officer of STAR Group Limited, a wholly-owned subsidiary of News Corporation, which is Asia's leading media and Entertainment Company based in Hong Kong.

Ms Guthrie has also worked in legal and business development roles for FOXTEL and News International and BSkyB in London.

Ms Guthrie has also served on the boards of a number of other companies including NASDAQ-listed technology company VeriSign, Inc. and various STAR joint venture companies including Balaji, ESPN STAR Sports, Hathway, China Network Systems, ANTV and Tata Sky.

Colm O'Brien, BCL (Hons), AAICD

Executive Director – Aged 43

Mr O'Brien has over 20 years' experience at executive level, including nine years as a director with ASX listed media company, Aspermont Limited. In addition to his media industry experience, Mr O'Brien has worked in international financial services, tier one management consultancy and other industries.

He recently created and managed the transformation of Aspermont Limited from a local SME to one of the largest global media businesses in the resources and other sectors, through transitioning a predominantly print based revenue stream into long-term brand extensions in Digital and Events. Mr O'Brien is a director of Aspermont Limited.

Stephen Sweeney

Company Secretary – Aged 51

The Company Secretary is Mr Stephen Sweeney. Mr Sweeney is a Fellow of Chartered Accountants, Australia and New Zealand and holds a Masters in Business Administration from Heriot-Watt (Edinburgh Business School) University, Scotland.

Stephen was appointed to the position of Company Secretary on 24 January 2007.

Stephen is also the Company's Chief Financial Officer and has twenty five years' experience in senior management positions with listed, financial services and government entities.

Directors' Report Cont'd

Directorship of other Listed Companies

Directorships of other listed companies held by directors in the three years preceding the end of the financial year are as follows:

Andrew Moffat:	Rubik Financial Limited - Non-Executive Director
	360 Capital Property Limited - Non-Executive Director
	Keybridge Capital Limited - Non-Executive Chairman and Director
	CCK Financial Solutions Limited - Non-Executive Director
Michelle Guthrie:	Auckland International Airport Limited - Non-Executive Director
	Modern Times Group Mtg AB (Sweden) - Non-Executive Director
Colm O'Brien:	Maygar Mining PLC - Non-Executive Director
	Aspermont Limited

Principal Activities

Pacific Star Network Limited is a media company with interests in broadcasting (1116SEN, 1377MyMP, Aussie and Kool) and publishing (frankie, Smith Journal, Surfing Life, White Horses, Slow and Inside Football magazine) and digital assets including (www.sen.com.au, www.frankiepress.com.au and www.morrisonmedia.com.au).

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

Review of Operations

The trading loss for the consolidated entity for the year after income tax was $78,732 (2014: $953,107). EBITDA result was $1.413 million for the financial year (2014: $1.865 million).

The underlying EBITDA result (excluding the acquisition costs associated with the Morrison transaction) was $2.732 million.

The EBITDA loss for the parent entity for the year was $1.987 million. The trading loss (excluding the acquisition costs associated with the Morrison Media transaction) was $668,438 (2014: $605,139).

Refer to the Chairman's report for 2014-15 for Highlights, Operating Results and Review of Operations.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity.

Profit per Share

The basic loss per share was 0.1 cents (2014: basic profit - 1.8 cents) and diluted loss per share was 0.1 cents (2014: diluted profit - 1.8 cents).

The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic profit per share was 62,346,413 shares (2014: 53,192,452 shares).

Events since the end of the Financial Year

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the state of affairs of the consolidated entity in subsequent financial years.

Directors' Report Cont'd

Likely Developments and Expected Results of Operations

Refer to the Chairman's report for details of developments and business strategies.

This Directors' Report should be read in conjunction with the Chairman's Directors' in satisfying the required disclosures under the *Corporations Act.*

Dividends

Dividends paid during the year were as follows:

	2015 $'000's	2014 $'000's
Interim dividend paid for half year ended 31 December	**477**	373
Final dividend paid / payable for year ended 30 June	**873**	538
	1,350	911

On 28 August 2015, the directors' declared a final fully franked dividend for the year ended 30 June 2015 of 1.05 cents per ordinary share to be paid on 2 October 2015, a total estimated distribution of $734,324 based on the number of ordinary shares on issue as at 30 June 2015.

Auditors

BDO East Coast Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

Compliance with National Greenhouse & Energy Reporting (NGER) Act

The consolidated entity is not subject to any significant and / or particular NGER framework.

Shares and Options granted to Executives and Employees

The business has two plans for granting shares and options. The Employee Share Option Plan (ESOP) and the Exempt Employee Share Option Plan (EESP).

When exercisable, each option is convertible into one ordinary share of Pacific Star Network Limited (ASX Code: PNW). Obligations under the existing plans are shown on page 31.

Key Management Personnel (KMP) have been granted options over ordinary shares that can be exercised at future dates. If all performance conditions were met over the remaining term of these contracts then up to 830,644 options could be exercised by KMP as Long Term Incentives (LTI) for nil consideration. Options not yet vested lapse if KMP resign their position.

Information on the relevant performance / vesting criteria of these options is located in the Remuneration Report.

(i) Options issued under the ESOP only vest when performance and vesting conditions are achieved and no options are issued until this occurs. The vesting period is deemed to commence when new contracts are agreed by both parties and it is only then that the business is conditionally obliged to issue options in accordance with contracts.

(ii) A total of forty thousand options vested and were exercised during the year[1]. In accordance with the terms for the grant of these options, ordinary shares issued are held in escrow until the end of the contract period.

[1] Relates to KMP that achieved some performance conditions in respect of KPI targets for the previous financial year.

Directors' Report Cont'd

Shares and Options granted to Executives and Employees cont'd

In accordance with *AASB 2: "Share-based payment"* options have been valued and are or will be accounted for as an expense in the Consolidated Statement of Profit and Loss and Other Comprehensive Income in this or future periods.

The following KMP have pre-existing entitlements relating to the grant of options in previous financial years:

Key Management Personnel	Number of unvested options granted in previous years	Exercise Price	Value per option at grant date	Vesting Date	Expiry Date
B Quick	250,000	Nil cents	35 cents	100% on 01/10/15	01/10/16
Total	**250,000**	**Nil cents**	**35 cents**		

Directors' Shareholdings

The relevant interests of current directors' shares in the Company or a related body corporate as at the date of this report are as follows:

Directors	No. of Fully Paid Ordinary Shares
Ronald Hall[2]	18,662,813
Andrew Moffat[3]	2,371,296
Gary Pert	-
Michelle Guthrie	-
Colm O'Brien	-
Total	**21,034,109**

There were no options on issue to directors' at reporting date.

Meetings of Directors

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director.

During the financial year, eleven board meetings were held.

Directors	Eligible to attend	Attended
Ronald Hall	11	11
Andrew Moffat	11	11
Gary Pert	11	8
Michelle Guthrie	11	8

[2] R Hall holds a beneficial interest through Tosca Boxer Pty Ltd atf Hall Family Trust.

[3] A Moffat holds a direct interest in 2,700 shares and a beneficial interest in shares through the Cowoso Superannuation Fund.

Directors' Report Cont'd

Indemnification of Officers and Auditors

During the financial year, premiums were paid to insure Directors and Officers against liabilities and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an officer, other than conduct involving a wilful breach of duty in relation to the Company.

The amount of the premium is not disclosed under the terms and conditions of the policy.

As at the date of this report, no amounts have been claimed or paid in respect of this indemnity, other than the premium referred to above.

During or since the financial period, the Company has not indemnified or made a relevant agreement to indemnify the auditor against a liability incurred as auditor.

Remuneration Report (Audited)

This Remuneration Report which has been audited outlines director and executive remuneration arrangements in accordance with the requirements of the *Corporations Act 2001* and its regulations.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the business, directly or indirectly, as an executive.

Key Management Personnel disclosed in this report

Non-executive directors	Other key management personnel
Ronald Hall Andrew Moffat Gary Pert Michelle Guthrie	Barrie Quick – Chief Executive Officer Mark Johnson – Program Director Stephen Sweeney – Company Secretary / CFO David Hung – Sales Director Luke Cahill – Agency Sales Manager Greg Scealy – Retail Sales Manager

Principles used to determine the nature and amount of remuneration

The principal objective is to ensure that rewards paid for performance are competitive and commensurate with the results achieved.

The guiding principles for developing executive remuneration are:

- Remuneration should include an appropriate mix of fixed and performance based variable pay components;
- The various components of remuneration should be understandable, transparent and easy to communicate; and
- Remuneration practices should be acceptable to internal and external stakeholders.

In developing budgets, the board sets out to link remuneration policies with financial performance.

Directors' Report Cont'd

Remuneration Report (Audited)

Relationship between remuneration and the company's financial performance

	All in $'000's				
	2015	2014	2013	2012	2011
Profit for year before tax attributable to owners	413	1,453	1,063	1,157	(3)
Profit for year after tax attributable to owners	(79)	953	736	904	825
Basic earnings per share (cents)	(0.1)	1.8	1.4	1.7	1.5
Dividends per share (cents)	2.3	1.6	1.6	1.6	1.5
Dividend payments ($000's)	1,350	911	612	831	535
Dividend payout ratio – underlying earnings (%)	109%	96%	83%	92%	65%
Share price at year end (A$)	0.28	0.31	0.21	0.22	0.30[4]
KMP incentives as % of profit after tax for the year[5]	344%	18%	32%	18%	29%

Components of Key Management Personnel Total Remuneration

In accordance with best practice corporate governance, the structure of non-executive Director and other KMP remuneration is separate and distinct.

Non-executive Directors are remunerated with fees within the aggregate limit approved by shareholders. Each non-executive director receives a fixed fee for being a director. Their remuneration for the period ending 30 June 2015 is detailed on page 29 of this report.

Executive Directors (where applicable) are remunerated based on the market value of the position and the range of skills and skills and experience they bring to the Company.

The Company rewards executives with a level and mix of remuneration commensurate with their position and responsibilities and remuneration structures are reviewed regularly to ensure that:

- remuneration is competitive by market standards;
- rewards are linked with strategic goals and performance; and
- accountabilities are clearly defined to minimise conflicts of interest and promote effective decision making.

Total remuneration is made up of the following elements:

- fixed remuneration;
- short term incentives (STI); and
- long term incentives (LTI).

Fixed remuneration is determined to provide a base level of remuneration appropriate to the position that is competitive with the market and takes account of each individual's experience, qualifications, capabilities and responsibilities and it is benchmarked to ensure that remuneration is competitive with the market median. KMP receive their fixed remuneration in cash. This remuneration is detailed on page 29 of this report.

STI's are based on Key Performance Measures (KPI's) that focus participants on achieving personal / business goals that create sustained shareholder value. STI payments primarily relate to sales based commissions linked to actual performance in a financial year.

STI arrangements are such that there are no maximum or forfeited commission amounts.

[4] Share price on a post-share consolidation basis.

[5] KMP incentives as a percentage of the underlying profit of $1.24 million was 16%.

Directors' Report Cont'd

Remuneration Report (Audited) Cont'd

Components of Key Management Personnel Total Remuneration Cont'd

STI's are dependent on achieving agreed performance targets and they in turn are linked to key business drivers. STI's include financial incentives to individuals for achieving and exceeding monthly, quarterly and annual sales and EBITDA targets.

The CEO is responsible for assessing the performance of individuals against these targets on a periodic basis, and he has the discretion to recommend other STI's over and above target amounts. The CEO presents his recommendations to the full board for approval.

A total of three hundred and ninety thousand options lapsed during the financial year as KPI's were not fully achieved for the previous financial year.

Options are exercisable to an equivalent number of escrowed ordinary shares. A condition of exercising options is that the holder is restricted from dealing in those shares during the escrow period. Details of options granted are disclosed on page 31 of this report.

The following table summarises the performance and vesting conditions for options that may be issued under the LTI plan, as at the date of this report.

The performance conditions required to be achieved by KMP vary depending on the responsibilities and accountabilities of each individual KMP.

Series	Issued	Vesting Timing	Vesting Conditions
Issue 7	28/11/2011	Vest over a four year employment contract	(i) Manage annual budget and business plans; (ii) Identify, manage and mitigate material risks of the business; (iii) Achieving annual EBITDA targets; and (iv) Continuing to be employed at vesting date.
Issue 8	28/06/2012	Vest over a three year employment contract	(i) Develop and grow new business; (ii) Manage and achieve annual group sales budgets; and (iii) Continuing to be employed at vesting date
Issue 8	28/06/2012	Vest over a three year contract period	(i) Manage annual budget and business plans; (ii) Contribute towards achieving annual EBITDA targets; (iii) Manage compliance and liaison with key stakeholders; and (iv) Continuing to be contracted at vesting date.
Issue 9	12/05/2015	Subject to achieving KPI's, options may vest over a three year period	(i) Manage annual budget and business plans; (ii) Identify, manage and mitigate material risks of the business; (iii) Meet key deliverables of role on a consistent basis and contribute to group objectives. (iv) Achieve annual EBITDA targets at business unit and group level; (v) Continuing to be employed at vesting date.

Options exercised and shares issued are subject to escrow and bad leaver provisions.

The practical impact of this provision is that no ordinary shares vest until the last day of the escrow period.

Directors' Report Cont'd

Remuneration Report (Audited) Cont'd

Components of Key Management Personnel Total Remuneration Cont'd

For Long Term Incentives (LTI), the primary objective is to reward staff and KMP in a way that aligns payment of remuneration with generating long term shareholder value.

LTI option grants to KMP and staff are made using a premium or an at market price of the shares under option as a component of the performance hurdle and in addition KMP and staff are required to meet certain length-of-service obligations.

As the fixed or variable component of remuneration is not dependent on share price or dividends, there is no discussion of the relationship between the board's remuneration policy and financial performance, included in this report.

Directors invite individuals to participate in the Employee Share Option Plan (ESOP) whereby they are granted options that can only be exercised subject to achieving service and vesting conditions at the end of specific periods.

There is no intention to provide loans, interest free or otherwise to fund participation in such transactions, however, this is reviewed on an as needs basis.

Use of remuneration consultants

Directors' have not engaged the services of remuneration consultants during the reporting period.

Voting and comments at the Company's 2014 Annual General Meeting (AGM)

The Company received 'yes' votes of 63% on its remuneration report for the 2014 financial year.

The Company did not receive any specific feedback from shareholders at the last AGM relating to its remuneration practices.

Directors' Report Cont'd

Remuneration Report (Audited) Cont'd

Details of Remuneration – Key Management Personnel

Remuneration arrangements for KMP are formalised in employment agreements.

Remuneration packages contain cash salary, commissions, other short term incentives, long service leave, superannuation and the cost of share based payments expensed for LTI's.

Remuneration for each member of KMP for the year ended 30 June 2015 is shown below.

	Short Term Employee Benefits	Short Term Incentives	Short Term Benefits Total	Post Employment Benefits	Share Based Payment	Long Term Employee Benefits	
	Cash Salary/fee $	Commissions $ / %	$	Super-annuation $	LTI Options $ / %	Long service leave $ / %	Total $
2015							
Directors of Pacific Star Network Limited							
R Hall	45,662	-	45,662	4,338	-	-	50,000
A Moffat	68,493	-	68,493	6,507	-	-	75,000
G Pert	45,662	-	45,662	4,338	-	-	50,000
M Guthrie	50,000[6]	-	50,000	-	-	-	50,000
Sub-total	**209,817**	**-**	**209,817**	**15,183**	**-**	**-**	**225,000**
Other Key Management Personnel of the Group							
B Quick	370,195	-	370,195	35,169	19,674 5%	8,640	433,678
M Johnson	165,000	5,500 3%	170,500	16,198	-	3,150	189,848
S Sweeney	96,250[7]	-	96,250	-	1,165 1%	-	97,415
S Sweeney	100,000[8]	-	100,000	9,392	-	-	109,392
G Scealy	120,244	25,255 2%	145,499	13,822	-	-	159,321
D Hung	182,648	61,337 23%	243,985	18,783	1,655 -	4,352	268,775
L Cahill	109,748	78,763 38%	188,511	17,484	-	-	205,995
Sub-total	**1,144,085**	**170,855[9] 12%**	**1,314,940**	**110,848**	**22,494[10] 2%**	**16,142[11]**	**1,464,424**
Total	**1,353,902**	**170,855 12%**	**1,524,757**	**126,031**	**22,494 2%**	**16,142**	**1,689,424**

[6] Employer not required to make compulsory superannuation contributions as director is an overseas resident.

[7] Part time contractor up to 31 December 2014 and fees for his services were paid through a corporate entity during this time.

[8] Became a full time employee effective from 1 Jan 2015.

[9] Includes monthly, quarterly and annual incentives that vested and were payable during the financial year.

[10] Benefit calculated under the Binomial model in respect of the value of share options issued. Refer note 7 of this report.

[11] These KMP became or were entitled to long service leave during the financial year.

Directors' Report Cont'd

Remuneration Report (Audited) Cont'd

Details of Remuneration – Key Management Personnel Cont'd

	Short Term Employee Benefits	Short Term Incentives	Short Term Benefits Total	Post Employment Benefits	Share Based Payment	Long Term Employee Benefits	
	Cash salary/fee $	Commissions $ / %	$	Super-annuation $	LTI Options $ / %	Long service leave $ / %	Total $
2014							
Directors of Pacific Star Network Limited							
R Hall	45,767	-	45,767	4,233[12]	-	-	50,000
A Moffat	68,650	-	68,650	6,350	-	-	75,000
G Pert	45,767	-	45,767	4,233	-	-	50,000
M Guthrie	50,000	-	50,000	-	-	-	50,000
Sub-total	**210,184**	**-**	**210,184**	**14,816**	**-**	**-**	**225,000**
Other Key Management Personnel of the Group							
B Quick	360,235	-	360,235	33,321	24,266 6%	6,924	424,746
M Johnson	163,750	5,500 3%	169,250	15,656	-	3,301	188,207
S Sweeney	165,000[13]	-	165,000	-	6,334 4%	-	171,334
G Moore	130,694	5,184 3%	135,878	12,569	-	14,138	162,585
D Hung	178,490	72,153 26%	250,643	17,775	8,714 3%	2,686	279,818
A Harrison	135,000	53,896 25%	188,896	16,887	-	12,168	217,951
Sub-total	**1,133,169**	**136,733[14] 9%**	**1,269,902**	**96,208**	**39,314[15] 3%**	**39,217[16]**	**1,444,641**
Total	**1,343,353**	**136,733 8%**	**1,480,086**	**111,024**	**39,314 2%**	**39,217**	**1,669,641**

[12] From 1 July 2013, employers required to make compulsory superannuation contributions for employees aged over 70 years.
[13] Remuneration was paid to a corporate entity under a consulting agreement for the provision of his services.
[14] Includes monthly, quarterly and annual incentives that vested and were payable during the financial year.
[15] Benefit calculated under the Binomial model in respect of the value of share options issued. Refer note 7 of this report.
[16] These KMP became or were entitled to long service leave during the financial year.

Directors' Report Cont'd

Remuneration Report (Audited) Cont'd

Details of Share Based Compensation - 2015

Issued to / grant date	Date Vested and Exercisable	Expiry Date	Exercise Price Number	Granted during year Number	Exercised during the year Number	Lapsed during the year Number	Balance at 30 June 2015 Number	Share price at grant date	Risk free interest rate %
B Quick									
28 Nov 11	01 Oct 15	N/a	Nil	-	-	250,000	250,000	29 cents	3.9%
D Hung									
28 Jun 12	01 Oct 14	N/a	Nil	-	-	100,000	-	20 cents	3.0%
12 May 15	30 Sep 17	N/a	Nil	193,548	-	-	193,548	31 cents	3.0%
S Sweeney									
28 Jun 12	01 Oct 14	N/a	Nil	-	40,000	40,000	-	20 cents	3.0%
12 May 15	30 Sep 17	N/a	Nil	193,548	-	-	193,548	31 cents	3.0%
G Murray[17]									
12 May 15	30 Sep 17	N/a	Nil	193,548	-	-	193,548	31 cents	3.0%
Total		**N/a**	**Nil**	**580,644**	**40,000**	**390,000[18]**	**830,644**	**30 cents**	**3.3%**

Share Based Payments

- 830,644 LTI options can be exercised at future dates by KMP, subject to achieving performance conditions.
- 580,644 options over ordinary shares were granted during the financial year.
- 390,000 options lapsed as KPI's were not fully achieved in the previous financial year.
- When exercisable, each option is convertible into one ordinary share in Pacific Star Network Limited.

Details of options over ordinary shares provided as remuneration to KMP from 2011-2015 is set out below.

Key Management Personnel	Granted in previous periods Number	Vested and Exercisable Date	Exercised Number	Lapsed during the term Number	Forfeited during the term Number	Balance at the end of the year Number	Expiry Date	Estimate of min / max grant value $
B Quick	1,000,000	01 Oct 15	100,000	650,000	-	250,000	1/10/15	162,895
D Hung	300,000	01 Oct 14	50,000	250,000	-	-	1/10/14	45,750
	193,548	12 May 15	-	-	-	193,548	30/9/17	39,600
S Sweeney	240,000	01 Oct 14	80,000	160,000	-	-	1/10/14	32,208
	193,548	12 May 15	-	-	-	193,548	30/9/17	39,600
G Murray	193,548	12 May 15	-	-	-	193,548	30/9/17	39,600
Total	**2,120,644**	**N/a**	**230,000**	**1,060,000**	**-**	**830,644**	**N/a**	**359,653**

Assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date and amounts included in the remuneration tables above. Fair values at grant date is independently determined using the binomial approximation option pricing model and takes account of the exercise price, term of the option, impact of dilution share, price at grant date and expected price volatility of the underlying share, expected dividend yield and risk-free interest rate for term of the option.

[17] Not included in KMP for remuneration purposes as Morrison Media was not owned for the full year but options on issue to this employee are shown for disclosure purposes.

[18] Market value of options lapsed in the year was B Quick - $38,525, D Hung - $14,964 and S Sweeney - $5,267, total $58,756.

Directors' Report Cont'd

Remuneration Report (Audited) Cont'd

Details of Share Based Compensation cont'd

Model inputs for options granted up to and including the year ended 30 June 2015 included:

(i) Options were issued for nil consideration and on vesting are exercisable into an equivalent amount of shares. The weighted average fair value of options granted and / or exercised during the year was 31 cents.

(ii) The theoretical exercise price of options granted in November 2011 was 35 cents, in June 2012 was 23 cents and May 2015 is 31 cents.

(iii) The price volatility of the company's ordinary shares used for the purposes of calculating the share based cost for the reporting period was in a range of 50-55%.

(iv) Risk free rate for options issued November 2011 - 3.9 %, June 2012 - 3.0% and May 2015 is 3.0%.

Movement in Equity Instruments held by Key Management Personnel

The number of ordinary shares and options held directly or beneficially during the financial year by each director and KMP including their personally related parties is set out below.

Ordinary Shares	Held at beginning of the year Number	EESP Shares Issued Number	ESOP Shares Issued Number	Placement Shares Issued Number	Held at reporting date Number
R Hall[19]	15,909,707	-	-	2,753,106	18,662,813
A Moffat[20]	704,629	-	-	1,666,667	2,371,296
G Pert	-	-	-	-	-
M Guthrie	-	-	-	-	-
B Quick	109,210	3,713	-	333,334	446,257
M Johnson	133,211	3,713	-	16,667	153,591
S Sweeney[21]	190,000	-	40,000	250,000	480,000
G Scealy	-	-	-	-	-
D Hung	293,211	3,713	-	33,334	330,258
L Cahill	-	3,713	-	-	3,713
Sub total	**17,339,968**	**14,852**	**40,000**	**5,053,108**	**22,447,928**

Ordinary shares are issued as part of remuneration.

Share Options					
B Quick	500,000	-	-	(250,000)	250,000
S Sweeney	80,000	193,548	(40,000)	(40,000)	193,548
D Hung	100,000	193,548	-	(100,000)	193,548
G Murray	-	193,548	-	-	193,548
Sub total	**680,000**	**580,644**	**(40,000)**	**(390,000)**	**830,644**
Total	**18,019,968**	**595,496**	**-**	**4,663,108**	**23,278,572**

No share options are held by Directors or other employees.

[19] R Hall's interest in ordinary shares is held through Tosca Boxer Pty Ltd atf The Hall Family Trust.

[20] A Moffatt's interest in ordinary shares is held individually and through the Cowoso Superannuation Fund.

[21] S Sweeney's beneficial interest in ordinary shares is held through a corporate entity.

Directors' Report Cont'd

Remuneration Report (Audited) Cont'd

Transactions with Key Management Personnel

(i) The Company has a lease agreement with Infuture One Pty Ltd as trustee for Infuture One Trust for office and studio premises. The majority unit holder in the Trust is Ronald Hall, a director and major shareholder of the Company.

The terms and conditions of the lease are on an arms-length basis similar to those negotiable with non-related third parties.

(ii) Profit before income tax includes the following expense resulting from transactions with directors' or director' related entities:

	Consolidated	
	2015 $'000's	2014 $'000's
Lease payments	**403**	392

Service Agreements – Key Management Personnel

Remuneration and other terms of employment for the Chief Executive Officer and other executives are formalised in service agreements. None of the Directors are under contract.

Barrie Quick, Chief Executive Officer

- Term of Agreement is 4 years renewable from 1 December 2015.
- Base salary, inclusive of superannuation, for the year ended 30 June 2015 was $405,363 p.a.
- An annual bonus is payable for achievement of the board approved EBITDA budget.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to six months base salary. Employee can terminate with six months' notice.

Mark Johnson, Group Program Director

- Term of employment is ongoing.
- Base salary, inclusive of superannuation, for the year ended 30 June 2015 was $165,000 p.a.
- An annual bonus is payable for achievement of board approved EBITDA budget.
- A monthly bonus is payable for achievement of broadcast ratings above benchmarks.
- Payment of termination benefit for early termination, other than for gross misconduct, equal to three months base salary. Employee can terminate with three months' notice.

Stephen Sweeney, Company Secretary and Chief Financial Officer

- Term of employment is ongoing.
- Base fee for the year ended 30 June 2015 was $219,000 p.a.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to three months base salary. Employee can terminate with three months' notice.

Greg Scealy, Retail Sales Manager

- Term of Agreement is ongoing.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 was $120,000 p.a.
- Commissions are payable under the contract based on achieving monthly, quarterly and annual sales targets.

Directors' Report Cont'd

Remuneration Report (Audited) Cont'd

Service Agreements – Key Management Personnel Cont'd

- Payment of termination benefit on early termination, other than for gross misconduct equal to three months base salary. Employee can terminate with four weeks' notice.

David Hung, Sales Director

- Term of employment is ongoing.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 was $205,000 p.a.
- Commissions are payable under the contract based on achieving monthly, quarterly and annual sales targets.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to three months base salary. Employee can terminate with three months' notice.

Luke Cahill, Agency Sales Manager

- Term of employment is ongoing.
- Base salary, inclusive of superannuation for the year ended 30 June 2015 was $120,175 p.a.
- Commissions are payable under the contract based on achieving monthly, quarterly and annual sales targets.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to one month's base salary. Employee can terminate with four weeks' notice.

The 2014 remuneration report was approved at the AGM held on 26 November 2014.

End of Audited Remuneration Report

Non Audit Services

The Company may decide to employ the auditors on assignments additional to their statutory audit duties where the auditors' expertise and experience is considered important.

The value of non-audit services performed by the auditor during the year was $77,427 (2014: $27,558) and related to the provision due diligence and tax advice. The Board is satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001,* for the following reasons:

(i) all non-audit services have been reviewed by the board to ensure they do not impact the impartiality and objectivity of the auditor; and

(ii) none of the services undermine the general principles relating to auditor independence as set out in the *Corporations Act 2001* including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity, or acting as advocate, or jointly sharing economic risk and rewards.

Details of fees paid (including for non-audit services) to the auditor are disclosed in note 8.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2015 as required under Section 307(c) of the *Corporations Act 2001* has been received and is located on page 36 of this report.

Directors' Report Cont'd

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of, or to intervene in proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

Directors' Interests in Contracts

Directors' interests in contracts are disclosed on page 33 and in note 25(c) of this report.

Rounding of Amounts

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

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors,

Andrew Moffat
Chairman

Melbourne, 29 September 2015

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

As lead auditor of Pacific Star Network Limited for the year ended 30 June 2015, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 29 September 2015

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INDEPENDENT AUDITOR'S REPORT

To the members of Pacific Star Network Limited

Report on the Financial Report

We have audited the accompanying financial report of Pacific Star Network Limited, which comprises the consolidated statement of financial position as at 30 June 2015, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial* Statements, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

(a) the financial report of Pacific Star Network Limited is in accordance with the *Corporations Act 2001,* including:

(b) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(c) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(d) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 34 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Pacific Star Network Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001.*

BDO East Coast Partnership

BDO

David Garvey
Partner

Melbourne, 29 September 2015

Directors' Declaration

In the opinion of the Directors' of Pacific Star Network Limited

a) the financial statements and notes set out on pages 40 to 82 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 30 June 2015 and of its performance for the financial year ended on that date; and

   (ii) Complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

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

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

c) the Directors' have been given the declarations required by section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015*.*

d) the remuneration disclosures included at pages 25 to 34 of the Directors' Report (Audited Remuneration Report) for the year ended 30 June 2015 comply with section 300A of the *Corporations Act 2001*.

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

On behalf of the Directors,

Andrew Moffat
Chairman

Melbourne, 29 September 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Financial Year Ended 30 June 2015

	Notes	30 June 2015 $'000's	30 June 2014 $'000's
REVENUE	**2**	**20,868**	15,229
Sales and marketing expenses		**(3,514)**	(2,959)
Occupancy expenses		**(741)**	(637)
Administration expenses		**(3,624)**	(2,780)
Technical expenses		**(6,917)**	(5,853)
Production / creative expenses		**(3,384)**	(796)
Morrison Media acquisition costs		**(1,319)**	-
Corporate expenses		**(727)**	(703)
Finance costs		**(244)**	(31)
Investments accounted for using the equity method	**12**	**15**	(17)
EXPENSES		**(20,455)**	(13,776)
PROFIT BEFORE INCOME TAX		**413**	1,453
Income tax expense	**5**	**(492)**	(500)
(LOSS) / PROFIT FOR THE YEAR AFTER INCOME TAX		**(79)**	953
Other comprehensive income net of tax		**-**	-
COMPREHENSIVE (LOSS) / PROFIT FOR THE YEAR		**(79)**	953
EARNINGS PER SHARE			
Basic (cents per share)	**20**	**(0.1)**	1.8
Diluted (cents per share)	**20**	**(0.1)**	1.8

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 2015

	Notes	30 June 2015 $'000's	30 June 2014 $'000's
CURRENT ASSETS			
Cash and cash equivalents	**25(a)**	**3,569**	4,056
Trade and other receivables	**9**	**4,161**	2,577
Prepayments		**855**	521
TOTAL CURRENT ASSETS		**8,585**	7,154
NON-CURRENT ASSETS			
Property, plant and equipment	**10**	**1,909**	1,709
Deferred tax asset	**11**	**433**	381
Receivables from associate	**12**	**132**	231
Investments accounted for using the equity method	**12**	**147**	133
Intangibles	**13**	**20,419**	9,083
TOTAL NON-CURRENT ASSETS		**23,040**	11,537
TOTAL ASSETS		**31,625**	18,691
CURRENT LIABILITIES			
Trade and other payables	**14**	**3,848**	2,136
Income tax	**14**	**373**	449
Provisions	**16**	**856**	516
Borrowings	**17**	**-**	584
TOTAL CURRENT LIABILITIES		**5,077**	3,685
NON-CURRENT LIABILITIES			
Borrowings	**17**	**7,000**	-
Deferred tax liability	**15**	**928**	-
Provisions	**16**	**75**	73
TOTAL NON-CURRENT LIABILITIES		**8,003**	73
TOTAL LIABILITIES		**13,080**	3,758
NET ASSETS		**18,545**	14,933
EQUITY			
Issued capital	**18**	**21,463**	16,444
Share based payment reserve		**696**	674
Accumulated losses	**19**	**(3,614)**	(2,185)
TOTAL EQUITY		**18,545**	14,933

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 2015

	Notes	Issued Capital $'000's	Share Based Payment Reserve $'000's	Accumulated Losses $'000's	Total $'000's
TOTAL EQUITY AT 1 JULY 2014		**16,444**	**674**	**(2,185)**	**14,933**
Loss after income tax		**-**	**-**	**(79)**	**(79)**
Other comprehensive income	**19**	**-**	**-**	**-**	**-**
Total comprehensive loss		**-**	**-**	**(79)**	**(79)**
Transactions with owners in their capacity as owners					
Share buy-back scheme	**18**	**(11)**	**-**	**-**	**(11)**
Dividends paid	**19**	**-**	**-**	**(1,350)**	**(1,350)**
Issue of share capital[22]		**30**	**-**	**-**	**30**
Issue of share capital - Placement[23]		**4,000**	**-**	**-**	**4,000**
Issue of share capital – SPP[24]		**1,000**	**-**	**-**	**1,000**
Amortisation of share options granted		**-**	**22**	**-**	**22**
TOTAL EQUITY AT 30 JUNE 2015		**21,463**	**696**	**(3,614)**	**18,545**
TOTAL EQUITY AT 1 JULY 2013		16,531	634	(2,201)	14,964
Profit after income tax		-	-	953	953
Other comprehensive income	**19**	-	-	-	-
Total comprehensive income		-	-	953	953
Transactions with owners in their capacity as owners					
Share buy-back scheme	**18**	(113)	-	-	(113)
Dividends paid	**19**	-	-	(911)	(911)
Issue of share capital[25]		26	-	(26)	-
Amortisation of share options granted		-	40	-	40
TOTAL EQUITY AT 30 JUNE 2014		16,444	674	(2,185)	14,933

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

[22] Issued 111,390 ordinary shares for nil consideration under Exempt Employee Share Plan (EESP) in the financial year.
[23] On 12 December 2014, the company issued 13,333,334 ordinary shares in a placement at 30 cents to raise $4.0 million.
[24] On 18 December 2014, the company issued 3,389,823 ordinary shares in a SPP at 29.5 cents to raise $1.0 million.
[25] In the previous financial year, issued 126,828 ordinary shares for nil consideration under the Company's EESP.

Consolidated Statement of Cash Flows
for the Financial Year Ended 30 June 2015

	Notes	Inflows / (Outflows) 30 June 2015 $'000's	30 June 2014 $'000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**23,304**	17,449
Payments to suppliers and employees (inclusive of GST)		**(20,530)**	(15,271)
Interest received		**49**	93
Interest and other costs of finance paid		**(222)**	(31)
Income taxes paid		**(620)**	(75)
Net cash provided by operating activities before Morrison Media acquisition costs		**1,981**	2,165
Payment for Morrison Media acquisition costs		**(1,183)**	-
Net operating cash flows after Morrison Media acquisition costs	**26(b)**	**798**	2,165
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for acquisition of Morrison Media		**(10,930)**	-
Payment for property, plant and equipment		**(308)**	(486)
Loans to associate entity		**(99)**	(3)
Net cash used in investing activities		**(11,337)**	(489)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**5,000**	-
Proceeds from borrowings		**7,000**	228
Repayment of borrowings		**(587)**	(199)
Dividends paid		**(1,350)**	(911)
Payment for buy back of equity securities		**(11)**	(132)
Net cash provided by / (used in) financing activities		**10,052**	(1,014)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(487)**	662
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**4,056**	3,394
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**26(a)**	**3,569**	4,056

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

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

These policies have been consistently applied for the year presented unless stated otherwise.

Basis of Preparation

The general purpose financial statements have been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

All amounts are presented in Australian dollars, unless otherwise stated.

The consolidated financial statements include the information contained in the financial statements of Pacific Star Network Limited and each of its controlled entities as from the date the parent entity obtains control until such time as control ceases.

Separate financial statements for Pacific Star Network Limited as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001.*

However, limited financial information for this individual entity is included in note 28 of the financial statements.

Pacific Star Network Limited is a company limited by shares and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

Statement of Compliance with IFRS

This report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

This report is to be read in conjunction with any other public announcements made by Pacific Star Network Limited during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Australian Stock Exchange Listing Rules.

Australian Accounting Standards include International Financial Reporting Standards (IFRS) as adopted in Australia. The financial statements and notes of Pacific Star Network Limited comply with International Financial Reporting Standards (IFRS).

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Significant Accounting Policies Cont'd

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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Estimates and underlying assumptions are reviewed on an ongoing basis.

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.

New, revised or amending Accounting Standards and Interpretations adopted

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 current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations is disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB1031 Materiality

This standard has been revised and reissued as an interim step in a plan to completely withdraw this standard. The standard has been amended to remove the existing guidance on materiality contained therein and instead cross-reference it to other standards and the new conceptual framework document *Framework for the Preparation and Presentation of Financial Statements* that contain guidance on materiality.

The revised standard is effective from 1 January 2014 and early adoption is not permitted. The amended standard is accompanied by an amending standard AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments* which included consequential amendments to a wide range of other standards and interpretations.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments provide guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 *'Financial Instruments: Presentation'*, by clarifying the meaning of 'currently has a legally enforceable right of set-off'. The adoption of the amendments since 1 July 2014 has not had a material impact on the consolidated entity.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Significant Accounting Policies Cont'd

New, revised or amending Accounting Standards and Interpretations adopted

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 *'Impairment of Assets*' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

The adoption of the amendments since 1 July 2014 has not had a material impact, however, it may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations.

The adoption of the amendments since 1 July 2014 has not had a material impact on the consolidated entity.

AASB 2013-7 Amendments to AASB1038 arising from AASB 10 in relation to Consolidation, and Interests of Policyholders

This standard makes amendments to AASB 1038 *Life Insurance Contracts* that arise from AASB 10 *Consolidated Financial Statements* in relation to consolidation and interests of policyholders.

The adoption of the amendments since 1 July 2014 has not had a material impact on the consolidated entity.

New Accounting Standards and Interpretations not yet mandatory or early adopted

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) *'Financial Instruments*: *Recognition and Measurement'.* This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Significant Accounting Policies Cont'd

New Accounting Standards and Interpretations not yet mandatory or early adopted

AASB 9 Financial Instruments and its consequential amendments cont'd

Chapter 6 *'Hedge Accounting'* supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks.

The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.

The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2013-9 Amendments to Australian accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Part C of this Standard amends AASB 9 Financial Instruments to add Chapter 6 Hedge accounting and makes consequential amendments to AASB 9 and numerous other Standards. Part C also amends AASB 9 to permit requirements relating to the 'own credit risk' of financial liabilities measured at fair value to be applied without applying the other requirements of AASB 9 at the same time.

Furthermore, Part C of this Standard amends the mandatory effective date of AASB 9 so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2017 instead of 1 January 2015.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Significant Accounting Policies Cont'd

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, ensuring that the substance of the underlying transactions or other events is reported.

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Pacific Star Network Limited (the parent entity) and all entities which 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 inter-company balances and transactions have been eliminated in full.

A list of controlled entities appears in note 23 of this report.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report.

a) Borrowing Costs

Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

b) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed and equity instruments issued by the Company in exchange for control of the acquiree.

Acquisition related costs are recognised in the profit and loss account as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 "*Business Combinations*" are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with AASB 5 "*Non-current Assets held for Resale and Discontinued Operations*" which are recognised at their fair value less costs to sell.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the interest in the fair value of the acquiree's net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit and loss.

c) Changes in Accounting Policies

There have been no changes in accounting policies since the last financial period.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Accounting Policies Cont'd

d) *Cash and Cash Equivalents*

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Bank overdrafts (where applicable) are shown within borrowings in current liabilities in the statement of financial position.

e) *Employee Entitlements*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

A liability and expense for bonuses is recognised where contractually obliged or where there is a past practice that has created a constructive obligation.

Provisions made in respect of wages and salaries, annual leave, sick leave, and other employee entitlements expected to be settled within twelve months, are measured at their nominal values.

Provisions made in respect of other employee entitlements which are not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees to the reporting date.

f) *Earnings per Share*

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary share issues during the year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the amounts used in determining basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shareholders and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

g) *Financial assets*

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Accounting Policies Cont'd

h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or part of an item of expense;

(ii) for receivables and payables which are recognised inclusive of GST; and

(iii) the net amount of GST recoverable from, or payable to, the ATO is included as a receivable or payable.

Cash flows are included in the statement of cash flows on a gross basis.

The component of cash flows arising from investing / financing activities which is recoverable from / or payable to the ATO is classified as an operating cash flow.

i) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the loans and borrowings.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the profit and loss when the liabilities are derecognised as well as through the amortisation process.

j) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and where applicable, any adjustment recognised for prior periods.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

(i) When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

(ii) When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Accounting Policies Cont'd

j) Income Tax Cont'd

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Pacific Star Network Limited (the “Company”) and its wholly-owned controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts.

The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group.

The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

k) Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity but are recognised as expenses through the profit and loss statement.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Accounting Policies Cont'd

l) Investments in Controlled Entities, Associates and Joint Ventures

Investments in controlled entities are recorded at cost less any impairment losses in the parent entity disclosures in note 28 of this report.

Investments in associates and joint ventures are accounted for in the financial statements by applying the equity method of accounting. The equity method of accounting reflects the treatment of equity investments in associate companies. An investor's proportional share of the associate company's net income increases the investment (and a net loss decreases the investment), and proportional payments of dividends decrease it. In the investor's income statement, the proportional share of the investee's net income or net loss is reported as a single-line item. Accordingly, investments in associates and joint ventures is carried in the Statement of Financial Position at cost plus any post-acquisition changes in the share of net assets of the associate and joint venture less any impairment in value.

When the business has significant influence over an entity that is not jointly controlled it is deemed an associate. A joint venture is one which the company controls with other parties in equal proportions.

m) Intangible Assets

(i) 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. They are tested for impairment annually and at each reporting date to assess whether there is an indication that the carrying value may be impaired.

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

(iii) Mastheads and brands are considered to have an indefinite useful live and accordingly are not amortised, however, they are tested for impairment annually and at each reporting date to assess whether there is an indication that the carrying value may be impaired.

(iv) 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, (if any).

(v) Intangible assets with a finite life such as websites and customer lists 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
- Customer lists – 5 years

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Accounting Policies Cont'd

n) Impairment of Assets

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 assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's 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 which are largely independent of the cash flows from other assets or groups of assets (cash generating units).

Non-financial assets other than goodwill that have been impacted by impairment are reviewed for possible reversal of the impairment at each reporting date.

Radio licences, mastheads, brands and goodwill are tested annually for impairment at cash generating unit level.

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.

o) Leased Assets

Assets acquired under finance leases are classified as property, plant and equipment.

The amount initially brought to account is the fair value of the leased assets or if lower the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the asset. Finance lease payments are apportioned between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a straight line basis.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Accounting Policies Cont'd

p) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow and the cost of the item can be measured reliably.

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing sales proceeds with the carrying amount. These are included in the Statement of Profit or Loss.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items.

Depreciation is provided on a straight line basis so as to write down the cost of assets in use, net of residual values over their expected useful life.

The following estimated useful lives are used in determining the calculation of depreciation:

- Computer equipment – 4 years
- Motor vehicles – 5 years
- Office equipment – 5 years
- Fixtures and fittings – 7 years
- Studio facilities – 8 years
- Plant and equipment – 10 years

q) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that the recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Accounting Policies Cont'd

r) *Trade Receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Trade receivables are generally due for settlement within 30-45 days.

The collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Trade receivables and other receivables are recorded at original invoice amount less any allowance for doubtful debts. Bad debts are written off as incurred. An estimate of doubtful debts is made when collection of the full amount is no longer probable.

s) *Trade and Other Payables*

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Accounts payable are initially measured at fair value, and subsequently at amortised cost.

t) *Revenue Recognition*

(i) Advertising Revenue

Advertising revenue is derived from the sale of advertising time or placement of advertising in magazines to local and national advertisers. Revenue is recognised when advertising goes to air or a magazine is published and is billed to the client.

Other regular sources of operating revenue are derived from commercial production for advertisers and the sale of programming. Revenue from commercial production and programming sale is recognised on invoice at the time of completion of the commercial or sale.

(ii) Publishing Revenue

Revenue represents sales of magazines, subscriptions and merchandise. Revenue is recognised when a customer makes a purchase and it is delivered to the customer. In some cases, determination of revenue involves using estimates based on third party sales data provided by the distributor, internal forecasts and historical sales trends.

(iii) Interest Income

Interest is recognised as it accrues, taking account of the yield on the financial asset.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

1. Summary of Accounting Policies Cont'd

u) *Rounding of Amounts*

The Company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission (ASIC), relating to "rounding off" of amounts in the financial report.

Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

v) *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).

w) *Share Based Payments*

Executive Share Option Plan (ESOP) / Exempt Employee Share Plan (EESP)

Benefits are provided to employees in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity settled transactions).

The cost of these equity settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of such transactions are recognised as an expense, together with a corresponding increase in equity, over the period in which the performance conditions (where applicable) are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the award ('vesting date').

The fair value of options included in the remuneration report was determined using the binomial approximation model. This model takes into account at grant date the exercise price, expected life of the option, vesting criteria, current price and its expected volatility, dividends and risk free interest rate for expected life of the option.

Options are issued pursuant to the Employee Share Option Plan (ESOP) and have expiry dates of up to forty eight months from their date of grant. The option pricing model values each vesting portion and accordingly the amortised share based compensation disclosed in the remuneration report includes the apportioned value of any options issued during the financial year.

The charge for a period represents the difference in the cumulative expense recognised at the beginning and end of that period and is reflected in note 2.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors, will ultimately vest.

The Company has established a Share Based Payment Reserve (SBPR). This reserve reflect the cumulative expense recognised from inception to the reporting date for all equity settled transactions.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	Consolidated	
	2015 $'000's	2014 $'000's

2. Profit from Continuing Operations

Profit from continuing operations before income tax includes the following:

a) ***Revenue from Continuing Activities***

Sales revenue	**20,597**	14,970
	20,597	14,970
Non-Operating Revenue		
Interest revenue: Other entities	**77**	93
Other	**194**	166
	271	259
Revenue from continuing operations	**20,868**	15,229
Associate profit / (loss):		
Digital Radio Broadcasting Melbourne Pty Ltd	**15**	(17)

b) ***Expenses***

Bad and doubtful debts – trade receivables	**-**	74
Depreciation / amortisation of non-current assets:		
Property, plant and equipment	**478**	427
Intangible assets – websites	**10**	46
Intangible assets – customer lists	**345**	-
Operating lease rental expenses:		
Minimum lease payments – premises	**459**	392
Employee benefits expense	**7,695**	5,523
Defined contribution superannuation expense	**661**	482
Share based payments – ESOP / EESP	**53**	65

3. Critical accounting judgements / sources of uncertainty

Management is required to make judgements, estimates, and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. In doing so, management makes certain estimates and assumptions concerning the future, which by definition will seldom represent actual results.

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

Estimates and assumptions have been utilised this reporting period for:

(i) Valuation of share options - note 7 of this report and;
(ii) Estimating copy sales of magazines (where applicable) – note 1 (t) (ii)
(iii) Impairment testing of intangible assets with indefinite useful lives - note 1 (m) and (n) and note 13 of this report and impairment of receivables - note 9 (b).

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

4. Financial Risk Management

Financial instruments consist mainly of cash and short term deposits with banks, accounts receivable, payables, and intercompany / third party loans.

There were no derivative instruments at reporting date. The board reviews and agrees policies for each of these risks as summarised below.

Risk Exposures and Responses

The primary risk exposure is to interest rate, foreign currency, credit, and liquidity risk.

a) *Interest Rate Risk*

Interest rate risk arises from deposits and loans. Interest income varies with interest rates. A one per cent increase / decrease in deposit rates would change trading results by +/- $25,768 thousand (2014: +/- $11,000). An increase / decrease in loan rates would change trading results by +/- $46,922 thousand (2014: +/- $7,000).

Risk is managed by taking account of the interest rate environment, movements in variable / fixed rate interest rates, availability of alternative products, our cash flow position and advice from bankers.

At reporting date, the Company had a mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2015 $'000's	2014 $'000's
Financial Assets		
Cash and cash equivalents	**3,569**	4,056
	3,569	4,056
Financial Liabilities		
Bank loans	**7,000**	584
	7,000	584
Net exposure	**(3,431)**	3,472

Consideration is given to interest rate exposure and to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

b) *Foreign Currency Risk*

Business operations are located in Australia and there is minimal transactional currency exposure.

At 30 June 2015, exposure to foreign currency trade receivables not designated in cash flow hedges was Nil (2014: Nil). At reporting date, there were no committed foreign currency purchases and no foreign currency denominated financial assets or liabilities. Income / operating cash flows are not materially exposed to changes in foreign currency movements. On this basis, management has concluded that it is not necessary to use sensitivity analysis to monitor or measure foreign currency risks.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

4. Financial Risk Management Cont'd

b) *Foreign Currency Risk cont'd*

Fair Value

Methods for estimating fair values are outlined in the notes to the financial statements.

Unless otherwise stated carrying value approximates to fair value.

Credit Risk

Credit risk arises from financial assets such as cash and cash equivalents, trade and other receivables.

At reporting date, the maximum exposure to credit risk on recognised financial assets is the carrying amount, net of any provisions for impairment of those assets as disclosed in the ageing analysis in note 9(b).

Exposure at reporting date where applicable is addressed in each applicable note.

It is trading policy to transact only with recognised and creditworthy third parties. Collateral is not requested nor is it the policy to securitise trade and other receivables.

Trade receivables are monitored on an ongoing basis to minimise potential exposure and consequently bad debts as a percentage of sales is not considered material.

The business does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the business.

Capital Risk Management

The objective in managing capital is to safeguard the company's ability to continue as a going concern, to generate returns for shareholders and to maintain a capital structure that minimises costs of capital. Gearing ratio at reporting date was 16% (2014: 3.5%).

c) *Liquidity Risk*

Liquidity risk is managed by forecasting and monitoring cash flows on an ongoing basis.

The primary objective is to maintain flexibility whilst having access to continuity of funding. The business has $7.0 million of loans owing at reporting date and this loan is due to be fully repaid by December 2017.

The contractual maturity of other financial liabilities of $4.221 million (2014: $2.585 million) is predominantly less than 6 months.

The maturity analysis for financial assets and liabilities is based on contractual obligations, including the loan receivable from Digital Radio Broadcasting Melbourne Pty Ltd of $147,000, and is set out in the table on the next page.

The risks implied from the values disclosed in the table reflects a balanced view of cash inflows, outflows, payables, loans and other financial liabilities that originate from the financing of assets used in ongoing operations such as property, equipment and investments in working capital such as receivables.

These assets are fully considered in assessing liquidity risk.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

4. Financial Risk Management Cont'd

2015	≤ 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Financial Assets					
Cash & cash equivalents	3,569	-	-	-	3,569
Trade, other receivables and prepayments	5,016	-	-	-	5,016
	8,585	**-**	**-**	**-**	**8,585**
Financial Liabilities – Non Interest Bearing					
Trade & other payables	(3,848)	-	-	-	(3,848)
Financial Liabilities – Interest Bearing					
Loans - contractual[26]	-	-	(7,000)	-	(7,000)
	(3,848)	**-**	**(7,000)**	**-**	**(10,848)**
Net maturity	**4,737**	**-**	**(7,000)**	**-**	**2,263**

2014	≤ 6 months $'000	6-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Financial Assets					
Cash & cash equivalents	4,056	-	-	-	4,056
Trade, other receivables and prepayments	3,098	-	-	-	3,098
	7,154	-	-	-	7,154
Financial Liabilities – Non Interest Bearing					
Trade & other payables	(2,137)	-	-	-	(2,137)
Financial Liabilities – Interest Bearing					
Loans - contractual	(154)	(154)	(276)	-	(584)
	(2,291)	(154)	(276)	-	(2,721)
Net maturity	4,863	(154)	(276)	-	4,433

[26] In accordance with the repayment terms of this loan, the balance outstanding been classified as a non-current liability at reporting date.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

5. Income Tax

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

	Consolidated 2015 $'000's	Consolidated 2014 $'000's
Profit before income tax expense	**413**	1,453
Income tax expense calculated at 30%	**124**	436
Non allowable expenses	**326**	24
Deductible expenses / non assessable income	**(5)**	-
	445	460
Income tax – under provision for prior years	**47**	40
Income tax expense	**492**	500

b) Income tax expense

	2015 $'000's	2014 $'000's
Current tax	**440**	395
Deferred tax	**52**	105
	492	500

c) Deferred tax assets not brought to account

	2015 $'000's	2014 $'000's
Non-utilised tax losses for which no tax deferred asset is recognised	**13,196**	14,994
Potential tax benefits at 30%	-	-

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

(i) assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised;

(ii) conditions for deductibility imposed by the law are complied with; and

(iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

In prior periods, directors' formed the opinion that the business was not in a position to satisfy the criteria for utilising available historical income tax losses.

d) Contingent Liability

In considering the income tax liability at reporting date, the Company has not yet fully evaluated whether there are any resulting taxation events that arise from the acquisition of the Morrison Media business in late 2014.

Consequently, at reporting date, taxation calculations have not been finalised in relation to that acquisition transaction.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

5. Income Tax Cont'd

e) Tax Consolidation

Entities in the tax consolidated group have entered into a tax sharing arrangement that limits the joint and several liability of the wholly owned entities in the case of a default by the parent entity, Pacific Star Network Limited.

The entities have also entered into a tax funding agreement under which each wholly owned entity fully compensates the parent entity for any current tax payable assumed and are compensated for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the parent entity under the tax consolidation legislation.

6. Key Management Personnel Compensation

a) ***Details of Key Management Personnel (KMP)***

Detailed remuneration disclosures are included in the Directors' Report in accordance with section 300A of the *Corporations Act 2001*.

b) ***Compensation of Key Management Personnel***

	Short Term Employee Benefits	Short Term Employee Incentives	Short Term Benefits Total	Post Employment Benefits	Share Based Payment	Long Term Employee Benefits	Total
	$	$	$	$	$	$	$
2015	**1,353,902**	**170,855**	**1,524,757**	**126,031**	**22,494**	**16,142**	**1,689,424**
2014	1,343,353	136,733	1,480,086	111,024	39,314	39,217	1,669,641

7. Share Based Payments

Employee Share Option Plan

The Company operates an Employee Share Option Plan (ESOP).

The Plan is designed to provide short and long-term incentives for employees of Pacific Star Network Limited and associated companies, by allowing them to participate in the future growth of the business and generate improved shareholder returns.

Under the Plan, directors' may in their absolute discretion, offer to grant options to eligible recipients.

The options can be granted for nil consideration and carry rights in favour of the option holder to subscribe for one ordinary share for each option issued.

Employees joining after commencement of the plan are eligible recipients and all shares issued on exercise of options rank parri-passu with issued shares.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

7. Share-Based Payments

a) *Employee Share Option Plan cont'd*

Fair value of options granted

The fair value at grant date is determined using a binomial approximation model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted in previous financial years included:

(i) Options are issued for nil consideration and on vesting are exercisable for up to one year.

(ii) The exercise price for all outstanding options is nil.

(iii) Grant and expiry dates for each option issue is listed on the next page.

(iv) Expected price volatility is within the range of 50-55%. Volatility was determined using data reports from the Australian Graduate School of Management (AGSM) and this data was utilised to value the options.

(v) Expected long term average dividend yield – 7.5%.

(vi) Risk free rate of 3.88% at 28 November 2011, 2.97% at 28 June 2012 and $3.0% at 12 May 2015.

The weighted average fair value of options granted and exercised during the year was 30 cents (2013: nil cents).

Details of share options issued under the ESOP are shown on the next page.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

7. Share-Based Payments Cont'd

a) Employee Share Option Plan Cont'd

2015								
Grant Date	Expiry Date	Exercise Price Number	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at the end of the year Number	Vested and exercisable at end of the year Number
28 Nov 2011 Issue 7	30 Oct 2015	Nil cents	500,000	-	-	(250,000)	250,000	-
28 Jun 2012 Issue 8	20 Oct 2014	Nil cents	180,000	-	(40,000)	(140,000)	-	-
12 May 2015 Issue 9	30 Sep 2017	Nil cents	-	580,644	-	-	580,644	-
Total		**-**	**680,000**	**580,644**	**(40,000)**	**(390,000)**	**830,644**	**-**
Weighted Average Exercise Price		**N/a**	**Nil cents**	**N/a**	**N/a**	**26 cents**	**30 cents**	**-**

The weighted average remaining contractual life for all outstanding options at the end of the financial year is 2.1 years (2014: 1.0 years).

There were no other options issued to KMP during the financial year.

2014								
Grant Date	Expiry Date	Exercise Price Number	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at the end of the year Number	Vested and exercisable at end of the year Number
28 Nov 2011 Issue 7	30 Oct 2015	Nil cents	750,000	-	-	(250,000)	500,000	-
28 Jun 2012 Issue 8	20 Oct 2014	Nil cents	360,000	-	-	(180,000)	180,000	-
Total			**1,110,000**	**-**	**-**	**(430,000)**	**680,000**	**-**
Weighted Average Exercise Price		**N/a**	**Nil cents**	**N/a**	**N/a**	**30 cents**	**27 cents**	

b) Exempt Employee Share Plan (EESP)

The Company operates an EESP to enable all employees to participate in the growth and success of the business.

Under the Plan, each year, employees are invited to apply for up to $1,000 of ordinary shares subject to meeting certain conditions including:

(i) Being a full, part or casual employee in continuous service for specified months of each calendar year;

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

7. Share-Based Payments Cont'd

b) *Exempt Employee Share Plan (EESP) cont'd*

(ii) The benefit of the grant of shares is that they are tax free in the hands of the recipient subject to retaining them for a period of three years from date of issue.

The Company issued 111,390 shares to thirty qualifying employees during the year.

The effective price of shares issued was 27 cents each and the total cost was $30,000.

c) *Payments for Services*

There were no options issued for services during this or the previous financial year.

8. Remuneration of Auditors

During the financial year, fees were paid or are payable for services provided by the current auditor, BDO East Coast Partnership.

	Consolidated	
	2015 $	*2014 $*
Audit and assurance services:		
Audit and review of financial statements	**64,500**	51,500
Other services:		
Taxation services	**77,427**	27,558
Total	**141,927**	79,058

9. Trade and Other Receivables

	Consolidated	
	2015 $'000's	2014 $'000's
a) Current Receivables		
Trade receivables	**4,190**	2,647
Less provision for doubtful debts	**(203)**	(224)
	3,987	2,423
Other	**174**	154
	4,161	2,577
b) Provision for impairment loss		
Balance at 1 July 2014	**224**	511
Charge for the year	**-**	74
Receivables balances written off	**(21)**	(361)
Balance at 30 June 2015	**203**	224

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

9. Trade and Other Receivables

b) *Provision for impairment loss cont'd*

Trade receivables are non-interest bearing and operate on 30-45 day credit terms.

A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

An impairment loss provision of $Nil (2014: $73,556) was recognised as an expense during the financial year.

At reporting date, the ageing analysis of past due trade receivables was as follows:

		0-30 days $'000's	30-60 days $'000's	60-90 days $'000's	91+ days $'000's	Total $'000's
2015	**Consolidated**	-	167	115	356	638
		-	**167**	**115**	**356**	**638**
2014	Consolidated	-	80	20	243	343
		-	**80**	**20**	**243**	**343**

Receivables outside of normal credit terms of 90+ days but not considered past due were $153,046 (2014: $18,000) and relates to clients on payment plans / deferred settlement.

Other balances within trade and other receivables do not contain impaired assets, are not considered past due and it is assumed these balances will be settled in full.

Related party receivables

The fair value of related party receivables cannot be reliably measured.

Whilst these entities make regular repayments of outstanding balances, there are no immediate plans or compelling business reasons to settle the full amount.

These receivables are non-interest bearing.

Fair value and credit risk

Due to the short term nature of trade receivables, their carrying value is assumed to approximate to fair value. The maximum exposure to credit risk is the balance owed on receivables, net of any allowances for doubtful debts.

No collateral is held, nor is it the policy to transfer or on-sell receivables to special purpose entities.

Foreign exchange and interest rate risk

Details of foreign exchange and interest rate risk exposure are disclosed in note 4 of the financial statements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

10. Property, Plant & Equipment

	Consolidated 2015 $'000's	Consolidated 2014 $'000's
Carrying Amount (at cost)		
Balance at start of the year	**7,225**	6,760
Additions	**678**	485
Disposals	**-**	(20)
Balance at end of the year	**7,903**	7,225
Accumulated Depreciation		
Balance at start of the year	**5,516**	5,089
Depreciation expense for the year	**478**	427
Balance at end of the year	**5,994**	5,516
Net Book Value		
Balance at start of the year	**1,709**	1,671
Balance at end of the year	**1,909**	1,709

Depreciation charged during the year is recognised as an expense and disclosed in note 2(b) of the financial statements.

11. Deferred Tax Assets

Deferred tax asset comprises temporary differences attributable to:

	2015	2014
Amounts recognised in profit or loss		
Doubtful debts	**51**	67
Employment provisions	**246**	177
Prepaid subscriptions	**157**	-
Accrued expenses	**49**	292
Prepaid rights fees	**(70)**	(155)
Deferred tax asset	**433**	381
Movements		
Balance at 1 July 2014	**381**	485
Charge to profit or loss for the year	**52**	**(104)**
Balance at 30 June 2015	**433**	**381**

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	Consolidated	
	2015 $'000's	2014 $'000's

12. Investments accounted using the equity method

Digital Radio Broadcasting Melbourne Pty Ltd	**147**	133
	147	133

The shareholding in Digital Radio Broadcasting Melbourne Pty Limited is accounted for using the equity method of accounting and the current shareholding is 18.2%.

The Company is considered to have significant influence due to its voting rights.

For the reporting period, the Company recorded an increase in the value of the investment of $15,000 (2014: $17,000 loss).

The Company provides an interest free loan with no fixed repayment terms.

Repayments of $99,000 were received on this loan during the year and the remaining loan balance at reporting date was $132,000 (2014: $231,000).

Information relating to the joint venture is set out below.

Associate gross assets and liabilities

Current assets	**819**	802
Non-current assets	**914**	1,462
Total assets	**1,733**	2,264
Current liabilities	**81**	261
Non-current liabilities	**842**	1,275
Total liabilities	**923**	1,536
Net assets	**810**	728

Associate gross revenue, expenses and results

Revenues	**1,772**	1,490
Expenses	**(1,634)**	(1,501)
Profit for the year before tax	**138**	(11)

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

13. Intangible Assets

	Consolidated 2015 $'000's	Consolidated 2014 $'000's
Broadcasting CGU		
Radio licences – indefinite useful life	**8,169**	8,169
Patents and trademarks – indefinite useful life	**117**	117
Broadcasting - total	**8,286**	8,286
Publishing CGU		
Mastheads – indefinite useful life	**2,077**	797
Goodwill – indefinite useful life	**7,442**	-
Sub-total	**9,519**	797
Customer relationships – finite useful life	**2,959**	-
Customer relationships – amortisation	**(345)**	-
Sub-total	**2,614**	-
Publishing - total	**12,133**	797
Intangibles – total	**20,419**	9,083

Intangibles are tested annually for impairment at CGU level.

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

- Broadcasting CGU (radio licences) - 1116AM (SEN) / 1377AM (MyMP) - $8.286 million; and
- Publishing CGU (publications) Frankie, Smith Journal, Surfing Life, Slow, White Horses and Inside Football - $12.133 million.

In the opinion of directors, radio licences included in broadcasting intangibles 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 that will be amortised systematically over a five year period.

Directors' have recognised an amortisation of $345,217 in relation to finite life intangibles based on seven months of trading for the Morrison Media business.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

13. Intangible Assets Cont'd

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

In accordance with AASB138, the company is reviewing the valuation of assets (including intangibles) acquired through the Morrison Media transaction and hence the amounts disclosed for the publishing CGU are provisional only at reporting date and may change subsequent to that date.

Directors' have reviewed broadcasting and publishing assets for impairment indicators and have determined that no impairment is required to be made to this class of assets at reporting date.

Value in Use (VIU) for the Broadcast 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 2.1% (2014: 2.5%);

(ii) A pre tax discount rate of 17% is an appropriate weighted cost of capital (2014: 15.6%).

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

Value in Use (VIU) for the Publishing CGU

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

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

(ii) A pre tax discount rate of 18% is an appropriate weighted cost of capital (2014: 18%).

Future cash flows for broadcast and publishing intangibles are based on forecasts prepared by management and these forecasts are based on actual operating results. Cash flows beyond the five year period are extrapolated using a constant revenue growth rate of 2-2.5% which does not exceed the long term average projected growth rate for the CGU business.

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

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

This valuation adopted the following assumptions:

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

(ii) Using the excess earnings method and comparing EBITDA multiples used

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

13. Intangible Assets Cont'd

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

with other comparable listed companies and merger / acquisition transactions is a valid approach;

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

(iv) Use of a terminal growth rate of 2.1% at the end of the projection period and a pre-tax rate of 17% is appropriate to discount cash flows.

Following consideration of each methodology, directors' confirm that the recoverable value is greater than the carrying amount and no impairment is required to be made to these assets.

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

Fair value less costs to sell has been determined by reference to a provisional independent valuation report received in August 2015.

This valuation adopted the following assumptions:

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

(ii) Use of estimates as to the timing and amount of all expected future cash flows, discounted to a present value at the valuation date by using a discount rate that takes into account the time value of the money and the risk inherent in achievement of the cash flow.

(iii) It is appropriate to assume that customer lists will experience a 20% churn on an annual basis.

(iv) Use of a growth rate of 2.5% is appropriate to project sales over future periods and a pre-tax rate of 18% is appropriate to discount cash flows.

Following consideration of each methodology, directors' confirm that the recoverable value is greater than the carrying amount and no impairment is required to be made to these assets.

Sensitivity

Management believes that any reasonable change in the key assumptions on which the recoverable amount of the asset is based for the Broadcasting and Publishing CGU would not cause the cash generating units carrying value to exceed its recoverable amount.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	Consolidated 2015 $'000's	Consolidated 2014 $'000's
14. Current Payables		
Trade payables	**1,987**	880
PAYG payable	**-**	131
GST payable	**298**	250
Other creditors and accruals	**1,563**	875
	3,848	2,136
Income tax payable	**373**	449
15. Deferred Tax Liability		
Amortisation of intangibles - customer lists	**928**	-
	928	-
Movements		
Balance at 01 July 2014	**-**	-
Acquired on business combination	**928**	-
Charge to profit or loss for the year	**-**	-
Balance at 30 June 2015	**928**	-
16. Provisions		
Employee provisions – current	**856**	516
Employee provisions – non current	**75**	73
	931	589
17. Borrowings		
Less than 1 year	**-**	308
Between 1 to 3 years	**7,000**	276
	7,000	**584**

Borrowings are disclosed as non-current liabilities to comply with the technical requirements of AASB 101 "*Presentation of Financial Statements*" as there is a conditional right to defer settlement for at least twelve months after reporting date.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

17. Borrowings Cont'd

Directors' believe that the loan will be repaid in accordance with the terms of the loan agreement and the business is fully compliant with financial covenants.

Background

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

Funding provided under the facility agreement (together with existing cash reserves) was utilised to fund the acquisition of the Morrison Media business. The new facility is for $8.6 million and comprises of a $7.0 million loan facility (Facility A); and a $1.6 million working capital facility (Working Capital Facility).

At reporting date, the $7.0 million loan facility was fully drawn down to fund the acquisition of the Morrison Media business and the undrawn amount of the facility is $1.6 million.

The new facilities have variable interest rates based upon Bank Bill Swap Rate plus a margin.

A commitment fee may be payable in relation to committed but undrawn funds under the facilities.

Facility A is an interest only facility, and is required to be paid in full three years from drawdown date and the Working Capital Facility is subject to annual reviews.

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

Financial Undertakings

The agreement under which the facilities have been made available contains financial undertakings typical for facilities of this nature.

The undertakings include financial undertakings which will be tested at financial year end and financial half-year end based on the preceding 12 month period.

The financial undertakings relate to both leverage and interest coverage.

These undertakings include:

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	2015 $'000's	2014 $'000's

18. Issued Capital

Contributed Equity

	No.	No.
Number of shares on issue	**69,935,598**	53,111,051

	$'000's	*$'000's*
Total amount paid on these shares	**21,463**	16,444

	2015		2014	
Fully Paid Ordinary Share Capital	**No.'000**	**$'000**	No.'000	$'000
Balance at beginning of financial year	**53,111**	**16,444**	53,465	16,531
Issue of shares @ 30/10/14 - (EESP)	**112**	**30**	127	26
Issue of shares @ 12/12/14 – (Placement)	**13,333**	**4,000**	-	-
Issue of shares @ 18/12/14 – (SPP)	**3,390**	**1,000**	-	-
Employee share options exercised	**40**	**-**	-	-
Share buy back	**(50)**	**(11)**	(481)	(113)
Balance at the end of the year	**69,936**	**21,463**	53,111	16,444

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up in proportion to the number of and amounts paid on shares held.

The fully paid ordinary shares have no par value.

Terms and Conditions of Issued Capital Ordinary Shares

Ordinary shareholders have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts of paid up shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy at a meeting of shareholders.

Details of share options on issue are disclosed in note 7 of this report.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	Consolidated	
	2015 $'000's	2014 $'000's

19. Accumulated Losses

Balance at 1 July 2014	**(2,185)**	(2,201)
Net (loss) / profit	**(79)**	953
Issue of share capital	**-**	(26)
Dividend paid	**(1,350)**	(911)
Balance at 30 June 2015	**(3,614)**	(2,185)

20. Earnings per Share

a) Basic Earnings per Share

The profit and weighted average number of ordinary shares used in the calculation of basic profit per share are as follows:

	$'000's	$'000's
Profit After Income Tax	**(79)**	953
	000's	000's
Weighted average number (millions) of ordinary shares	**62,346**	53,192
Basic (cents per share)	**(0.1)**	1.8

b) Diluted Earnings per Share

The profit and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted profit per share are as follows:

	$'000's	$'000's
Profit After Income Tax	**(79)**	953
	000's	000's
Weighted average number (millions) of ordinary shares and potential ordinary shares	**63,288**	53,981
These options (thousands) are dilutive and are therefore included in the weighted average number (millions) of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.	**831**	680
Diluted (cents per share	**(0.1)**	1.8

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	Consolidated	
	2015 $'000's	2014 $'000's

21. Commitments for Expenditure

Contract for property lease – including carrying value		
Less than 1 year	**560**	403
Between 1 and 3 years	**432**	842
	992	1,245

22. Contingent Liabilities

The Company and its subsidiaries are not engaged in any litigation proceedings, the outcome of which would have a material impact on the result for the reporting period.

23. Controlled Entities

Name of entity – investment in ordinary shares	Country of Incorporation	Ownership Interest **2015 %**	2014 %
Parent Entity			
Pacific Star Network Limited	Australia		
Controlled Entities			
Victorian Radio Network Pty Ltd	Australia	**100**	100
Malbend Pty Ltd	Australia	**100**	100
Morrison Media Services Pty Ltd	Australia	**100**	-
Inside Football Pty Ltd	Australia	**100**	100
Melbourne Radio Operations Pty Ltd	Australia	**100**	100
Associate			
Digital Radio Broadcasting Melbourne Pty Ltd	Australia	**18**	18

24. Segment Information

The Company operates in the Media industry in Australia.

There are two operating segments, broadcasting and publishing.

Segment information is disclosed in a manner that reflects the management information reviewed by senior management and the Board (the Chief Operating Decision Makers ('CODM')).

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

24. Segment Information Cont'd

The financial performance of each segment is reviewed by the CODM at the level of net profit before tax and head office costs.

The result for each segment is shown in the table below.

	30 June 2015 $'000				30 June 2014 $'000				Total $'000	
	Broadcasting	Publishing	Sub-Total	Head Office	Broadcasting	Publishing	Sub-Total	Head Office	2015	2014
Segment revenue										
External sales	14,035	6,561	14,976	-	14,090	886	14,976	-	20,596	14,976
Interest income	29	6	35	43	37	4	41	52	78	93
Other	194	-	194	-	160	-	160	-	194	160
Total revenue	14,258	6,567	20,825	43	14,287	890	15,177	52	20,868	15,229
Segment profit or loss before tax	1,622	962	2,926	(2,171)	2,035	69	2,104	(651)	413	1,453
Segment assets										
Cash and equivalents	1,604	806	2,410	1,159	1,919	97	2,016	2,040	3,569	4,056
Receivables	2,650	1,504	4,154	7	2,494	83	2,577	-	4,161	2,577
Plant and intangibles	10,040	12,288	10,792	-	9,974	818	10,792	-	22,328	10,792
Deferred tax asset	-	-	-	433	-	-	-	381	433	381
Other	980	104	875	50	871	4	875	10	1,134	885
Total assets	15,274	14,702	29,976	1,649	15,258	1,002	16,260	2,431	31,625	18,691
Segment liabilities										
Trade and other payables	2,310	1,474	3,784	64	1,914	137	2,051	85	3,848	2,137
Employee provisions	583	348	589	-	589	-	589	-	931	589
Bank loans	-	-	-	7,000	418	166	584	-	7,000	584
Deferred tax liability	-	928	-	-	-	-	-	-	928	-
Income tax	-	-	-	373	-	-	-	449	373	449
Total liabilities	2,893	2,750	5,643	7,437	2,921	303	3,224	534	13,080	3,758

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

25. Related Party Disclosures

a) Equity Interests in Related Parties

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 23 of this report.

b) Remuneration and Retirement Benefits

Details of Key Management Personnel remuneration is disclosed in the Directors' Report and note 6 of this report.

c) Transactions with Key Management Personnel

(i) The Company has a lease agreement with Infuture One Pty Ltd as trustee for Infuture One Trust (majority unit holder is Ronald Hall) for business premises.

The terms and conditions of the lease are on an arms-length basis similar to those negotiable with non-related third parties.

(ii) Profit before income tax includes the following expense resulting from transactions with directors' or their director related entities:

	Consolidated	
	2015 $'000's	2014 $'000's
Lease payments	**403**	392

d) Parent Entity

- The parent entity in the consolidated entity is Pacific Star Network Limited.
- The parent entity in the wholly-owned group is Pacific Star Network Limited.
- The ultimate Australian parent entity is Pacific Star Network Limited.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	Consolidated 2015 $'000's	Consolidated 2014 $'000's

26. Note To The Statement of Cash Flows

a) Reconciliation of Cash

	2015 $'000's	2014 $'000's
Cash assets	**3,569**	4,056

b) Reconciliation of Profit after Income Tax to Net Cash flows from Operating Activities

	2015 $'000's	2014 $'000's
Net profit after income tax	**(79)**	953
Depreciation and amortisation of non-current assets	**833**	474
Payment for Morrison Media acquisition costs	**(1,183)**	-
Reversal of provisions	**(43)**	48
(Increase) / decrease in assets:		
- receivables and other	**(1,584)**	306
- deferred tax assets	**(52)**	104
Increase / (decrease) in liabilities:		
- payables	**1,712**	(158)
- provisions	**342**	117
- taxation	**852**	321
Net cash from operating activities after Morrison Media acquisition costs	**798**	2,165

27. Dividends Paid and Proposed

Dividends paid / payable were as follows:

	2015 $'000's	2014 $'000's
Interim dividend paid for half year ended 31 December	**477**	373
Final dividend paid / payable for year ended 30 June	**873**	538
	1,350	911

Dividends paid in cash during the year:

	2015	2014
Paid in cash	**1,350**	911
Interim dividend paid for half year – cents per share	**1.25**	0.70
Final dividend declared - cents per share	**1.05**	0.90
Total dividend paid / payable	**2.30**	1.60

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

28. Parent Entity Disclosures

	Parent Entity	
	2015 $'000's	2014 $'000's
Result of the Parent Entity		
Loss for the year after tax	**(668)**	(651)
Total comprehensive loss for the year	**(668)**	(651)
Summarised Statement of Financial Position		
Current Assets	**1,854**	2,126
Total Assets	**23,135**	14,470
Current Liabilities	**(204)**	(59)
Total Liabilities	**(7,204)**	-
Net Assets	**15,931**	14,411
Total equity of the parent entity comprising:		
Share Capital	**21,463**	16,444
Share Based Payment Reserve	**696**	674
Accumulated Losses	**(6,228)**	(2,707)
Total Equity	**15,931**	14,411

The Company has not provided any guarantees at reporting date (2014: Nil).

There were no contingent liabilities or capital commitments at reporting date (2014: Nil).

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

29. Acquisitions

Acquisition of the Morrison Media business was finalised with an effective date from 1 December 2014.

The purpose of the acquisition was to establish a footprint in the niche media publishing category. The details of the business combination are as follows:

	Fair Value $000's
Recognised amount of identifiable net assets	
Cash and cash equivalents	1
Trade receivables	1,179
Other receivables	194
Plant and equipment	152
Intangibles – brands / trademarks	1,280
Intangibles – customer lists	2,959
Deferred tax liability – customer list	(928)
Trade payables	(664)
Employee benefits	(279
Prepaid subscriptions	(406)
Net assets acquired	**3,488**
Goodwill	7,442
	10,930

Goodwill of $7.442 million arising from this transaction reflects the board's long term view of the potential to increase the scale of existing publishing operations.

Fair value of consideration transferred

Representing:	
Cash paid to vendor	10,841
Net working capital paid to vendor	89
Total consideration	**10,930**

The Company consolidated Morrison Media from the beginning of December 2014 due to the impact from acquisition date to the beginning of the month not being material. The Morrison Media acquisition has been provisionally accounted for at balance date, pending finalisation of Purchase Price Adjustments.

Contribution to Company Results

Morrison Media Services Pty Ltd generated a profit of $1.287 million for the seven months of the reporting period. If the business had been purchased on 1 July 2014 it would have contributed an additional profit of $630,000 for the reporting period.

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

30. Events subsequent to reporting date

No other matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect the state of affairs of the consolidated entity in subsequent financial years.

31. Changes in composition of consolidated entity

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

Additional Securities Exchange Information
as at 24 September 2015

Number of Holders of Equity Securities

Ordinary Share Capital

69,935,598 fully paid ordinary shares held by 639 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

830,644 share options are held by 4 individual option holders.

Share options do not carry the right to vote.

Distribution of Holders of Equity Securities

	Fully Paid Ordinary Shares	Issued Share Options
1 - 1,000	147	-
1,001 - 5,000	272	-
5,001 - 10,000	90	-
10,001 - 100,000	89	-
100,001 - and over	41	4
Total Holders	639	4
Holdings with less than a marketable parcel	221	-

Substantial Shareholders

The following substantial holding notices have been provided to the Company.

Ordinary Shareholders	Date	Fully Paid Ordinary Shares	% of Issued Capital
Tosca Boxer Pty Ltd atf The Hall Family Trust	01/07/2015	18,662,813	26.69%
Radio 3AW Melbourne Pty Ltd	12/02/2015	7,932,357	11.92%
Rosh Hagiborim Pty Ltd and related entities	29/12/2014	18,662,813	26.69%
Yarragene Pty Ltd and related entities	22/12/2014	9,610,136	13.74%
Wyllie Funds Management Pty Ltd and related entities	16/12/2014	13,266,667	19.94%

Additional Stock Exchange Information Cont'd
as at 24 September 2015

Twenty Largest Holders of Quoted Equity Securities

Rank	Name	Units	% of Units
1.	TOCSA BOXER PTY LTD<HALL FAMILY A/C>	14.311,861	20.46
2.	VIBURNUM FUNDS PTY LTD<VF STRATEGIC EQUITIES FD A/C	11,400,000	16.30
3.	RADIO 3AW MELBOURNE PTY LIMITED	7,932,357	11.34
4.	YARRAGENE PTY LTD<YENZIK NO 1 A/C>	5,283,003	7.55
5.	TOSCA BOXER PTY LTD<HALL FAMILY A/C>	4,350,952	6.22
6.	KARAPHONE PTY TD	3,977,133	5.69
7.	COWOSO CAPITAL PTY LTD<THE COWOSO S/F A/C>	2,368,596	3.39
8.	VIBURNUM FUNDS PTY LTD<VIBURNUM STAFF 2 A/C>	1,866,667	2.67
9.	INSTANT HOLLYWOOD PTY LTD	1,435,816	2.05
10.	KEMBLA NO 20 PTY LTD	1,343,750	1.92
11.	MOAT INVESTMENTS PTY LTD<MOAT INVESTMENT A/C>	1,333,333	1.91
12.	MINERALOGY PTY LTD	1,316,896	1.88
13.	QUATTRO HOLDINGS PTY LTD<QUATTRO INVESTMENT #2 A/C>	883,575	1.26
14.	EQUITAS NOMINEES PTY LTD<3021524 A/C>	718,890	1.03
15.	LOCOPE PTY LTD	700,000	1.00
16.	LESTWICK HOLDINGS PTY LTD<LESTWICK P/L SUPER FUND A/C>	667,500	0.95
17.	EKSELMAN PTY LTD<HANDK SUPER FUND A/C>	560,000	0.80
18.	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY <LEKDAL FAMILY A/C>	487,162	0.70
19.	SWEENEY PROFESSIONAL SERVICES PTY LTD	380,000	0.54
20.	LONGRO PTY LTD<MARKET STREET CHAMBERS A/C>	372,212	0.53
Top 20 holders of ORDINARY FULLY PAID SHARES		**61,689,703**	**88.21**
Total Remaining Holders Balance		**8,245,895**	**11.79**