PACIFIC STAR NETWORK LIMITED
ABN 20 009 221 630

APPENDIX 4D

Interim Financial Report for half year ended 31 December 2018

Table of Contents

This half year financial report provided to the ASX under Listing Rule 4.2A should be read in conjunction with the Annual Report for the year ended 30 June 2018.

Appendix 4D

Results for announcement to the market

1. Company Details

Name of Entity:	Pacific Star Network Limited
ABN	20 009 221 630
Half Year Ended (current period) Half Year Ended (previous period)	31 December 2018 31 December 2017

2. Results for announcement to the market

		Change %		**31 December 2018 $000s**	31 December 2017 $000s
2.1	Revenues from ordinary activities	Up >100%	to	**34,296**	11,245
2.2	EBITDA (underlying)[1] from ordinary activities	Up >100%	to	**5,137**	1,627
2.3	Profit from ordinary activities after tax attributable to members	Up >100%	to	**1,696**	408
2.4	Net profit from ordinary activities after tax attributable to members	Up >100%	to	**1,696**	408

3. Dividends

After careful consideration, the directors have taken the decision to not pay an interim dividend to enable the ongoing investment across the Group.

4. Net Tangible Asset (NTA) Backing

	31 December 2018	31 December 2017
Net tangible asset backing per ordinary security	3.5 cents	(1.1) cents
Net asset backing per ordinary security	20.9 cents	14.2 cents

[1] Underlying results exclude once-off restructure and transaction costs of $0.479 million associated with the acquisitions of Crocmedia, Melbourne United, and AFL Record, as well as the restructure and transaction costs and profit on disposal ($0.506 million) of the Morrison Media subsidiary.

Appendix 4D cont'd

5. Control gained or lost over businesses during the period

Name of business	Reporting entity's percentage holding		Contribution to net profit / (loss) in $000s	
	31 December 2018 %	31 December 2017 %	**31 December 2018 $000s**	31 December 2017 $000s
Control Lost				
Morrison Media Services Pty Ltd	Nil%	100%	**595**	508
Control Gained				
AFL Publications	100%	Nil%	**2,019**	-

6. Details of associates and joint venture entities

Name of associate	Reporting entity's percentage holding		Contribution to net profit / (loss) in $000s	
	31 December 2018 %	31 December 2017 %	**31 December 2018 $000s**	31 December 2017 $000s
D R B Melbourne Pty Ltd	18%	18%	**(26)**	(25)
Melbourne United Basketball Club Pty Ltd	25%	Nil%	**-**	-

Note:

The information contained in this Appendix 4D and the attached Half Year Financial Report, do not include all of the notes of the type normally included in the annual financial statements.

Accordingly, these reports are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The directors of Pacific Star Network Limited ("the Company"), submit herewith the half-year financial report of the consolidated entity consisting of the Company and the entities it controlled ("the Group") for the period ended 31 December 2018.

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 Group at any time during or since the end of the financial period are:

Name	Particulars
Craig Coleman	Appointed Non-executive Director and Chairman on 15 November 2017
Colm O'Brien	Appointed Non-executive Director on 10 September 2015
Andrew Moffat	Appointed Non-executive Director on 15 November 2017
Craig Hutchison	Appointed Chief Executive Officer & Managing Director on 29 March 2018
Chris Giannopoulos	Appointed Executive Director on 29 March 2018
Ronald Hall	Appointed as an alternate Non-executive director on 24 November 2017

Principal activities

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

Business Overview

- For the half year ended 31 December 2018, the Group delivered a strong financial result, in line with its objectives for the financial year. Total revenue of $34,296 million up over 100% and underlying EBITDA at $5.137 million up over 100% on the comparative period.
- On 27 July 2018 the Group acquired 100% of the AFL Publications business for a purchase price of $8.1 million comprising $5.85 million cash. The AFL Record had a pleasing result in line with expectations, with revenue of $3.901 million underlying EBITDA at $2.019 million.
- On 15 July 2018, the Group acquired a 25% share in the issued capital of Melbourne United Basketball Club Pty Ltd. Melbourne United is the reigning premier in the National Basketball League competition and represents a unique end-to-end opportunity for our brand partners while also adding to the Group's portfolio of live sports broadcasting.

  The first season has been successful both on and off the court, with strong interest from brand partners, and the team securing home finals opportunities.
- On 13 September 2018 the Group disposed of 100% of Morrison Media Services Pty Ltd for total cash consideration of $2.4 million less working capital adjustments payable 70% on completion and 30% on 30 June 2019. The disposal aligned with the Groups strategic direction focusing on sport related content and complementary assets which will be continued with the recent acquisition of the AFL Record publication.

Directors' Report

Dividends

Directors' have resolved to not declare an interim dividend for the half year (HY 2017: 0.0 cents).

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

Significant Changes in State of Affairs

Other than the matters referred to above, in the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the half year under review.

Rounding of Amounts

In accordance with ASIC Legislative Instrument 2016/191, amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 7 immediately after the Directors' Report for the half year ended 31 December 2018.

Signed in accordance with a resolution of the Directors'.

Craig Coleman
Chairman

Melbourne, 28 February 2019

Directors' Declaration

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

a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018, and of its performance for the half year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 "*Interim Financial Reporting*" and the *Corporations Regulations 2001*; and other mandatory professional reporting requirements; and

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

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

On behalf of the Directors'

Craig Coleman
Chairman

Melbourne, 28 February 2019

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DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF PACIFIC STAR NETWORK LIMITED

As lead auditor for the review of Pacific Star Network Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Tim Fairclough
Partner

BDO East Coast Partnership

Melbourne, 28 February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pacific Star Network Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Pacific Star Network Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

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

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.* As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

BDO East Coast Partnership

BDO

Tim Fairclough

Tim Fairclough
Partner

Melbourne, 28 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2018

	Notes	**31 December 2018 $000s**	31 December 2017 $000s
REVENUE	**2**	**33,420**	8,294
Sales and marketing expenses		**(10,600)**	(1,763)
Occupancy expenses		**(699)**	(415)
Administration expenses		**(3,987)**	(642)
Technical expenses		**(11,517)**	(3,997)
Production / creative expenses		**(1,407)**	(389)
Significant costs		**(479)**	(502)
Corporate expenses		**(1,884)**	(482)
Finance costs		**(284)**	(168)
Investments accounted for using the equity method		**(26)**	(25)
EXPENSES		**(30,883)**	(8,383)
PROFIT / (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**2,537**	(89)
Income tax expense		**(1,436)**	(11)
PROFIT / (LOSS) AFTER INCOME TAX FROM CONTINUING OPERATIONS		**1,101**	(100)
Profit after income tax expense from discontinued operations	**11**	**595**	508
PROFIT AFTER INCOME TAX FOR THE HALF-YEAR		**1,696**	408
Other comprehensive income net of tax		**-**	-
COMPREHENSIVE PROFIT FOR THE HALF YEAR		**1,696**	408

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half year ended 31 December 2018

		31 December 2018 $000s	31 December 2017 $000s
EARNINGS PER SHARE FOR PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE OWNERS			
Basic (cents per share)	**3**	**0.54**	(0.14)
Diluted (cents per share)	**3**	**0.52**	(0.14)
EARNINGS PER SHARE FOR PROFIT FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO THE OWNERS			
Basic (cents per share)	**3**	**0.29**	0.72
Diluted (cents per share)	**3**	**0.28**	0.70
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS			
Basic (cents per share)	**3**	**0.84**	0.58
Diluted (cents per share)	**3**	**0.81**	0.57

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

Consolidated Statement of Financial Position
as at 31 December 2018

	Notes	31 December 2018 $000s	30 June 2018 $000s
CURRENT ASSETS			
Cash and cash equivalents		**8,661**	7,981
Trade and other receivables		**11,899**	13,494
Current tax receivable		**-**	224
Prepayments		**603**	2,287
TOTAL CURRENT ASSETS		**21,163**	23,986
NON-CURRENT ASSETS			
Property, plant and equipment		**4,279**	4,217
Deferred tax asset		**1,399**	832
Receivables from associate		**-**	28
Investments accounted for using the equity method		**1,168**	187
Intangibles	4	**35,387**	29,719
Other non-current assets		**800**	-
TOTAL NON-CURRENT ASSETS		**43,033**	34,983
TOTAL ASSETS		**64,196**	58,969
CURRENT LIABILITIES			
Borrowings	5	**-**	8,521
Trade and other payables		**9,475**	8,254
Income tax		**1,029**	-
Deferred revenue		**400**	-
Provisions		**1,039**	1,912
TOTAL CURRENT LIABILITIES		**11,943**	18,687
NON-CURRENT LIABILITIES			
Borrowings	5	**8,499**	-
Deferred tax liability		**549**	390
Deferred revenue		**1,200**	-
Provisions		**258**	203
TOTAL NON-CURRENT LIABILITIES		**10,506**	593
TOTAL LIABILITIES		**22,449**	19,280
NET ASSETS		**41,747**	39,689
EQUITY			
Issued capital		**54,716**	54,642
Share-based payment reserve		**1,036**	748
Accumulated losses		**(14,005)**	(15,701)
TOTAL EQUITY		**41,747**	39,689

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

Consolidated Statement of Changes in Equity
for the half year ended 31 December 2018

	Notes	Issued Capital $000s	Share Based Payment Reserve $000s	Accumulated Losses $000s	Total $000s
TOTAL EQUITY AT 1 JULY 2018		**54,642**	**748**	**(15,701)**	**39,689**
Profit after income tax		**-**	**-**	**1,696**	**1,696**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**1,696**	**1,696**
Transactions with owners in their capacity as owners					
Issue of share capital	**6**	**74**	**-**	**-**	**74**
Share-based payments		**-**	**288**	**-**	**288**
TOTAL EQUITY AT 31 DECEMBER 2018		**54,716**	**1,036**	**(14,005)**	**41,747**
TOTAL EQUITY AT 1 JULY 2017		21,680	692	(12,715)	9,657
Profit after income tax		-	-	408	408
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	408	408
Transactions with owners in their capacity as owners					
Issue of share capital	**6**	21	-	-	21
Share-based payments		-	24	-	24
TOTAL EQUITY AT 31 DECEMBER 2017		21,701	716	(12,307)	10,110

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

Consolidated Statement of Cash Flows
for the half year ended 31 December 2018

	Notes	Inflows / (Outflows)	
		31 December 2018 $000s	31 December 2017 $000s
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**42,568**	13,607
Payments to suppliers and employees (inclusive of GST)		**(38,053)**	(11,743)
Interest received		**5**	-
Interest and other costs of finance paid		**(289)**	(164)
Income taxes paid		**(628)**	(457)
Net cash provided by operating activities		**3,603**	1,243
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(1,021)**	(153)
Payment for the acquisition of subsidiary		**(2,238)**	-
Payment for the acquisition of investment in an associate		**(1,000)**	-
Proceeds from the disposal of subsidiary		**1,233**	-
Net cash used in investing activities		**(3,026)**	(153)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		**74**	-
Proceeds from borrowings		**2,800**	-
Repayment of borrowings		**(2,771)**	-
Net cash provided by in financing activities		**103**	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		**680**	1,090
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE HALF YEAR		**7,981**	1,663
CASH AND CASH EQUIVALENTS AT END OF THE HALF YEAR		**8,661**	2,753

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

Notes to the Financial Statements
for the half year ended 31 December 2018

1. Summary of significant accounting policies

Basis of Preparation

This general purpose half-year financial report has been prepared by a for-profit entity in accordance with AASB 134 "*Interim Financial Reporting*" and the *Corporations Act 2001.*

Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "*Interim Financial Reporting*".

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

The consolidated financial statements have been prepared under the historical cost convention, except for where applicable, the evaluation of certain non-current assets and financial instruments.

Cost is based on the valuation of consideration given. The accounting policies utilised in preparing the half-year financial report are consistent with those adopted for previous periods, but the half-year report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2018 and any public announcements made during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

Adoption of new and revised Accounting Standards and Interpretations

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

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

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

(i) *AASB 9 Financial Instruments and its consequential amendments (effective 1 January 2018)*

The Company has adopted AASB 9 *Financial Instruments* from 1 July 2018, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for calculating the provision of doubtful debts (now termed the credit loss allowance) and new hedge accounting requirements.

The Company has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

The difference between the credit loss allowances calculated under AASB 9 compared to the incurred loss calculated under AASB 139 is not material to the Company.

Notes to the Financial Statements
for the half year ended 31 December 2018

1. Summary of significant accounting policies cont'd

(ii) *AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)*

The Company has adopted AASB 15 from 1 July 2018. The Company recognises revenue related to 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 is recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 118 Revenue.

The adoption of AASB 15 has not had a material impact on the timing of revenue recognition and no adjustment has been required in respect of the allocation of revenue between years.

Rounding of Amounts

In accordance with ASIC Legislative Instrument 2016/191, amounts shown in the financial report have been rounded off to the nearest thousand dollars.

2. Revenue from continuing operations

	31 December 2018 $000s	31 December 2017 $000s
Broadcast revenue	**23,791**	8,292
Publishing revenue	**3,901**	-
Complimentary services revenue	**5,728**	-
Other revenue	**-**	2
Revenue from continuing operations	**33,420**	8,294

Notes to the Financial Statements
for the half year ended 31 December 2018

3. Earnings Per Share

Weighted average number of ordinary shares on issue for calculation of:	**31 December 2018 000s**	31 December 2017 000s
Basic ordinary shares	**202,849**	70,909
Diluted ordinary shares	**209,659**	72,177
	$000s	$000s
Continuing operations		
Profit / (loss) for the half year	**1,101**	(100)
Basic earnings / (loss) (cents per share)	**0.54**	(0.14)
Diluted earnings / (loss) (cents per share)	**0.52**	(0.14)
Discontinued operations		
Profit for the half year	**595**	508
Basic earnings (cents per share)	**0.29**	0.72
Diluted earnings (cents per share)	**0.28**	0.70
Total Operations		
Profit for the half year	**1,696**	408
Basic earnings (cents per share)	**0.84**	0.58
Diluted earnings (cents per share)	**0.81**	0.57

Notes to the Financial Statements
for the half year ended 31 December 2018

4. Intangible Assets

	31 December 2018 $000s	30 June 2018 $000s
Broadcasting – Radio Licences/Website		
Radio licences – indefinite useful life	**8,169**	8,169
Patents and trademarks – indefinite useful life	**122**	122
Sub-total	**8,291**	8,291
Website – SportsSENtral	**245**	245
Website – amortisation	**(115)**	(82)
Sub-total	**130**	163
Total Broadcasting – Radio Licences/Website	**8,421**	8,454
Broadcasting - Crocmedia		
Goodwill – indefinite useful life	**11,190**	11,190
Broadcast rights – finite useful life	**9,280**	9,280
Broadcast rights – amortisation	**(1,462)**	(485)
Sub-total	**7,818**	8,795
Total Broadcasting – Crocmedia	**19,008**	19,985
Publishing		
Goodwill of AFL Record – indefinite useful life	**7,958**	-
Mastheads – indefinite useful life	**-**	2,077
Impairment of Inside Football masthead	**-**	(797)
Sub-total	**7,958**	1,280
Customer relationships – finite useful life	**-**	2,959
Customer relationships – amortisation	**-**	(2,121)
Customer relationships – impairment	**-**	(838)
Sub-total	**-**	-
Total Publishing	**7,958**	1,280
Total Intangibles	**35,387**	29,719

Notes to the Financial Statements
for the half year ended 31 December 2018

4. Intangible Assets cont'd

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

- Broadcasting – Radio Licences/Website - $8.421 million

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

- Broadcasting – Crocmedia - $19.008 million

Crocmedia intangibles included goodwill and sports broadcasting rights. Sports broadcasting rights in Crocmedia intangibles each have a finite useful life and are amortised as follows:

AFL and NRL	4.75 years
A League	5.25 years

- Publishing - $7.958 million

Publishing intangibles includes goodwill from the AFL Record and is considered to have an indefinite useful life and are not amortised but will be reviewed for impairment annually.

The Company has performed an assessment of impairment indicators at the end of the reporting period. There were no indicators of impairment identified that required a full impairment test to be conducted at the end of the reporting period.

The recoverable amount of each CGU has been determined based on value in use including taking account of any evident impairment indicators at reporting date.

5. Borrowings

	31 December 2018 $000s	30 June 2018 $000s
Bank loan - current	**-**	8,521
Bank loan – non-current	**8,499**	-
	8,499	8,521

The Company negotiated a new $15.100 million debt facility with the Commonwealth Bank of Australia effective 31 August 2018.

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

Notes to the Financial Statements
for the half year ended 31 December 2018

6. Equity Securities Issued

Issues of Ordinary Shares during the half year	**31 December 2018**		31 December 2017	
	000s	**$000s**	000s	$000s
Opening balance- 1 July	**202,691**	**54,642**	70,817	21,680
Issuance of shares – EESP/EEIP	**250**	**74**	276	21
Closing Balance – 31 December	**202,941**	**54,716**	71,093	21,701

7. Segment Information

Identification of reportable operating segments

The Group operates in the Media industry in Australia.

There are four operating segments – broadcasting, publishing, complementary services and head office. AASB 8 requires operating segments to be disclosed in a manner that reflects the management information reviewed by senior management and the Board (the Chief Operating Decision Makers (‘CODM’)). The financial performance of each segment is reviewed by CODM at the level of earnings before interest, tax, depreciation and amortisation (EBITDA).

Segment reporting

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

Unallocated items

The following items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expenses

Accounting policies adopted

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

Notes to the Financial Statements
for the half year ended 31 December 2018

7. Segment Information cont'd

Intersegment transactions

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

	31 December 2018 $000's				31 December 2017 $000's			Total $000's	
	Broadcasting	**Publishing[1]**	**Complementary**	**Head Office**	Broadcasting	Publishing[1]	Head Office	**2018**	2017
Segment Revenue	**23,791**	**3,901**	**5,728**	**-**	8,292	-	2	**33,420**	8,294
Underlying EBITDA	**3,699**	**1,751**	**1,107**	**(1,566)**	1,474	-	(414)	**4,991**	1,060
Depreciation & Amortisation	**(1,185)**	**-**	**-**	**(506)**	(337)	-	(142)	**(1,691)**	(479)
Earnings before interest, tax & significant items	**2,514**	**1,751**	**1,107**	**(2,072)**	1,137	-	(556)	**3,300**	581
Net finance cost	**-**	**-**	**-**	**(284)**	-	-	(168)	**(284)**	(168)
Significant items	**-**	**-**	**-**	**(479)**	-	-	(502)	**(479)**	(502)
Segment (loss)/profit before tax	**2,514**	**1,751**	**1,107**	**(2,835)**	1,137	-	(1,226)	**2,537**	(89)

[1] Excludes discontinued operations segment revenue of $0.876 million (HY2017: $2.951 million) and segment profit before tax of $0.633 million (HY2017: $0.508 million) recorded through the discontinued operations of Morrison Media.

8. Contingent Liabilities

Under the acquisition agreement with Melbourne United, the Group has deferred contingent consideration subject to satisfactory achievement of performance targets relating to operational assistance being provided to the management of Melbourne United. The Group is of the opinion that it is on track to achieve these targets and accordingly, no amount has been provided within these financial statements in relation to this contingent consideration.

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

9. Events subsequent to reporting date

No 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.

Notes to the Financial Statements
for the half year ended 31 December 2018

10. Business Combination

Crocmedia

The Group will finalise its fair value assessment for the acquisition of Crocmedia within 12 months of the acquisition date and any changes will be disclosed in the financial statements of the Group for the year ending 30 June 2019. There have been no changes to the provisional goodwill disclosed in the Annual Report for the year ended 30 June 2018.

AFL Record

On 27 July 2018, the Group acquired 100% of AFL Publications business for a purchase price of $5.85 million cash.

The acquisition complements the Group's broader suite of AFL assets including its flagship "AFL Nation" game-day broadcast and provides further opportunities to integrate brand partners across multiple touchpoints to connect with footy and sports fans.

	Fair Value $000's
Employee provisions	(102)
Deferred advertising	(2,250)
Net identifiable liabilities acquired	(2,352)
Provisional goodwill	7,958
Purchase consideration	5,606
Settlement of purchase consideration	
Cash paid	2,238
Trade and other payables – deferred consideration	3,368
	5,606

Goodwill arising from the acquisition of the AFL Publications business remains provisional as at 31 December 2018 while the Group finalises its assessment of the fair value of assets and liabilities acquired.

The goodwill is attributable to the potential to further provide another solution (being print media) to brand partners in addition to existing platforms, the value of growth opportunities and inseparable intangibles such as operational expertise, employee skills and experience and synergies with the existing Pacific Star Network business.

An amount of $0.140 million has been recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the significant costs line item relating to once-off legal, due diligence, corporate advisory and independent report costs.

The acquired business contributed revenues of $3.901 million and profit before tax of $2.019 million for the five months since acquisition. Had the business combination occurred as of the beginning of the reporting period, the results would not have been materially different.

Notes to the Financial Statements
for the half year ended 31 December 2018

11. Discontinued Operations

On 13 September 2018, the Group sold 100% of the Morrison Media Services Pty Ltd business which created the Frankie Press and Smith Journal publications. Total sale consideration was $2.4 million less working capital adjustments with 70% payable on completion ($1.233 million received) and 30% on 30 June 2019 ($0.720 million). The proceeds of sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of these operations as held for sale.

The disposal aligns with the Groups strategic direction focusing on sport related content and complementary assets which continued with the acquisition of the AFL Record publication in July 2018.

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

Details of the Disposal	**31 December 2018 $000s**
Total sale consideration	**2,400**
Carrying amount of net assets disposed	**(1,525)**
Disposal costs	**(369)**
Profit on sale before income tax	**506**
Profit on sale before after income tax	**506**

Carrying amounts of assets and liabilities disposed	**31 December 2018 $000s**
Inventories	**81**
Property, plant and equipment	**164**
Intangibles	**1,280**
Total assets	**1,525**
Net Assets	**1,525**

Notes to the Financial Statements
for the half year ended 31 December 2018

11. Discontinued Operations cont'd

Cash flow information	31 December 2018 $000s	31 December 2017 $000s
Net (decrease)/increase in cash from operating activities	**(84)**	487
Net increase/(decrease) in cash from investing activities	**1,233**	(287)
Net increase in cash and cash equivalents from discontinued operations	**1,149**	200

Financial performance information	31 December 2018 $000s	31 December 2017 $000s
Revenue	**876**	2,951
Sales and marketing expenses	**(167)**	(291)
Occupancy expenses	**(15)**	(46)
Administration expenses	**(493)**	(1,020)
Technical expenses	**(76)**	(41)
Production / creative expenses	**-**	(1,019)
Finance costs	**2**	-
Total Expenses	**(749)**	(2,417)
Profit before income tax expenses	**127**	534
Income tax expense	**(38)**	(26)
Profit after income expense	**89**	508
Profit on disposal before income tax expense	**506**	-
Income tax expense	**-**	-
Profit on disposal after income tax expense	**506**	-
Profit after income tax expense from discontinued operations	**595**	508