# Corporate Directory

**PACIFIC STAR NETWORK LIMITED**
**ABN 20 009 221 630**

## Directors

Andrew Moffat (Chairman)
Ronald Hall
Gary Pert
Michelle Guthrie

## 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 12, 140 William Street
MELBOURNE VIC 3000

## Solicitors

Arnold Bloch Leibler
Level 21, 333 Collins Street
MELBOURNE VIC 3000

## Bankers

Bank of Melbourne
424 Warrigal Road
MOORABBIN VIC 3189

## Stock exchange listing

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

## Meeting

The Company's Annual General Meeting will be held on Thursday 28 November 2013 at 9.30am.

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

# Chairman's Report for 2012-13

Dear Shareholder,

The directors of Pacific Star Network Limited, the consolidated entity, submit herewith the financial report for the year ended 30 June 2013.

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 |

## 2013 Highlights

- In a broadcast advertising market that was up 1.3% on the previous year, it is pleasing to note that SEN increased revenue in digital (up 30%) and direct (up 6.5%), however agency revenue was down 11% on the comparative period due to issues with Sydney agency representation.
- In the latest Nielsen ratings survey for this calendar year[1], SEN continues to make strong audience gains, up 31% on the same survey last year and up 19% since the first survey of this calendar year.
- The current year's results reflect for the first time, a full year for Inside Football magazine. Whilst the trading result was below budget due to higher than anticipated operating costs, I am confident that a range of measures to be implemented later in the calendar year will generate increased profitability.
- Highest ever sales of DAB+ devices were recorded over the Christmas / New Year bringing the number of digital radios sold since launch to 1.2 million. This represents an increase of 13.6% year on year for digital radio sales. Ten automotive manufacturers now include DAB+ digital radio as standard or as an option in selected vehicles: Ford, Land Rover, Mercedes, Toyota, Lexus, BMW, Audi, Hino, Jaguar and Isuzu Trucks.
- In May of this year, directors' welcomed Ms Michelle Guthrie as a new director to the board.

  Michelle has over twenty years' experience in the media and entertainment industry, including her current role as Google's Managing Director, Partner Business Solutions for Japan and Asia Pacific, with responsibility for managing Google's partner monetisation activities across the region.
- Cash reserves increased to $3.4 million, up 53% on the comparative period.

## Operating Results

The company achieved revenues of $15.06 million, which was up 3.5% on the prior comparative period (2012: $14.56 million), recording an EBITDA result of $1.57 million which was an increase of 14.6% on last financial year (2012: $1.37m) and a resulting net profit before income tax of $1.06 million which was down 8.1% on prior year (2012: 1.16 million).

The primary reason for the reduced net profit before tax was an increased depreciation expense (up 89%) on 2012 to $0.51 million relating to the broadcast studios acquired through the Deed of Company Arrangement entered into with Macquarie Radio Network Limited in mid 2012.

[1] Nielsen Ratings – Survey 4, 2013

## Operating Results Cont'd

EBITDA is reconciled to net profit before tax by adding back depreciation and amortisation of $554 thousand and subtracting net interest (interest revenue less interest costs) of $44 thousand.

Operating cash flows at $1.94 million were up 26.7% on the comparative period (2012: $1.53 million).

## Review of Operations

- In a relatively flat advertising market, the radio division delivered a good result with SEN continuing to perform strongly against forecast. Whilst MyMP also delivered a result in line with forecast, it continues to generate trading losses after allocation of shared management costs compared to a breakeven position for the comparative period last year. As a result, the radio division segment result was down 8% on the comparative period last year.
- Digital revenue was up 30% on last year. I envisage that we will see this part of the business continuing to grow revenue for the foreseeable future.
- During the year, Inside Football magazine was further integrated with the SEN brand. Whilst the magazine trades profitability, we intend to implement measures that will further increase profitability through increased digital subscriptions, increase print sales and lower operating costs.
- The increase in operating costs of $0.6 million (4.5%) was attributable to the following:
  - Higher employment costs due to the first full year of running our own news service - $0.1 million;
  - Increased talent costs due to renegotiation of new contracts - $0.1 million;
  - Increased costs of contractual rights and licence fees - $0.2 million;
  - Higher depreciation costs due to the acquisition of new broadcast studios - $0.2 million.

## Outlook

- The present economic climate and recent federal election campaign has subdued consumer and business confidence and as such, it is difficult to predict trading conditions over the next six months.

  We would however expect to benefit from any improved business and consumer confidence that may follow from the change in Federal Government which would be reflected by increasing advertising spend.
- We intend to build on our existing radio, digital and print profitability by increasing revenue whilst maintaining the cost base at near to existing levels.
- In the radio division, the MyMP music station is currently trading at a loss after allocation of shared management costs. The board intends to implement a strategy to leverage improved returns from this asset. Our initial objective will be to return it to a break even position this financial year with a view to further increasing returns beyond that period.
- With cash reserves of $3.4 million and continually strong operating cash flows, your board is well positioned to consider acquisition opportunities.

## Dividends

Directors' have declared an unfranked final dividend of 1.0 cent per share, bringing the total full year dividend to 1.6 cents, consistent with last year's dividend.

This dividend of 1.6 cents equates to a dividend payout ratio of 80% (2012: 74%). Whilst this is above the normal payout ratio range of 60-70%, directors have formed the view that this is a maintainable level of dividend given the company's cash reserves and continuing improved cash flows.

Record date for determining entitlement was 13 September and payment date is scheduled for 4 October 2013.

Dividends continue to be paid unfranked until sufficient franking credits can be accumulated to pay franked dividends.

Signed in accordance with a resolution of the Directors

Andrew Moffat
Chairman

Melbourne, 20 September 2013

## Table of Contents

# Directors' Report

The Directors' present their report together with the financial statements on the consolidated entity (referred to hereafter as the "Company") consisting of Pacific Star Network Limited (hereafter referred to as the "Parent") and the entities it controlled for the year ended 30 June 2013.

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 during or since the end of the financial year are:

## Current Directors

| | |
|---|---|
| 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 |

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

Ronald Hall
Non Executive Director – aged 72

Mr Hall is the founder and promoter of a number of successful Melbourne based retail businesses including Going Going Gone and Going Going Green.

Ron has been a long time supporter of radio for marketing his products.

Andrew Moffat
Non Executive Director
Chairman – aged 52

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. Andrew is Chairman of 360 Capital Property Limited and a Non Executive director of Rubik Financial Limited.

Gary Pert
Director – aged 48

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, Gary 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.

During his 12 years with Austereo, Gary 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.

## Current Directors (cont'd)

| | |
|---|---|
| Gary Pert<br>Director – aged 48 | As Managing Director of Channel Nine Melbourne, Gary 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, Gary was recruited as Chief Executive Officer of the Collingwood Football Club, one of Australia's largest sporting brands. |
| Michelle Guthrie<br>Director – aged 47 | Michelle has over twenty years' experience in the media and entertainment industry. Her current role is as Google's Managing Director, Partner Business Solutions for Japan and Asia Pacific, with responsibility for managing Google's partner monetisation activities across the region. Michelle 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.<br><br>Michelle 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.<br><br>Michelle has also worked in legal and business development roles for FOXTEL and News International and BSkyB in London.<br><br>Michelle 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.<br><br>Michelle is a law graduate of Sydney University. |
| Stephen Sweeney<br>Company Secretary – aged 49 | Mr Sweeney is a Chartered Accountant and also holds an MBA awarded by Heriot-Watt University (Edinburgh Business School).<br>Stephen is also the Company's Chief Financial Officer and has over 20 years experience as a senior management executive in the banking, government and the not for profit sector. |

## 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: Non-Executive Director:- Rubik Financial Limited
Non-Executive Director:- Infomedia Limited (resigned November 2010)
Non-Executive Director:- itX Limited (resigned January 2011)

## Principal Activities

Pacific Star Network Limited is a media company with interests in AM radio (1116SEN and MyMP) digital (1116SEN, MyMP, Aussie and Kool) print (Inside Football magazine) and other applications including (SportSENtral on www.sen.com.au).

## Review of Operations

The trading profit for the consolidated entity for the year after income tax amounted to $736 thousand (2012: $904 thousand). EBITDA result was $1.57 million for the full financial year (2012: $1.37 million).

The trading loss for the parent entity for the year was $486 thousand (2012: $543 thousand).

Refer to the Chairman's report for 2012-13 for Highlights, Operating Results and Review of Operations.

## Significant changes in the state of affairs

At the Annual General Meeting held on 29 November 2012, the Board sought and was given shareholder approval for a reduction of its share capital by $35,774,780 without cancelling any shares or returning any capital to shareholders – refer note 18 of the financial statements.

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

## Profit per Share

The basic profit per share was 1.4 cents (2012: 1.7 cents) and diluted profit per share was 1.3 cents (2012: 1.6 cents).

The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic profit per share was 53,674,727 shares (2012: 54,231,564 shares).

## Matters subsequent to 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.

## Likely developments and expected results of operations

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

## Dividends

Directors declared an interim dividend of 0.59 (0.6) cents and a final dividend of 1.0 cents per share, a total of 1.6 cents in respect of the 2013 financial year.

## Shares and options granted to executives and employees

Shares and options are granted under the Employee Share Option Plan (ESOP). When exercisable, each option is convertible into one ordinary share of Pacific Star Network Limited (ASX Code: PNW).

Obligations under the existing ESOP are as follows:

- The Company has granted options over ordinary shares to Key Management Personnel (KMP) that can be exercised at future dates. If all performance conditions are met over the remaining term of these contracts, then up to 1.11 million options can be exercised by KMP as Short Term Incentives (STI) for nil consideration. Options not yet vested lapse if KMP resign their position.

  Information on performance / vesting criteria of these options is located in the remuneration report.

- Options previously issued as LTI's (Long Term Incentives) were not exercised by KMP / employees and lapsed on 20 October 2012. There are no options on issue to KMP / employees as LTI's.

- Options issued under the ESOP only vest when performance and vesting conditions are achieved and no options will be issued until this occurs. The vesting period is deemed to commence on the date that new contracts are agreed by both parties and it is only at this point that the Company is conditionally obliged to issue options in accordance with those contracts.

## Shares and options granted to executives and employees (Cont'd)

- One hundred and ninety thousand options were exercised into ordinary shares and vested during the year. 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.

In accordance with *AASB 2: "Share-based payment"* options have been valued and are or will be accounted for as an expense in the 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[2] | 750,000 | Nil cents | 35 cents | 100% on 01/10/15 | 01/10/16 |
| D Hung[3] | 200,000 | Nil cents | 23 cents | 100% on 01/10/14 | 01/10/15 |
| S Sweeney[4] | 160,000 | Nil cents | 23 cents | 100% on 01/10/14 | 01/10/15 |
| Total | 1,110,000 | Nil cents | 26 cents | | |

## 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 six board meetings were held.

| Directors | Eligible to attend | Attended |
|---|---|---|
| Ronald Hall | 6 | 6 |
| Andrew Moffat | 6 | 6 |
| Gary Pert | 6 | 4 |
| Michelle Guthrie | 2 | 2 |

## 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.

[2] Exercised options over one hundred thousand ordinary shares for nil consideration during the financial year. These shares are held in escrow.

[3] Exercised options over fifty thousand ordinary shares for nil consideration during the financial year. These shares are held in escrow.

[4] Exercised options over forty thousand ordinary shares for nil consideration during the financial year. These shares are held in escrow.

## Environmental Regulation

The consolidated entity is not subject to any significant and/or particular environmental regulation.

## Auditors

At the Annual General Meeting on 29 November 2012, a resolution was put and approved to replace the existing auditor, Grant Thornton Audit Pty Ltd with BDO East Coast Partnership, effective from the date of that meeting.

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

## 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. There are no options on issue to directors.

| Directors | No. of Fully Paid Ordinary Shares |
|---|---|
| Ronald Hall[5] | 15,909,707 |
| Andrew Moffat[6] | 704,629 |
| Gary Pert | - |
| Michelle Guthrie | - |
| Total | 16,614,336 |

## 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, whether as an executive or contractor.

### 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.

[5] Ron Hall has a beneficial interest in shares through a controlling interest in Rosh Hagiborim Pty Ltd, Talk to Edith Pty Ltd and Mastiff Nominees Pty Ltd.

[6] Andrew Moffat has a direct interest in 2,700 shares and a beneficial interest in shares held by Cowoso Superannuation Fund.

## Components of Key Management Personnel Total Remuneration

In accordance with best practice corporate governance, the structure of non-executive director and other Key Management Personnel (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 2013 is detailed on page 13 of this report.

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:

- Total 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 Incentive (STI); and
- Long Term Incentive (LTI).

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

Short Term Incentives (STI) are based on Key Performance Measures (KPI's) that focus participants on achieving personal and business goals that help create sustained shareholder value.

STI's are dependent on achieving agreed performance targets and they in turn are linked to key business drivers.

STI's include incentives or options to individuals for achieving / over achieving sales targets and / or issuing ordinary shares at nil consideration for achieving / over achieving annual sales / 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 consideration and approval.

During the financial year, one hundred and ninety thousand options were issued for nil consideration to KMP in recognition of achieving key targets.

Options are exercisable into an equivalent number of escrowed ordinary shares. A condition of exercising options is that the holder is restricted from dealing in those shares for the escrow period.

Details of options granted are disclosed on page 15 of this report.

## Components of Key Management Personnel Total Remuneration Cont'd

1. The following table summarises the performance and vesting conditions for options that may be issued under the STI 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;<br>(ii) Identify, manage and mitigate material risks of the business;<br>(iii) Achieving annual EBITDA targets; and<br>(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;<br>(ii) Manage and achieve annual group sales budgets; and<br>(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;<br>(ii) Contribute towards achieving annual EBITDA targets;<br>(iii) Manage compliance and liaison with key stakeholders; and<br>(iv) Continuing to be contracted at vesting date |

   Options exercised / shares issued under Issues 7-8 are subject to escrow and bad leaver provisions.

   The primary impact of this provision is that in practical terms no shares vest until the last day of the contract period.

2. With respect of Long Term Incentives (LTI), the primary aim is to reward staff and KMP in a way that aligns payment of remuneration with generating sustainable shareholder value and accordingly LTI grants are made to KMP and staff to promote staff retention for the long term benefit of shareholders.

   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.

   Neither the fixed or variable components of remuneration are dependent on share price or dividends and for this reason there is no discussion of the relationship between the board's remuneration policy and financial performance in this report.

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

   There is no intention to provide loans, interest free or otherwise to fund such transactions, but this will be reviewed on an as needs basis.

## Details of Remuneration – Key Management Personnel

Remuneration arrangement for KMP are formalised in employment or consulting agreements.

Remuneration packages contain cash salary / fees, commissions / incentives, bonuses, superannuation and the cost of share based payments expensed for STI's.

Remuneration for each member of KMP for the year ended 30 June 2013 is shown in the table below.

| | Short Term Employee Benefits | Short Term Incentives | Short Term Benefits Total | Post Employment Benefits | Share Based Payment | Long Term Employee Benefits | |
|---|---|---|---|---|---|---|---|
| | Cash salary/fees $ | Cash bonus $ / % | $ | Super-annuation $ | Options $ / % | Long service leave $ / % | Total $ |
| **2013** | | | | | | | |
| **Directors of Pacific Star Network Limited** | | | | | | | |
| R Hall[7] | 50,000 | - | 50,000 | - | - | - | 50,000 |
| A Moffat | 68,807 | - | 68,807 | 6,193 | - | - | 75,000 |
| G Pert | 45,872 | - | 45,872 | 4,128 | - | - | 50,000 |
| M Guthrie | 8,333[8] | - | 8,333 | - | - | - | 8,333 |
| Sub-total | 173,012 | - | 173,012 | 10,321 | - | - | 183,333 |
| **Other Key Management Personnel of the Group** | | | | | | | |
| B Quick | 352,599 | 20,000[9]<br>4% | 372,599 | 31,734 | 36,886<br>8% | 42,680 | 483,899 |
| M Johnson | 160,000 | 4,000<br>2% | 164,000 | 14,760 | - | 17,680 | 196,440 |
| S Sweeney | 151,250[10] | - | 151,250 | - | 11,337<br>7% | - | 162,587 |
| G Moore | 115,000 | 5,657<br>4% | 120,657 | 10,859 | - | - | 131,516 |
| D Hung | 178,900 | 63,885<br>22% | 242,785 | 16,470 | 14,968<br>5% | 14,709 | 288,932 |
| A Harrison | 135,000 | 65,773<br>30% | 200,773 | 16,424 | - | - | 217,197 |
| Sub-total | 1,092,749 | 159,315[11]<br>11% | 1,252,064<br>11% | 90,247 | 63,191[12]<br>4% | 75,069[13] | 1,480,571 |
| Total | 1,265,761 | 159,315 | 1,425,076<br>10% | 100,568 | 63,191[14]<br>4% | 75,069 | 1,663,904 |

7 Employers were not required to make compulsory superannuation contributions for employees aged over 70. Rule changed from 1 July 2013.
8 Employer was not required to make compulsory superannuation contributions as this director resides overseas.
9 Includes a discretionary bonus of $20,000 related to the previous financial year but awarded during the current year.
10 Services are provided through a corporate entity.
11 Includes monthly, quarterly and annual incentives that vested and were paid during the financial year resulting from the achievement of sales or ratings targets.
12 Benefit calculated under the Binomial model in respect of the value of share options issued to date.
13 During the financial year, these KMP became entitled to long service leave.
14 Refer to note 7 of the financial statements for further information on the valuation of options.

## 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 | |
|---|---|---|---|---|---|---|
| | Cash salary/fees $ | Cash bonus $ / % | $ | Super-annuation $ | Options $ / % | Total $ |
| **2012** | | | | | | |
| **Directors of Pacific Star Network Limited** | | | | | | |
| R Hall | 45,872 | - | 45,872 | 4,128 | - | 50,000 |
| A Moffat (Chairman) | 68,807 | - | 68,807 | 6,193 | - | 75,000 |
| G Pert | 45,872 | - | 45,872 | 4,128 | - | 50,000 |
| Sub-total | 160,551 | - | 160,551 | 14,449 | - | 175,000 |
| **Other Key Management Personnel of the Group** | | | | | | |
| B Quick | 348,418 | 20,000[16] 5% | 368,418 | 31,357 | - | 399,775 |
| M Johnson | 160,000 | 7,500 4% | 167,500 | 15,006 | 2,404 1% | 184,910 |
| S Sweeney[15] | 160,851 | - | 160,851 | - | 2,404 1% | 163,255 |
| G Moore | 115,000 | 3,999 3% | 118,999 | 10,710 | 1,116 1% | 130,825 |
| D Hung | 178,899 | 67,827 25% | 246,726 | 15,775 | 5,926 2% | 268,427 |
| A Harrison | 128,334 | 47,919 25% | 176,253 | 15,295 | - | 191,548 |
| Sub-total | 1,091,502 | 147,245[17] 11% | 1,238,747 | 88,143 | 11,850[18] 1% | 1,338,740 |
| Total | 1,252,053 | 147,245 10% | 1,399,298 | 102,592 | 11,850 1% | 1,513,740 |

[15] Services are provided through a corporate entity.
[16] Includes a discretionary bonus of $20,000 related to the previous financial year but awarded during the current year.
[17] Includes monthly, quarterly and annual incentives that vested and were paid during the financial year resulting from the achievement of sales or ratings targets.
[18] Benefit calculated under the Binomial model in respect of the value of share options issued to date.

# Remuneration Report (Audited) Cont'd

## Share Based Compensation

| 2012 – Issues 7 & 8 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Issued to / grant date | Date Vested and Exercisable | Expiry Date | Exercise Price Number | Granted during the year Number | Exercised during the year Number | Lapsed during the year Number | Balance at 30 June 2013 Number | Share price at grant date | Risk free interest rate % |
| B Quick 28 Nov 11 | 01 Oct 15 | N/a | Nil | - | 100,000 | 150,000 | 750,000 | 29 cents | 3.9% |
| D Hung 28 Jun 12 | 01 Oct 14 | N/a | Nil | - | 50,000 | 50,000 | 200,000 | 20 cents | 3.0% |
| S Sweeney 28 Jun 12 | 01 Oct 14 | N/a | Nil | - | 40,000 | 40,000 | 160,000 | 20 cents | 3.0% |
| Total | | N/a | Nil | - | 190,000[19] | 240,000[20] | 1,110,000 | 26 cents | 3.61% |

| 2009 – Issue 3 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Issued to / grant date | Date Vested and Exercisable | Expiry Date | Exercise Price Number | Balance at start of the year Number | Lapsed during the year Number | Balance at the end of the year Number | Share price at grant date | Risk free interest rate % |
| D Hung 20 Oct 08 | 20 Oct 11 | 20 Oct 12 | 40 cents | 300,000 | 300,000 | - | 36 cents | 4.45% |
| M Johnson 20 Oct 08 | 20 Oct 11 | 20 Oct 12 | 40 cents | 100,000 | 100,000 | - | 36 cents | 4.45% |
| S Sweeney 20 Oct 08 | 20 Oct 11 | 20 Oct 12 | 40 cents | 100,000 | 100,000 | - | 36 cents | 4.45% |
| G Moore 20 Oct 08 | 20 Oct 11 | 20 Oct 12 | 40 cents | 100,000 | 100,000 | - | 36 cents | 4.45% |
| Total | | 20 Oct 12 | 40 cents | 600,000 | 600,000 | - | 36 cents | 4.45% |

## Share Based Payments

- One million one hundred and ten thousand STI options can be exercised at future dates by KMP, subject to achieving stipulated performance conditions.
- For STI purposes, the Company approved the exercise of one hundred and ninety thousand options into ordinary shares on 1 March 2013, as incentive for achieving STI performance conditions.
- 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 is set out below.

[19] The value of options exercised was B Quick - $19,000, D Hung - $9,500 and S Sweeney - $7,600, a total of $36,100.

[20] The value of options lapsed during the year was B Quick - $28,500, D Hung - $9,500 and S Sweeney $7,600, a total of $45,600.

## Remuneration Report (Audited) Cont'd

### Share Based Compensation Cont'd

| Key Management Personnel | Granted in previous year Number | Vested and Exercisable Date | Exercised Number | Lapsed during the year Number | Forfeited during the year Number | Balance at the end of the year Number | Expiry Date | Estimate of min / max value of grant $ |
|---|---|---|---|---|---|---|---|---|
| B Quick | 1,000,000 | 01 Oct 15 | 100,000 | 150,000 | - | 750,000 | 01 Oct 15 | 108,161 |
| D Hung | 300,000 | 01 Oct 14 | 50,000 | 50,000 | - | 200,000 | 01 Oct 14 | 25,500 |
| S Sweeney | 240,000 | 01 Oct 14 | 40,000 | 40,000 | - | 160,000 | 01 Oct 14 | 18,960 |
| Sub total | 1,540,000 | - | 190,000 | 240,000 | - | 1,110,000 | N/a | 152,621 |
| D Hung | 300,000 | 20/10/11 | - | 300,000 | - | - | 20/10/12 | N/a |
| M Johnson | 100,000 | 20/10/11 | - | 100,000 | - | - | 20/10/12 | N/a |
| S Sweeney | 100,000 | 20/10/11 | - | 100,000 | - | - | 20/10/12 | N/a |
| G Moore | 100,000 | 20/10/11 | - | 100,000 | - | - | 20/10/12 | N/a |
| Sub total | 600,000 | - | - | 600,000 | - | - | N/a | N/a |
| Total | 2,140,000 | - | 190,000 | 840,000 | - | 1,110,000 | N/a | 152,621 |

Where applicable, the assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables above.

Fair values at grant date are independently determined using the binomial approximation option pricing 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 up to and including the financial year ended 30 June 2013 included:

a) Options issued for nil consideration and on vesting exercisable into an equivalent amount of shares.
b) The theoretical exercise price of options granted was 35 cents (28 November 2011) and 23 cents (28 June 2012).
c) Price volatility of shares for the calculation of the share based cost was in the range of 51-55%.
d) Risk free interest rate for options issued was 3.9 % (30 November 2011) and 3.0% (28 June 2012).

The weighted average fair value of options granted and exercised during the year was 29 cents.

## Remuneration Report (Audited) Cont'd

### Service Agreements – Key Management Personnel

Remuneration and other terms of employment for the CEO and other specified 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 2013 was $384,333 p.a.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to six months base salary. Contract may be terminated by employee providing six months notice.

Mark Johnson, Group Program Director

- Term of employment is ongoing.
- Base salary, inclusive of superannuation, for the year ended 30 June 2013 was $174,400 p.a.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to three months base salary. Contract may be terminated by employee providing three months notice.

Stephen Sweeney, Company Secretary / Chief Financial Officer

- Term of Agreement is 3 years renewable from 20 October 2014
- Base fee for the year ended 30 June 2013 was $165,000 p.a.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to three months base fee. Contract may be terminated by contractor providing three months notice.

Gordon Moore, Group Creative & Brand Director

- Term of Agreement is ongoing.
- Base salary, inclusive of superannuation for the year ended 30 June 2013 was $125,350 p.a.
- Payment of termination benefit on early termination, other than for gross misconduct equal to three months base salary. Contract may be terminated by employee providing three months notice.

David Hung, Group Sales Director

- Term of Agreement is 3 years renewable from 1 September 2014.
- Base salary, inclusive of superannuation for the year ended 30 June 2013 was $195,000 p.a.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to three months base salary. Contract may be terminated by employee providing three months notice.

Andrew Harrison, Direct Sales Manager

- Term of Agreement is ongoing.
- Base salary, inclusive of superannuation for the year ended 30 June 2013 was $135,000 p.a.
- Payment of termination benefit on early termination, other than for gross misconduct, equal to one month's base salary. Contract may be terminated by employee providing one month's notice.

The 2012 remuneration report was approved at the Company's Annual General Meeting held on 29 November 2012.

## End of 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.

Non-audit services performed by the auditor were $30,514 and related to taxation advice.

The board is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001,* for the following reasons:

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

The details of fees paid to auditors are disclosed in note 8 including fees for non-audit services.

## Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2013 as required under Section 307(c) of the *Corporations Act 2001* has been received and is located on page 19 of this report.

## 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.

## Environmental Regulation

The consolidated entity's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

## Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 25(iv) to the financial statements.

## 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, 20 September 2013

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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 2013, 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, 20 September 2013

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Australia

**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 statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 Stat*ements, 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. 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:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) 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 10 to 17 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

**BDO East Coast Partnership**

BDO

David Garvey

Partner

Melbourne, 20 September 2013

# Directors' Declaration

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

a) the financial statements and notes set out on pages 23 to 62 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 2013 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 2013.

d) the remuneration disclosures included at pages 10 to 17 of the Directors' Report (Audited Remuneration Report) for the year ended 30 June 2013 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, 20 September 2013

# Statement of Profit or Loss and Other Comprehensive Income
## for the Financial Year Ended 30 June 2013

| | *Notes* | *Consolidated* | |
|---|---|---|---|
| | | *2013* *$'000* | *2012* *$'000* |
| **REVENUE** | **2** | **15,063** | 14,557 |
| Sales and marketing expenses | | **(3,057)** | (3,000) |
| Occupancy expenses | | **(624)** | (580) |
| Administration expenses | | **(2,977)** | (2,813) |
| Technical expenses | | **(6,653)** | (6,264) |
| Corporate expenses | | **(633)** | (687) |
| Finance costs | | **(46)** | (14) |
| Share of net loss of associate accounted for using the equity method | **12** | **(10)** | (42) |
| **EXPENSES** | | **(14,000)** | (13,400) |
| **PROFIT BEFORE INCOME TAX** | | **1,063** | 1,157 |
| Income tax expense | **5** | **(327)** | (253) |
| **PROFIT FOR THE YEAR AFTER INCOME TAX** | | **736** | 904 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **736** | 904 |
| **EARNINGS PER SHARE** | | | |
| Basic (cents per share) | **20** | **1.4** | 1.7 |
| Diluted (cents per share) | **20** | **1.3** | 1.6 |

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

# Statement of Financial Position
## as at 30 June 2013

| | Notes | Consolidated 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | **26(a)** | **3,394** | 2,214 |
| Trade and other receivables | **9** | **2,883** | 2,886 |
| Prepayments | | **506** | 494 |
| **TOTAL CURRENT ASSETS** | | **6,783** | 5,594 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | **10** | **1,671** | 2,123 |
| Deferred tax assets | **11** | **485** | 684 |
| Receivables from associate | **12** | **228** | 458 |
| Investments accounted for using the equity method | **12** | **150** | 160 |
| Intangibles | **13** | **9,125** | 9,168 |
| **TOTAL NON-CURRENT ASSETS** | | **11,659** | 12,593 |
| **TOTAL ASSETS** | | **18,442** | 18,187 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | **14** | **2,294** | 2,110 |
| Income tax liability | **14** | **128** | - |
| Provisions | **15** | **408** | 312 |
| Borrowings | **16** | **555** | 774 |
| **TOTAL CURRENT LIABILITIES** | | **3,385** | 3,196 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | **15** | **93** | 108 |
| **TOTAL NON-CURRENT LIABILITIES** | | **93** | 108 |
| **TOTAL LIABILITIES** | | **3,478** | 3,304 |
| **NET ASSETS** | | **14,964** | 14,883 |
| **EQUITY** | | | |
| Issued Capital | **17/18** | **16,531** | 52,381 |
| Share based payment reserve | | **634** | 573 |
| Accumulated losses | **19** | **(2,201)** | (38,071) |
| **TOTAL EQUITY** | | **14,964** | 14,883 |

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

# Statement of Changes in Equity
## for the Financial Year Ended 30 June 2013

| Consolidated | Notes | Issued Capital $'000 | Share Based Payment Reserve $'000 | Accumulated Losses $'000 | Total Equity $'000 |
|---|---|---|---|---|---|
| **TOTAL EQUITY AT 30 JUNE 2012** | | **52,381** | **573** | **(38,071)** | **14,883** |
| Profit after income tax | | - | - | 736 | 736 |
| Other comprehensive income | **19** | - | - | - | - |
| Total comprehensive income | | - | - | 736 | 736 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Share buy-back scheme | **17** | (104) | - | - | (104) |
| Dividends paid | **19** | - | - | (612) | (612) |
| Issue of share capital – EESP | | 29 | - | (29) | - |
| Reduction of share capital[21] | **17** | (35,775) | - | 35,775 | - |
| Share options granted to staff | | - | 61 | - | 61 |
| **TOTAL EQUITY AT 30 JUNE 2013** | | **16,531** | **634** | **(2,201)** | **14,964** |
| | | | | | |
| **TOTAL EQUITY AT 30 JUNE 2011** | | **52,419** | **538** | **(38,108)** | **14,849** |
| Profit after income tax | | - | - | 904 | 904 |
| Other comprehensive income | **19** | - | - | - | - |
| Total comprehensive income | | - | - | 904 | 904 |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Share buy-back scheme | **17** | (74) | - | - | (74) |
| Dividends paid | **19** | - | - | (831) | (831) |
| Issue of share capital – EESP | | 36 | - | (36) | - |
| Share options granted to staff | | - | 35 | - | 35 |
| **TOTAL EQUITY AT 30 JUNE 2012** | | **52,381** | **573** | **(38,071)** | **14,883** |

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

[21] A share capital reduction was undertaken during the year - refer note 18.

# Statement of Cash Flows
## for the Financial Year Ended 30 June 2013

| | Notes | Consolidated Inflows / (Outflows) 2013 $'000 | 2012 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | **17,298** | 16,278 |
| Payments to suppliers and employees | | **(15,400)** | (14,845) |
| Interest received | | **85** | 116 |
| Interest and other costs of finance paid | | **(47)** | (21) |
| **Net cash provided by operating activities** | **26(b)** | **1,936** | 1,528 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for acquisition of businesses net of cash acquired | **28** | **-** | (750) |
| Payment for property, plant and equipment | | **(52)** | (969) |
| Loan repayments by Digital Joint Venture Company | | **230** | - |
| **Net cash provided by / from investing activities** | | **178** | (1,719) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | **-** | 815 |
| Repayment of borrowings | | **(218)** | (44) |
| Dividends paid | | **(612)** | (832) |
| Payment for buy back of equity securities | | **(104)** | (62) |
| **Net cash used in financing activities** | | **(934)** | (123) |
| **NET INCREASE / (DECREASE) IN CASH EQUIVALENTS** | | **1,180** | (314) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **2,214** | 2,528 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **26(a)** | **3,394** | 2,214 |

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

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. 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 27.

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).

### *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.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of Accounting Policies Cont'd

### *Adoption of new and revised Accounting Standards and Interpretations*

During the year, the Company adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2012:

| Standard | Effective for annual reporting periods beginning on or after | Applied this financial year |
|---|---|---|
| AASB 2011-9[22] "*Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income*" | 1 July 2012<br>The impact of this standard has not had a material impact on the financial statements. | ✓ |
| AASB 2012-8 "*Amendments to AASB1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS manual relating to Defence Weapons Platforms*" | 1 July 2012 | ✓ |

Details of the impact of the adoption of these new accounting standards where applicable are set out in the individual accounting policy notes on the following pages.

### *Standards and Interpretations issued but not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory or material for the 30 June 2013 reporting period.

The application of these standards is not expected to materially affect the amounts recognised in the current or future period financial statements. These standards include:

AASB 9: Financial Instruments;

AASB 10: Consolidated Financial Statements;

AASB 11: Joint Arrangements;

AASB 12: Disclosure of Interests in Other Entities;

AASB 13: Fair Value Measurements; and

AASB 119: Employee Benefits;

AASB 127: Separate Financial Statements;

AASB 128: Investments in associates and Joint ventures.

[22] Adoption of AASB 2011-9 has resulted in format changes to the Statement of Profit or Loss and Other Comprehensive Income.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of 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, thereby ensuring that the substance of the underlying transactions or other events is reported.

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

***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 balance 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 the financial statements.

***a) Accounts Payable***

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.

***b) Borrowing costs***

Borrowing costs are recognised as an expense when incurred.

***c) 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 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 (or disposal groups) 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 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.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 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.

### *e) Changes in Accounting Policies*

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

### *f) 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.

### *g) Earnings per share*

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders, 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.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 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, 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 Australian Taxation Office is included in receivables or payables.

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 Australian Taxation Office 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. 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:

- 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
- 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.

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.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of Accounting Policies Cont'd

### *(j) Income Tax Cont'd*

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) 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 23.

Investments in associates and joint ventures are accounted for in the financial statements by applying the equity method of accounting. Investments in associates and joint ventures is carried in the Statement of Financial Position at cost plus any post-acquisition changes in the Company's share of net assets of the associate and joint venture less any impairment in value.

When the Company 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.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of Accounting Policies Cont'd

### *l) Intangible Assets*

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.

The 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.

Patents and trademarks are not amortised because they are related to the useful life of the licences.

The masthead has been assessed to have an indefinite useful live and accordingly, it is not amortised. It is tested for impairment annually and at each reporting date where there is an indication that the carrying value may be impaired.

Intangible assets with a finite life such as websites are amortised over their expected useful life.

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

- o websites - 5 years

### *m) Impairment of assets*

Goodwill and intangible assets that have 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.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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 and the masthead 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 licences and masthead is made each reporting period to ensure this is not less than its carrying amount.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of Accounting Policies Cont'd

### *n) Leased Assets*

Assets acquired under finance leases are classified as property, plant and equipment. The amount initially brought to account is the fair valued 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.

### *o) 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.

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 the calculation of depreciation:

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

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of Accounting Policies Cont'd

### *p) 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.

### *q) 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 days.

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 60 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.

### *r) Revenue Recognition*

#### (i) Broadcasting income

Broadcasting operations derive revenue primarily from the sale of advertising time to local and national advertisers. Revenue is recognised when commercial announcements are broadcast.

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) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of Accounting Policies Cont'd

### *s) 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.

### *t) 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.

### *u) Share Based Payments*

#### (i) Executive Share Option Plan / Exempt Employee Share Plan

Benefits are provided to employees / consultants in the form of share based payment transactions, whereby employees / consultants 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 / consultant 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 of the underlying share and its expected volatility, dividends and the risk free interest rate for the expected life of the option.

Options are issued pursuant to the Employee Share Option Plan (ESOP) and have expiry dates of up to 48 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 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 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.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 1. Summary of Accounting Policies Cont'd

### *v) Share Based Payments Cont'd*

#### (ii) Share Based Payments for Services

In the normal course of business, options may be issued to third parties as consideration for entering into contracts.

Due to the nature of these agreements, it is not always possible to value these rights by reference to the fair value of the services received and therefore in those circumstances, the costs associated with these rights are based upon the fair value of options granted.

The fair value of options granted or issued under these arrangements, is determined using a binomial approximation model. This model takes into account at grant date, the exercise price and expected life of the option, the vesting criteria, the current price of the underlying share and its expected volatility, expected dividends and the risk free interest rate for the expected life of the option.

The fair value of options issued under such arrangements is expensed to the profit and loss and where applicable is detailed in note 2.

At reporting date, there were no options on issue as share based payments for services.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 2. Profit from Continuing Operations

Profit from continuing operations before income tax includes the following revenue / expenses:

| | Consolidated 2013 $'000 | Consolidated 2012 $'000 |
|---|---|---|
| **a) Revenue from Continuing Activities** | | |
| Sales revenue | **14,843** | 14,373 |
| | **14,843** | 14,373 |
| **Non-Operating Revenue** | | |
| Interest revenue: Other entities | **90** | 113 |
| Other | **130** | 71 |
| | **220** | 184 |
| Revenue from continuing operations | **15,063** | 14,557 |
| Associate loss: Digital Radio Broadcasting Melbourne Pty Ltd | **(10)** | (42) |
| **b) Expenses** | | |
| Bad and doubtful debts – trade receivables | **78** | 110 |
| Depreciation / amortisation of non-current assets: | | |
| Property, plant and equipment | **508** | 267 |
| Intangible assets - websites | **46** | 46 |
| Operating lease rental expenses: | | |
| Minimum lease payments – premises | **387** | 364 |
| Employee benefits expense[23] | **5,521** | 7,032 |
| Defined contribution superannuation expense | **436** | 442 |
| Share based payments – ESOP/EESP | **61** | 35 |

## 3. Critical accounting judgements / key sources of uncertainty

Management is required to make judgements, estimates, and assumptions about 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.

Estimates and assumptions that have a significant inherent risk in respect of estimates based on future events and which could have a material impact on the assets and liabilities in the next financial year are outlined below:

- Tax losses recognised – note 5 (c).
- Valuation of share options - note 7.
- Impairment testing of intangible assets with indefinite useful lives - note 13 and note 1 (l) and (m).

[23] This category included contractor costs in prior financial years.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 4. Financial Risk Management

Financial instruments consist mainly of cash and short term deposits with banks, accounts receivable, payables, and intercompany and 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 main risks the Company is exposed to is interest rate, liquidity and credit risk.

*Interest rate risk*

Interest rate risk arises from term deposits and loans. Interest income varies with interest rates.

A one per cent increase / decrease in term deposit rates would change trading results by +/- $15 thousand (2012: +/- $15 thousand). An increase / decrease in loan rates would change trading results by +/- $10 thousand (2012: +/- $10 thousand).

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

| | Consolidated | |
|---|---|---|
| | **2013 $'000** | **2012 $'000** |
| **Financial Assets** | | |
| Cash and cash equivalents | **3,394** | 2,214 |
| | **3,394** | 2,214 |
| **Financial Liabilities** | | |
| Bank loans | **555** | 774 |
| | **555** | 774 |
| Net exposure | **2,839** | 1,440 |

The Company analyses its interest rate exposure and consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

*Foreign currency risk*

The Company's operations are located in Australia and there is minimal transactional currency exposure. Where exposures do arise, they relate to sales or purchases by an operating entity in currencies other than the functional currency.

At 30 June 2013, exposure to foreign currency trade receivables not designated in cash flow hedges was Nil (2012: Nil).

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 4. Financial Risk Management Cont'd

At reporting date, there were no significant committed foreign currency purchases and no significant foreign currency denominated financial assets or liabilities and income and 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 foreign currency risks.

*Liquidity risk*

Liquidity risk is managed by forecasting and monitoring cash flows on an ongoing basis. The primary objective is to maintain a balance between continuity of funding and flexibility.

The Company had loans outstanding of $555 thousand at reporting date, These loans are due to be fully repaid between December 2015 - May 2016.

The contractual maturity of other financial liabilities of $2.4 million is less than six months.

The maturity analysis for financial assets / liabilities is based on contractual obligations as set out in the table below:

The risk implied from the values shown in the table below reflects a balanced view of cash inflows, outflows, trade payables, loan agreements and other financial liabilities which originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital such as trade receivables. These assets are considered in assessing liquidity risk.

| 2013 | ≤ 6 months $'000 | 6-12 months $'000 | 1-5 years $'000 | > 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash & cash equivalents | 3,394 | - | - | - | 3,394 |
| Trade, other receivables and prepayments | 3,389 | - | - | - | 3,389 |
| | **6,783** | **-** | **-** | **-** | **6,783** |
| **Financial Liabilities – Non Interest Bearing** | | | | | |
| Trade & other payables | (2,294) | - | - | - | (2,294) |
| **Financial Liabilities – Interest Bearing** | | | | | |
| Loans - contractual[24] | (112) | (112) | (331) | - | (555) |
| Trade & other payables | **(2,406)** | **(240)** | **(331)** | **-** | **(2,977)** |
| Net maturity | **4,377** | **(240)** | **(331)** | **-** | **3,806** |

[24] In accordance with the terms of this loan, the balance outstanding is classified as a current liability in the Statement of Financial Position but is repayable over a longer period.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 4. Financial Risk Management Cont'd

| 2012 | ≤ 6 Months $'000 | 6-12 months $'000 | 1-5 years $'000 | > 5 years $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash & cash equivalents | 2,214 | - | - | - | 2,214 |
| Trade, other receivables and prepayments | 3,389 | - | - | - | 3,389 |
| | 5,603 | - | - | - | 5,603 |
| **Financial Liabilities – Non Interest Bearing** | | | | | |
| Trade & other payables | (2,110) | - | - | - | (2,110) |
| **Financial Liabilities – Interest Bearing** | | | | | |
| Loans | (109) | (109) | (556) | - | (774) |
| Trade & other payables | (2,219) | (109) | (556) | - | (2,884) |
| Net maturity | 3,384 | (109) | (556) | - | 2,719 |

*Fair value*

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

*Credit risk*

Credit risk arises from financial assets such as cash and cash equivalents, trade and other receivables. At balance 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 statement of financial position.

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

It is company policy to trade only with recognised, creditworthy third parties. Collateral is not requested nor is it a 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 to be material.

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

*Capital Risk Management*

The objective in managing capital is to safeguard the ability to continue as a going concern so that the business can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Capital is monitored through current business operations and cash flow requirements.

The gearing ratio for the reporting period was 5% (2012: 6%).

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 5. Income Tax

a) The 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 2013 $'000 | Consolidated 2012 $'000 |
|---|---|---|
| **Profit before income tax expense** | **1,063** | 1,157 |
| Income tax expense calculated at 30% | **319** | 347 |
| Non allowable expenses | **19** | 1 |
| Deductible expenses / non assessable income | **(11)** | - |
| | **327** | 348 |
| Tax losses recouped for which deferred tax asset was not previously recognised | **-** | (95) |
| Income tax expense | **327** | 253 |
| b) Income tax expense | | |
| Current tax | **128** | - |
| Deferred tax | **199** | 253 |
| | **327** | 253 |
| c) Deferred tax assets not brought to account | | |
| Non-utilised tax losses for which no deferred tax asset is recognised | **14,994** | 16,712 |
| 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.

A review of the historical tax loss position was completed in the prior year which identified that the Company would not in a position to satisfy the above criteria due to the following:

Directors obtained tax advice to the effect, that based on existing information, it was unlikely to be able to utilise tax losses generated in the years up to 30 June 2004 ($16.71 million) due to:

- Failing the Continuity of Ownership test due to the operation of the "same-share same-shareholder" rule and also failing the Same Business Test in the same financial years;

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 5. Income Tax Cont'd

- The available fractions for the Company and its subsidiaries are either nil or close to nil meaning that even if the losses could be transferred to the tax consolidated group, they could only be utilised over an extremely long period of time.
- The directors' intend to continue exploring the ability to utilise these historic tax losses.

Pacific Star Network Limited implemented the tax consolidation legislation effective from 2004-05.

On adoption of the tax consolidation legislation, the entities in the tax consolidated group 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 wholly owned entities fully compensate 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

### a) Details of Key Management Personnel

The Key Management Personnel of Pacific Star Network Limited and their roles during the year were:

Ronald Hall – Non Executive Director

Andrew Moffat – Chairman and Non Executive Independent Director

Gary Pert – Non Executive Independent Director

Michelle Guthrie – Non Executive Independent Director

Barrie Quick – Chief Executive Officer

Mark Johnson – Group Program Director

Stephen Sweeney – Chief Financial Officer / Company Secretary

Gordon Moore – Group Creative and Brand Director

David Hung – Group Sales Director

Andrew Harrison – Direct Sales Manager

### 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 |
|---|---|---|---|---|---|---|---|
| | $ | $ | | $ | $ | $ | $ |
| **2013** | **1,265,761** | **159,315** | **1,425,076** | **100,568** | **63,191** | **75,069** | **1,663,904** |
| 2012 | 1,252,053 | 147,245 | 1,399,298 | 102,592 | 11,850 | - | 1,513,740 |

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

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 6. Key Management Personnel

### c) Share Holdings

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

| 2013 | Held at beginning of the year | EESP Shares Issued | ESOP Shares Issued | Other changes during year | Held at reporting date |
|---|---|---|---|---|---|
| R Hall | 15,909,707 | - | - | - | 15,909,707 |
| A Moffat | 704,629 | - | - | - | 704,629 |
| G Pert | - | - | - | - | - |
| M Guthrie | - | - | - | - | - |
| B Quick | 4,210 | 5,000 | 100,000 | - | 109,210 |
| M Johnson | 128,333 | - | - | - | 128,333 |
| S Sweeney | 150,000 | - | 40,000 | - | 190,000 |
| G Moore | 3,333 | - | - | - | 3,333 |
| D Hung | 311,709 | 5,000 | 50,000 | (8,376) | 358,333 |
| A Harrison | - | - | - | - | - |
| **Total** | **17,211,921** | **10,000** | **190,000** | **(8,376)** | **17,403,545** |

EESP / ESOP shares are issued as part of remuneration. No share options are held by directors.

| 2012 | Held at beginning of the year | EESP Shares Issued | ESOP Shares Issued | Other changes during year | Held at reporting date |
|---|---|---|---|---|---|
| R Hall | 15,877,968 | - | - | 31,739 | 15,909,707 |
| A Moffat | 704,629 | - | - | - | 704,629 |
| G Pert | - | - | - | - | - |
| B Quick | 877 | 3,333 | - | - | 4,210 |
| M Johnson | 100,000 | 3,333 | 25,000 | - | 128,333 |
| S Sweeney | 100,000 | - | 50,000 | - | 150,000 |
| G Moore | - | 3,333 | - | - | 3,333 |
| D Hung | 208,376 | 3,333 | 100,000 | - | 311,709 |
| A Harrison | - | - | - | - | - |
| **Total** | **16,991,850** | **13,332** | **175,000** | **31,739** | **17,211,921** |

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 6. Key Management Personnel Cont'd

### d) Option Holdings

The number of options held during the financial year by each current / previous director and KMP including their personally related parties is set out below.

| Name | Balance at start of the year | Granted as compensation | Lapsed | Exercised during the year | Balance at the end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| Directors of Pacific Star Network Limited | | | | | | | |
| R Hall | - | - | - | - | - | - | - |
| A Moffat | - | - | - | - | - | - | - |
| G Pert | - | - | - | - | - | - | - |
| M Guthrie | - | - | - | - | - | - | - |
| Sub-total | - | - | - | - | - | - | - |
| Other Key Management Personnel of the Group | | | | | | | |
| B Quick | 1,000,000 | - | (150,000) | (100,000) | 750,000 | - | 750,000 |
| M Johnson | 100,000 | - | (100,000) | - | - | - | - |
| S Sweeney | 340,000 | - | (140,000) | (40,000) | 160,000 | - | 160,000 |
| G Moore | 100,000 | - | (100,000) | - | - | - | - |
| D Hung | 600,000 | - | (350,000) | (50,000) | 200,000 | - | 200,000 |
| A Harrison | - | - | - | - | - | - | - |
| Sub-total | 2,140,000 | - | (840,000) | (190,000) | 1,110,000 | - | 1,110,000 |
| **Total** | **2,140,000** | **-** | **(840,000)** | **(190,000)** | **1,110,000** | **-** | **1,110,000** |
| **2012** | | | | | | | |
| Directors of Pacific Star Network Limited | | | | | | | |
| R Hall | - | - | - | - | - | - | - |
| A Moffat | - | - | - | - | - | - | - |
| G Pert | - | - | - | - | - | - | - |
| Sub-total | - | - | - | - | - | - | - |
| Other Key Management Personnel of the Group | | | | | | | |
| B Quick | - | 1,000,000 | - | - | 1,000,000 | - | 1,000,000 |
| M Johnson | 150,000 | - | (25,000) | (25,000) | 100,000 | 100,000 | - |
| S Sweeney | 150,000 | 240,000 | - | (50,000) | 340,000 | 100,000 | 240,000 |
| G Moore | 100,000 | - | - | - | 100,000 | 100,000 | - |
| D Hung | 400,000 | 300,000 | - | (100,000) | 600,000 | 300,000 | 300,000 |
| A Smyth | 50,000 | - | (50,000) | - | - | - | - |
| Sub-total | 850,000 | 1,540,000 | (75,000) | (175,000) | 2,140,000 | 600,000 | 1,540,000 |
| **Total** | **850,000** | **1,540,000** | **(75,000)** | **(175,000)** | **2,140,000** | **600,000** | **1,540,000** |

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 7. Share-Based Payments

### *a) Employee Share Option Plan*

The Company operates an Employee Share Option Plan (ESOP) for the benefit of staff.

This plan is designed to provide short and long-term incentives for staff and contractors of Pacific Star Network Limited and its associated companies, by allowing them to participate in future growth and provides an incentive to contribute to improved returns to shareholders.

Under the ESOP, directors may in their absolute discretion, offer to grant options to eligible recipients. The options will be granted for no consideration and will carry the right in favour of the option holder to subscribe for one ordinary share for each option issued.

Staff joining after commencement of the plan, are eligible recipients and all shares issued upon exercise of options rank parri-passu in all respects with issued shares.

#### 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 the previous financial year included:

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

(ii) Exercise price for the options issued on specified dates is shown in the table above.

(iii) Grant and expiry dates for each option issue is listed in the table above.

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

(v) Expected dividend yield – 6.5% un-franked.

(vi) Risk free interest rate was 3.88% on 28 November 2011 and 2.97% on 28 June 2012.

The weighted average fair value of options granted and exercised during the year was nil cents (2012: nil cents).

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

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 7. Share-Based Payments Cont'd

### a) Employee Share Option Plan Cont'd

| 2013 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Grant Date | Expiry Date | Exercise Price<br>Number | Balance at start of the year<br>Number | Issued during the year<br>Number | xercised during the year<br>Number | Lapsed during the year<br>Number | Balance at the end of the year<br>Number | Vested and exercisable at end of the year<br>Number |
| 20 Oct 2008 Issue 3 | 20 Oct 2012 | 40 cents | 700,000 | - | - | (700,000) | - | - |
| 28 Nov 2011 Issue 7 | 30 Oct 2015 | Nil cents | 1,000,000 | - | (100,000) | (150,000) | 750,000 | - |
| 28 Jun 2012 Issue 8 | 20 Oct 2014 | Nil cents | 540,000 | - | (90,000) | (90,000) | 360,000 | - |
| Total | | - | 2,240,000 | - | (190,000) | (940,000) | 1,110,000 | - |
| Weighted Average Exercise Price | | - | 12.5 cents | n/a | Nil Cents | 30 cents | Nil cents | - |

The weighted average remaining contractual life for all outstanding options at the end of the financial year is 1.3 years (2012: 2.2 years).

| 2012 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Grant Date | Expiry Date | Exercise Price<br>Number | Balance at start of the year<br>Number | Issued during the year<br>Number | Exercised during the year<br>Number | Lapsed during the year | Balance at the end of the year<br>Number | Vested and exercisable at end of the year<br>Number |
| 20 Oct 2008 Issue 3 | 20 Oct 2012 | 40 cents | 800,000 | - | - | (100,000)[25] | 700,000 | 700,000 |
| 20 Oct 2008 Issue 5 | 20 Oct 2012 | Nil cents | 200,000 | - | (175,000) | (25,000) | - | - |
| 28 Nov 2011 Issue 7 | 30 Oct 2015 | Nil cents | - | 1,000,000 | - | - | 1,000,000 | - |
| 28 Jun 2012 Issue 8 | 20 Oct 2014 | Nil cents | - | 540,000 | - | - | 540,000 | - |
| Total | | - | 1,000,000 | 1,540,000 | (175,000) | (125,000) | 2,240,000 | 700,000 |
| Weighted Average Exercise Price | | - | 32 cents | Nil cents | Nil Cents | 40 cents | 12.5 cents | 40 cents |

[25] These options were forfeited as a result of the departure of employees during the year and had a value of $10,914.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 7. Share-Based Payments Cont'd

### b) Exempt Employee Share Plan

An EESP was launched in September 2011 to enable all employees to participate in the growth and success of the Company.

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

- Being a full, part or casual employee in continuous service over the period from April to September each calendar year;
- The benefit of the grant of shares is that they are tax free in the hands of the recipient provided they are retained for a period of three years from the date of issue.

During the year, the Company issued 145,000 shares to twenty nine qualifying employees.

### c) Payments for Services

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

## 8. Remuneration of Auditors

During the year, the following fees were paid or are payable for services provided by the previous auditor, Grant Thornton Audit Pty and the current auditor, BDO East Coast Partnership.

| | *Consolidated* | |
|---|---|---|
| | ***2013*** | ***2012*** |
| | ***$*** | ***$*** |
| ***Audit and assurance services:*** | | |
| - Audit and review of financial statements | **49,500** | 69,000 |
| ***Other services:*** | | |
| - Taxation services | **30,514** | 44,000 |

# Notes to the Financial Statements
## for the year ended 30 June 2013

| | Consolidated 2013 $000 | Consolidated 2012 $000 |
|---|---|---|

## 9. Trade and Other Receivables

### a) Current Receivables

| | 2013 $000 | 2012 $000 |
|---|---|---|
| Trade receivables | **3,348** | 3,319 |
| Less provision for doubtful debts | **(511)** | (433) |
| | **2,837** | 2,886 |
| Other | **46** | - |
| | **2,883** | 2,886 |

### b) Provision for impairment loss

| | 2013 $000 | 2012 $000 |
|---|---|---|
| Balance at 1 July 2012 | **433** | 417 |
| Charge for the year | **78** | 110 |
| Amounts written back | **-** | (94) |
| Balance at 1 July 2013 | **511** | 433 |

Trade receivables are non-interest bearing and are predominantly on 30 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 $78 thousand (2012: $110 thousand) has been recognised as an expense this financial year.

At reporting date, the ageing analysis of past due but not impaired trade receivables was as follows:

| | | 0-30 days $'000 | 30-60 days $'000 | 60-90 days $'000 | +91 days $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2013** | **Consolidated** | **123** | **32** | **28** | **46** | **229** |
| | | **123** | **32** | **28** | **46** | **229** |
| 2012 | Consolidated | 117 | 27 | 19 | 86 | 249 |
| | | 117 | 27 | 19 | 86 | 249 |

Receivables past 91 days that are not considered past due were $29 thousand (2012: $86 thousand) and relate to clients on payment plans or deferred payment terms.

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

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 9. Trade and Other Receivables Cont'd

### Related party receivables

The fair value of related party receivables cannot be reliably measured. Whilst these entities make repayments on the balance outstanding, there are no plans to repay the full amount.

These receivables are non-interest bearing and have no fixed terms of repayment.

### Fair value and credit risk

Due to the short term nature of trade receivables, their carrying value is assumed to approximate to their fair value. The maximum exposure to credit risk is the balance of receivables (net of allowances for doubtful debts). Collateral is not held as security, nor is it the policy to transfer or on-sell receivables to special purpose entities.

### Foreign exchange and interest rate risk

Details on foreign exchange and interest rate risk exposure is disclosed in note 4.

## 10. Property, Plant & Equipment

| | *Consolidated* | |
|---|---|---|
| | **2013 $000** | **2012 $000** |
| *Carrying Amount (at cost)* | | |
| Balance at start of the year | **6,704** | 5,214 |
| Additions | **56** | 1,588 |
| Disposals | **-** | (98) |
| Balance at end of the year | **6,760** | 6,704 |
| *Accumulated Depreciation* | | |
| Balance at start of the year | **4,581** | 4,412 |
| Depreciation expense for the year | **508** | 267 |
| Disposals | **-** | (98) |
| Balance at end of the year | **5,089** | 4,581 |
| *Net Book Value* | | |
| Balance at start of the year | **2,123** | 802 |
| Balance at end of the year | **1,671** | 2,123 |

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

# Notes to the Financial Statements
## for the year ended 30 June 2013

| | Consolidated | |
|---|---|---|
| | **2013 $000** | **2012 $000** |

## 11. Deferred Tax Assets

| | | |
|---|---|---|
| The balance is attributable to: | | |
| Tax losses and temporary differences | **485** | 684 |
| *Movements* | *Tax Losses* | *Total* |
| At 1 July 2011 | **937** | 937 |
| Charged to profit or loss | **(253)** | (253) |
| At 30 June 2012 | **684** | 684 |
| Charged to profit or loss | **(199)** | (199) |
| Charged to profit or loss – temporary differences | **-** | - |
| At 30 June 2013 | **485** | 485 |

## 12. Investments accounted for using the equity method

| | | |
|---|---|---|
| a) Digital Radio Broadcasting Melbourne Pty Ltd | **150** | 160 |
| | **150** | 160 |

The shareholding in Digital Radio Broadcasting Melbourne Pty Limited is accounted for using the equity method of accounting. The Company has significant influence due to its voting rights.

The Company owns 18.2% of this entity and for the reporting period, booked a trading loss of $10 thousand (2012: $42 thousand loss).

During the year, repayments received on this loan were $230 thousand and the remaining loan balance at reporting date was $228 thousand (2012: $458 thousand).

The Company provides an interest free loan with no fixed repayment terms. Information relating to the joint venture is set out below.

**Associates gross assets and liabilities**

| | | |
|---|---|---|
| Current assets | **576** | 1,538 |
| Non-current assets | **1,666** | 1,981 |
| Total assets | **2,242** | 3,519 |
| Current liabilities | **168** | 201 |
| Non-current liabilities | **1,249** | 2,549 |
| Total liabilities | **1,417** | 2,750 |
| Net assets | **825** | 769 |

# Notes to the Financial Statements
## for the year ended 30 June 2013

| | Consolidated 2013 $000 | Consolidated 2012 $000 |
|---|---|---|

## 12. Investments accounted for using the equity method Cont'd

**Associates gross revenue, expenses and results**

| | 2013 $000 | 2012 $000 |
|---|---|---|
| Revenues | **1,276** | 923 |
| Expenses | **(1,286)** | (1,292) |
| Loss for the year | **(10)** | (369) |

## 13. Intangible Assets

| | 2013 $000 | 2012 $000 |
|---|---|---|
| *Non-Current* | | |
| Patents and trademarks at cost | **113** | 113 |
| Inside Football masthead | **797** | 794 |
| | **910** | 907 |
| | | |
| Website – SportSENtral | **232** | 232 |
| Website – Amortisation | **(186)** | (140) |
| | **46** | 92 |
| | | |
| Radio Licences | | |
| SEN 1116 AM | **3,148** | 3,148 |
| MyMP 1377 AM | **5,021** | 5,021 |
| | **8,169** | 8,169 |
| Total Intangible Assets | **9,125** | 9,168 |

Following the reintegration of the former MTR radio station into Pacific Star Network in the previous financial year, a restructure was undertaken and a review of the business model was conducted for the renamed radio station (MyMP).

As part of this process, the business strategy was reviewed including the broadcast offering and target audience.

As a result of these activities, the directors' have identified that the MyMP licence does not generate cash flows that are largely independent of the cash flows from other assets or groups of assets (cash generating units) because MyMP and SEN have shared assets and inter-dependent cash flows.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 13. Intangible Assets Cont'd

The Directors have therefore resolved to classify radio licences as one cash generating unit (CGU) for impairment testing and segment reporting purposes.

Radio licences are tested annually for impairment at cash generating unit level.

To determine the fair value of radio licences, directors' commissioned an independent valuation report.

Intangibles have been allocated to two individual cash generating units for impairment testing as follows:

- Radio 1116AM (SEN) / 1377AM (MyMP) cash generating unit – $8,169 thousand; and
- Inside Football magazine cash generating unit - $797 thousand.

These licences are not amortised since, in the opinion of the directors the licences have an indefinite useful life.

The recoverable amount of each cash-generating unit 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.

Value in use is determined by utilising cash flow projections based on financial budgets approved by the board for the subsequent year and these projections form the basis of future cash flow projections.

The key assumptions used for value in use for the current period were:

a) Net cash flows before tax will grow at an annual rate of 2.5% (2012: 3%)

b) Pre tax discount rate of 15.6% is an appropriate weighted cost of capital (2012: 17.5%).

Future cash flows are based on five year forecasts prepared by management that have been projected based on actual operating results. Cash flows beyond the five year period are extrapolated using a constant revenue growth rate of 2.5%, which does not exceed the long term average growth rate for the business in which the CGU's operate.

Directors' confirm that these valuations are at least equal to the recoverable value and no impairment is required to be made to these assets.

The trademarks relate to the radio cash generating unit.

### Sensitivity

As disclosed in Note 3, the directors' have made judgments and estimates in respect of impairment testing of intangibles and cash flow projections.

Should the judgments and estimates in the cash flow projections and value in use calculation not occur, the resulting intangible may vary in carrying amount.

The sensitivities are as follows:

(i) Revenue would need to decrease by 7.5% all other assumptions constant;

(ii) The discount rate would have to increase by 4% all other assumptions constant.

# Notes to the Financial Statements
## for the year ended 30 June 2013

| | Consolidated | |
|---|---|---|
| | *2013* | *2012* |
| | *$'000* | *$'000* |

## 14. Current Payables

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Trade payables | **817** | 952 |
| PAYG payable | **115** | 100 |
| GST payable | **234** | 144 |
| Other credits and accruals | **1,128** | 914 |
| | **2,294** | 2,110 |
| Income tax payable | **128** | - |

## 15. Provisions

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Employee provisions – current | **408** | 312 |
| Employee provisions – non current | **93** | 108 |
| | **501** | 420 |

## 16. Borrowings

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Not longer than 1 year | **224** | 218 |
| Between 1 to 4 years | **331** | 556 |
| | **555** | 774 |

Borrowings have been disclosed as current liabilities to comply with the technical requirements of AASB 101 "*Presentation of Financial Statements*" as there is no unconditional right to defer settlement for at least 12 months after the reporting date.

The directors' view is that loans will be repaid in accordance with the terms of the agreement and that the Company is fully compliant with the financial covenants attached to these loans.

# Notes to the Financial Statements
## for the year ended 30 June 2013

| | Consolidated | |
|---|---|---|
| | *2013 $000* | *2012 $000* |

## 17. Issued Capital

*Contributed Equity*

| | 2013 $000 | 2012 $000 |
|---|---|---|
| 53,464,806 fully paid ordinary shares (2012: 53,659,988) | **16,531** | 52,381 |

| | 2013 | | 2012 | |
|---|---|---|---|---|
| *Fully Paid Ordinary Share Capital* | No.'000 | $'000 | No.'000 | $'000 |
| Balance at beginning of financial year | **53,660** | **52,381** | 53,592 | 52,419 |
| Transfer of shares | **335** | **29** | 295 | 36 |
| Share buy back | **(530)** | **(104)** | (227) | (74) |
| Reduction of share capital – refer note 18 | **-** | **(35,775)** | - | - |
| Balance at end of the financial year | **53,465** | **16,531** | 53,660 | 52,381 |

*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.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 18. Reduction in Share Capital

At the Annual General Meeting held on 29 November 2012, the board sought and was given shareholder approval for a reduction of its share capital by $35,774,780 without cancelling any shares or returning any capital to Shareholders.

In accordance with the Corporations Act, a Company may reduce its share capital if the reduction:

a) is fair and reasonable to Shareholders as a whole;
b) does not materially prejudice the Company's ability to pay its creditors; and
c) is approved by Shareholders under section 256C of the Corporations Act.

The Directors considered that the share capital reduction would not materially prejudice the Company's ability to pay its creditors for the following reasons:

- the share capital reduction only involves the debiting of the Company's capital account;
- the Company will not return any capital to Shareholders; and
- the share capital reduction will not affect the net asset position of the Company or otherwise impact on the Company's cash reserves.

## 19. Accumulated Losses

| | *Consolidated* | |
|---|---|---|
| | ***2013 $'000*** | ***2012 $'000*** |
| Balance at beginning of financial year | **(38,071)** | (38,108) |
| Net Profit | **736** | 904 |
| Issue of Share Capital - EESP | **(29)** | (36) |
| Reduction of share capital | **35,775** | - |
| Dividend paid | **(612)** | (831) |
| Balance at end of financial year | **(2,201)** | (38,071) |

# Notes to the Financial Statements
## for the year ended 30 June 2013

| | Consolidated | |
|---|---|---|
| | 2013 $'000 | 2012 $'000 |

## 20. Earnings per Share

### 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:

| | 2013 $'000 | 2012 $'000 |
|---|---|---|
| Profit after income tax for the year | **736** | 904 |
| Weighted average number of ordinary shares | **53,675** | 54,232 |

### 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:

| | | |
|---|---|---|
| Profit | **736** | 904 |
| Weighted average number of ordinary shares and potential ordinary shares | **55,352** | 55,032 |
| These options are dilutive and are therefore included in the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share. | **1,110** | 2,240 |
| Basic (cents per share) | **1.4** | 1.7 |
| Diluted (cents per share) | **1.3** | 1.6 |

## 21. Commitments for Expenditure

### a) Contract for property lease - including carrying value

| | | |
|---|---|---|
| Not longer than 1 year | **397** | 382 |
| Between 1 and 5 years | **1,284** | 1,681 |
| | **1,681** | 2,063 |

## 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.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 23. Controlled Entities

| Name of entity – investment in ordinary shares | Country of Incorporation | Ownership Interest 2013 % | Ownership Interest 2012 % |
|---|---|---|---|
| **Parent Entity** | | | |
| Pacific Star Network Limited | Australia | | |
| **Controlled Entities** | | | |
| Victorian Radio Network Pty Ltd | Australia | **100** | 100 |
| Malbend Pty Ltd | Australia | **100** | 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 only.

There are three operating segments, radio, print and head office. This is determined based on reporting provided to the key operating decision makers and the Board.

Following a change in the structure of the business and a review by directors' it was identified that the MyMP radio licence no longer generates cash flows that are independent of the cash flows from other assets or groups of assets – refer note 13. Taking this into consideration, directors no longer consider it appropriate to report segment revenue for each radio licence.

| **Consolidated** | **30 June 2013 *$'000* Radio** | **30 June 2013 *$'000* Print** | **30 June 2012 *$'000* Radio** | **30 June 2012 *$'000* Print** | **Total *$'000* *2013*** | **Total *$'000* *2012*** |
|---|---|---|---|---|---|---|
| Segment Revenues | **13,993** | **980** | 13,632 | 812 | **14,973** | 14,444 |
| Segment Result | **1,455** | **64** | 1,642 | 58 | **1,519** | 1,700 |
| Segment Depreciation | **479** | **29** | 230 | 37 | **508** | 267 |

A reconciliation of adjusted segment result to operating profit before tax is as follows:

| | | |
|---|---|---|
| Total segment result | **1,519** | 1,700 |
| Head office expenses | **(456)** | (543) |
| Net profit before tax | **1,063** | 1,157 |

A reconciliation of external revenue to total revenue is as follows:

| | | |
|---|---|---|
| Total sales revenue and other | **14,973** | 14,444 |
| Interest | **90** | 113 |
| | **15,063** | 14,557 |

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 25. Related Party Disclosures

### (i) Equity Interests in Related Parties

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities, is disclosed in note 22 to the financial statements.

### (ii) Remuneration and Retirement Benefits

Details of Key Management Personnel remuneration is disclosed, in note 6 and the directors' report.

### (iii) Transactions with Key Management Personnel

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

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

### (iv) *Other Transactions with Key Management Personnel*

The profit before income tax includes the following expense resulting from transactions with directors or their director-related entities:

| | *Consolidated* | |
|---|---|---|
| | ***2013*** ***$*** | ***2012*** ***$*** |
| Lease payments | **386,821** | 364,372 |

### (v) Parent Entity

- The parent entity in the consolidated entity is Pacific Star Network Limited.
- The ultimate 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 Financial Statements
## for the year ended 30 June 2013

| | Consolidated | |
|---|---|---|
| | **2013** **$'000** | **2012** **$'000** |
| **26. Note To The Statement of Cash Flows** | | |
| ***a) Reconciliation of Cash*** | | |
| Cash assets | **3,394** | 2,214 |
| ***b) Reconciliation of Profit after Income Tax to Net Cash flows From Operating Activities*** | | |
| Net profit after income tax | **736** | 904 |
| Depreciation and amortisation of non-current assets | **554** | 267 |
| Reversal of provisions | **61** | (415) |
| (Increase) / decrease in assets: | | |
| - receivables and other | **211** | 395 |
| - deferred tax assets | **199** | 253 |
| Increase / (decrease) in liabilities | | |
| - payables | **184** | 30 |
| - provisions | **81** | 94 |
| - borrowings | **(218)** | - |
| - taxation | **128** | - |
| Net cash from operating activities | **1,936** | 1,528 |

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 27. Parent Entity Disclosures

| | Parent Entity 2013 $'000 | Parent Entity 2012 $'000 |
|---|---|---|
| **Result of the Parent Entity** | | |
| Loss for the year after tax | **(486)** | (543) |
| Total comprehensive loss for the year | **(486)** | (543) |
| **Summarised Statement of Financial Position** | | |
| Current Assets | **1,676** | 1,384 |
| Total Assets | **15,989** | 17,248 |
| Current Liabilities | **(46)** | (69) |
| Net Assets | **15,943** | 17,179 |
| **Total equity of the parent entity comprising:** | | |
| Share Capital | **16,531** | 52,381 |
| Share Based Payment Reserve | **634** | 573 |
| Retained Earnings | **(1,222)** | (35,775) |
| Total Equity | **15,943** | 17,179 |

## 28. Dividends Paid and Proposed

| | 2013 | 2012 |
|---|---|---|
| **The dividends paid / payable were as follows – un-franked:** | | |
| Interim dividend paid for half year ended 31 December | **317** | 565 |
| Final dividend paid / payable for year ended 30 June 2012 | **295** | 266 |
| | **612** | 831 |
| **Dividends paid in cash were as follows:** | | |
| Paid in cash | **612** | **831** |
| Interim dividend paid for half year – cents per share | **0.59** | 1.05 |
| Final dividend paid/payable for full year - cents per share | **1.00** | 0.55 |
| Total dividend paid / payable | **1.59** | 1.60 |

Final dividend not accrued in the financial statements is $535 thousand.

# Notes to the Financial Statements
## for the year ended 30 June 2013

## 29. Acquisitions

### Acquisition of remaining 50% interest of Melbourne Radio Operations Pty Ltd

The acquisition of the remaining 50% of this entity in the previous financial year did not meet the criteria for it to be accounted for as a business combination and accordingly the transaction was accounted for as the acquisition of an asset in accordance with applicable accounting standards.

Though not an acquisition, the details of the transaction are shown below due to the fact that the administration of this entity has not yet been finalised.

### Acquisition of remaining 50% interest of Melbourne Radio Operations Pty Ltd (Cont'd)

| | $000's |
|---|---|
| **Value of consideration transferred** | |
| Amount settled in cash | 700 |
| Fair value of contingent consideration | 139 |
| Total | **839** |
| **Recognised amount of identifiable net assets** | |
| Property, plant and equipment | 1,347 |
| Total non-current assets | **1,347** |
| Trade receivables | 50 |
| Distributions made by administrator | 340 |
| Estimated distribution due by administrator | 40 |
| Total assets acquired / receipts | **430** |
| Forgiveness of debt | (917) |
| Total current liabilities | **(917)** |
| Goodwill on acquisition | Nil |

## 30. Events subsequent to balance date

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

# Corporate Governance Statement

The Board of Pacific Star Network Limited is responsible for the corporate governance of the Company and its respective subsidiaries. The purpose of this statement is to report against the ASX Corporate Governance Principles and Recommendations, 2nd edition (Principles) and disclose the extent to which the Company has followed the principles and recommendations for the reporting period.

## PRINCIPLE 1 – Lay solid foundations for management and oversight

***Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.***

The Pacific Star Network Limited Board retains responsibility for the following areas:

a) setting and monitoring of objectives, goals and strategic direction for management with a view to maximising shareholder value;
b) approving annual budgets and monitoring financial performance;
c) approving acquisitions / joint ventures;
d) ensuring adequate internal controls exist and are appropriately monitored for compliance;
e) ensuring significant business risks are proactively identified and appropriately managed;
f) ensuring compliance with regulatory and statutory requirements;
g) selecting and appointing new directors; and
h) maintaining the highest business standards and ethical behaviour.

The board has delegated authority within the following areas to the Chief Executive Officer:

a) monitoring, and reporting the performance of the business and its constituent units and management to the Board;
b) recruitment of staff and senior management;
c) ensuring that business processes in relation to risk management and assurance are met; and
d) approving major capital expenditure (excluding acquisitions).

The Board's roles and responsibilities are formalised in a Board Charter which is available on the Pacific Star Network Limited website www.pacificstarnetwork.com.au/investors.

Board meetings are held approximately eight times a year, with other meetings called as required. All directors are provided with reports in advance of meetings and these contain sufficient information to facilitate informed discussions of all agenda items.

***Recommendation 1.2: Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.***

The principles adopted for performance evaluation of key executives is outlined in the remuneration section of the directors' report.

For the 2012-13 financial year, executives were evaluated using approved budgets and key performance indicators previously agreed by the Board. When considering performance, the board has regard to:

a) the responsibilities and accountabilities of the executive;
b) annual budgets / stretch targets;
c) any communicated key performance indicators; and
d) relevant qualitative and quantitative measures.

# Corporate Governance Statement Cont'd

In relation to directors, the process for evaluating performance is based on discussions between the Chairman and each Director.

The Company provides access to continuing education and independent professional advice.

The Company Secretary is responsible to the Board, through the Chairman for all governance matters.

**PRINCIPLE 2 – Structure the board to add value**

***Recommendation 2.1: A majority of the board should be independent directors.***

The board currently comprises four non-executive directors. Three of those are considered independent, Andrew Moffat, Gary Pert and Michelle Guthrie and meet the criteria for director independence whereas Ronald Hall is not considered independent as he is a substantial shareholder in the Company.

The independence of directors 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 Company's strategic direction.

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 as independent under these principles and recommendations.

***Recommendation 2.2: The Chairperson should be an independent director and;***

***Recommendation 2.3: The roles of the chairperson and Chief Executive should not be exercised by the same individual.***

The Chairman, Andrew Moffat, is an independent director and the role of Chairman and Chief Executive Officer is not held by the same person.

***Recommendation 2.4: The board should establish a nomination committee.***

Given the size of the Company, the Board considers this responsibility is best fulfilled by the full board.

***Recommendation 2.5: Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.***

Refer to Recommendation 1.2.

**PRINCIPLE 3 – Promote ethical and responsible decision making**

***Recommendation 3.1: Establish a code of conduct and disclose the code or summary of the code as to:***

a) the practices necessary to maintain confidence in the Company's integrity;
b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and
c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

# Corporate Governance Statement Cont'd

The Company seeks to comply with this principle by having a Code of Conduct that sets out the principles and standards that apply to all directors, employees, contractors and consultants.

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

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

The primary aim of embedding these policies is to ensure that the Company;

a) complies with laws and regulations;
b) up-holds its ethical and environmental responsibilities;
c) ensures that assets are used appropriately for business purposes;
d) ensures that confidential information is maintained confidential and secured;
e) ensures that all parties act so as not to conflict with the Company's interests.

***Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy.***

The Company's Diversity Statement covers women in the workplace, and employees / contractors with an ethnic or indigenous background and disability.

***Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity.***

The measureable objectives set by the Board for achieving gender diversity were:

a) Increase the percentage of full / part time women employed by at least 10% between 2013-2015; and
b) Seek to appoint a female non-executive independent director to the Board in 2013-2015.

***Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole of the organisation, women in senior positions and women on the board.***

The following table discloses the gender diversity of the Company:

| | 30 June 2013 | | 30 June 2012 | | |
|---|---|---|---|---|---|
| **Category** | **% Males** | **% Females** | **% Males** | **% Females** | **Change** |
| Board | 75% | 25% | 100% | - | Additional female director appointed May 2013 |
| Management | 100% | - | 100% | - | Under review |
| Full / part time employees | 83% | 17% | 86% | 14% | Positive improvement in % of females employed |
| Casuals | 67% | 33% | 55% | 45% | These types of positions are cyclical in nature |

# Corporate Governance Statement Cont'd

**PRINCIPLE 4 – Safeguard integrity of financial reporting**

***Recommendation 4.1: The board should establish an audit committee, and***

***Recommendation 4.2: Structure the audit committee so that it consists of:***

a) only non executive directors
b) a majority of independent directors
c) an independent chairperson, who is not chairperson of the board
d) at least three members, and

Due to the limited size, lack of complexity and relatively small number of directors, the Board has formed the view that this responsibility should be fulfilled by all directors'.

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

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

The auditor attends the Annual General Meeting (AGM) and is available to answer shareholder's questions on the conduct of the audit, and the preparation and content of the auditor's report.

***Recommendation 4.3: The audit committee should have a formal operating charter.***

The board has reviewed the terms of reference for audit committees and has formed the view that this key responsibility is more appropriately fulfilled by all directors'

**PRINCIPLE 5 – Make timely and balanced disclosure**

***Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at senior management level for that compliance.***

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

The Company has a continuous disclosure policy that sets out the policies, accountabilities and procedures that govern the handling of information, continuous disclosure and communications to investors and regulators. The Chairman, directors', CEO and Company Secretary are closely involved with day to day operations to ensure compliance with the continuous disclosure requirements of the ASX Listing Rules and in particular Listing Rule 3.1.

# Corporate Governance Statement Cont'd

## PRINCIPLE 6 – Respect the rights of shareholders

***Recommendation 6.1:*** ***Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.***

Communications with shareholders include:

a) The annual report is published electronically on our website and a printed copy of the annual report is distributed to shareholders upon request. A copy of the full annual report is available 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 is the primary source of publically available information about the Company.

b) 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 the Australian Securities and Investments Commission and the Australian Stock Exchange; and

c) The Board encourages the full participation of shareholders at the Annual General Meeting to ensure a high level of accountability for the Company's strategy and goals.

d) All information disclosed to the ASX together with its and corporate governance policies are published on the Company's website www.pacificstarnetwork/investors/policy documents.

e) 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.

## PRINCIPLE 7 – Recognise and manage risk

***Recommendation 7.1:*** ***The board or appropriate board committee should establish policies on risk oversight and management.***

The Board has adopted a Risk Management policy that addresses 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.
- Pacific Star's policy defines risk as any adverse exposure to events that could affect the Company's ability to discharge its responsibilities to its stakeholders and / or meet its objectives.

The Company's senior management team has responsibility for the day-to-day implementation of the risk management framework and internal controls in operation in the business.

Management also reports regularly to the Board through the CEO on key risk and the extent to which it believes these risks are being adequately managed / mitigated.

# Corporate Governance Statement Cont'd

***Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage material business risks.***

Risks are managed based on 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 develop a matrix of the material business risks within the business, that require ongoing review and management.

Risk management is considered part of our day to day processes and comprises an informal system of risk oversight, management and internal controls operating at all levels of the Company.

In response to changing conditions, the ranking of certain risks may change and additional risk mitigation activities may be undertaken.

The senior management team manages the process to report risk at different operational levels and the ongoing effectiveness of the risk management process is reviewed regularly by the Board.

***Recommendation 7.3: The board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.***

In accordance with section 295A of the *Corporations Act 2001*, the Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board, that in their view the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and the risk management and internal compliance and control systems are operating effectively in all material respects.

The Board's view is that this recommendation was fully complied with during the 2013 financial year.

**PRINCIPLE 8 – Encourage enhanced performance**

***Recommendation 8.1: The board should establish a remuneration committee.***

***Recommendation 8.2: Structure the remuneration committee so that it consists of:***

a) only non executive directors
b) a majority of independent directors
c) an independent chairperson, who is not chairperson of the board
d) at least three members, and

Due to its limited size and lack of complexity, the Board has formed the view that a separate remuneration committee is not required to oversee this function and that this role is more appropriately fulfilled by all directors'.

The Board reviews the remuneration packages and policies applicable to the Chief Executive Officer, and management team on a regular basis.

# Corporate Governance Statement Cont'd

***Recommendation 8.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives.***

Directors' remuneration and key management personnel is detailed in the directors' report and notes to the financial statements. 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.

Directors' do not receive any additional retirement benefits nor do they currently participate in any other incentive arrangement/(s) such as the Employee Share Option Plan / Exempt Employee Share Plan.

## Additional Stock Exchange Information

## As at 6 September 2013

## Number of Holders of Equity Securities

*Ordinary Share Capital*

53,378,773 fully paid ordinary shares held by 651 individual shareholders.

All issued ordinary shares carry one vote per share.

*Options*

1.11 million options are held by three 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 | 152 | - |
| 1,001 - 5,000 | 288 | - |
| 5,001 - 10,000 | 91 | - |
| 10,001 - 100,000 | 86 | - |
| 100,001 - and over | 34 | 3 |
| Total Holders | 651 | 3 |
| Holdings less than a marketable parcel | 301 | - |

## Substantial Shareholders

No substantial holding notices were received during or since the end of the financial year.

## Additional Stock Exchange Information

## As at 6 September 2013

## Twenty Largest Holders of Quoted Equity Securities

| Rank | Name | Units | % of Units |
|---|---|---|---|
| 1. | ROSH HAGIBORIM PTY LTD | 10,312,738 | 19.32 |
| 2. | MR GEOFFREY ROBERT GARROTT + MRS MARGARET GARROTT <THE OPAL A/C> | 9,771,003 | 18.31 |
| 3. | RADIO 3AW MELBOURNE PTY LIMITED | 7,932,357 | 14.86 |
| 4. | KARAPHONE PTY LTD | 4,327,133 | 8.11 |
| 5. | TALKTOEDITH PTY LTD | 4,245,746 | 7.95 |
| 6. | INSTANT HOLLYWOOD PTY LTD | 1,410,000 | 2.64 |
| 7. | KEMBLA NO 20 PTY LTD | 1,343,750 | 2.52 |
| 8. | MINERALOGY PTY LTD | 1,316,896 | 2.47 |
| 9. | MASTIFF NOMINEES PTY LTD <RAYLIN DIRECTORS RETIRE A/C> | 1,252,621 | 2.35 |
| 10. | QUATTRO HOLDINGS PTY LTD <QUATTRO INVESTMENT #2 A/C> | 883,575 | 1.66 |
| 11. | UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD | 762,857 | 1.43 |
| 12. | COWOSO CAPITAL PTY LTD <THE COWOSO S/F A/C> | 701,929 | 1.31 |
| 13. | EKSELMAN PTY LTD <HANDK SUPER FUND A/C> | 607,227 | 1.14 |
| 14. | TRR INVESTMENTS PTY LTD <TONY ROOSENBURG S/F A/C> | 412,662 | 0.77 |
| 15. | LOCOPE PTY LTD | 395,000 | 0.74 |
| 16. | MR DAVID DAVIDSON | 300,000 | 0.56 |
| 17. | MR DAVID KEE HUNG | 300,000 | 0.56 |
| 18. | INSTANT HOLLYWOOD PTY LTD | 296,786 | 0.56 |
| 19. | CAMERON WILLIAMS PTY LIMITED <SUPERANNUATION FUND ACCOUNT> | 280,000 | 0.52 |
| 20. | PIKACHU PTY LTD <ZELIA NOMINEES P/L S/F A/C> | 236,765 | 0.44 |
| **Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)** | | **47,089,045** | **88.22** |
| **Total Remaining Holders Balance** | | **6,289,728** | **11.78** |