



**ABN 20 009 221 630**

## **APPENDIX 4E**

### **Preliminary Final Report for Year Ended 30 June 2015**

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## Appendix 4E

### Results for announcement to the market

#### 1. Company Details

Name of Entity:	Pacific Star Network Limited
ABN	20 009 221 630
Full Year Ended (current period)	30 June 2015
Full Year Ended (previous period)	30 June 2014

#### 2. Results for announcement to the market

	<b>Change %</b>		<b>30 June 2015 \$'000's</b>	30 June 2014 \$'000's
<b>2.1</b> Revenues from continuing activities	Up 37%	to	<b>20,868</b>	15,229
<b>2.2</b> EBITDA (underlying)*	Up 46%	to	<b>2,732</b>	1,865
<b>2.3</b> Net profit from ordinary activities before tax attributable to members	Down 72%	to	<b>413</b>	1,453
<b>2.4</b> Net profit from ordinary activities after tax attributable to members	Down >100%	to	<b>(79)</b>	953
<b>2.5</b> Significant / acquisition expense*	Up 100%	to	<b>(1,319)</b>	-
<b>2.6</b> Earnings per Share – basic cents (NPAT)	Down >100%	to	<b>(0.1)</b>	1.8
<b>2.7</b> Earnings per Share – basic (cents)** (underlying EBITDA)	Up 27%	to	<b>4.4</b>	3.5

\* = Non-AIFRS item

\*\* Calculated based on weighted average of 62.346 million ordinary shares on issue at reporting date

#### Note:

The information contained in this Appendix 4E and the attached Full Year Financial Report does not include all of the notes of the type normally included in the annual financial statements.

Accordingly, these reports are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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## 2. Results for announcement to the market cont'd

### 2.8 Brief explanation / notes

The reported revenues for the full year increased by 37% to \$20.868 million with an underlying EBITDA of \$2.732 million and an underlying net profit after tax result of \$1.240 million (all before taking account of significant item – see note 2.9 below).

Segment results for the company's two business units are disclosed in note 8 of this report.

The results for the publishing segment include seven months of trading activity for the Morrison Media business.

### Financial Performance

	<b>30 June 2015 \$'000's</b>	30 June 2014 \$'000's
Broadcast revenue	<b>14,347</b>	14,090
Publishing revenue	<b>6,250</b>	886
Other revenue	<b>194</b>	160
Revenue from continuing operations	<b>20,791</b>	15,136
Underlying EBITDA*	<b>2,732</b>	1,865
Depreciation / amortisation	<b>834</b>	473
Earnings before interest, tax and significant items*	<b>1,898</b>	1,392
Interest received	<b>77</b>	93
Interest paid	<b>(244)</b>	(32)
Net profit before tax and significant items*	<b>1,731</b>	1,453
Income tax	<b>492</b>	500
Net profit before significant items*	<b>1,240</b>	953
Significant items	<b>(1,319)</b>	-
Net profit after tax as reported	<b>(79)</b>	953
Dividend paid per share	<b>2.3 cents fully franked</b>	1.6 cents unfranked

\* = Non-AIFRS item

# Preliminary Final Report

## 2. Results for announcement to the market cont'd

### 2.9 Significant Items

At reporting date, the company has recognised transaction fees of \$1.319 million related to the acquisition of the Morrison Media business. By their nature, these are considered to be one-off costs.

Acquisition transaction costs recognised for the full year include the following:

	<u>\$'000's</u>
Legal advice and due diligence	322
Financing / advisor fees	533
Stamp duty	299
Other	165
<b>Total</b>	<b><u>1,319</u></b>

### 2.10 Dividends (distributions)

Final dividend declared (Conduit Foreign Income – Nil)  
 Previous corresponding period (Conduit Foreign Income – Nil)  
 Interim dividend declared (Conduit Foreign Income – Nil)  
 Previous corresponding period (Conduit Foreign Income – Nil)

	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend declared (Conduit Foreign Income – Nil)	1.05 cents	100%
Previous corresponding period (Conduit Foreign Income – Nil)	0.90 cents	Nil
Interim dividend declared (Conduit Foreign Income – Nil)	1.25 cents	100%
Previous corresponding period (Conduit Foreign Income – Nil)	0.70 cents	Nil

2.11 Record date for determining entitlement date to dividend

11 September 2015
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2.12 Dividend payment date

2 October 2015
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### 3. Net Tangible Asset (NTA) Backing

Net tangible asset backing per ordinary security  
 Net asset backing per ordinary security

	<b>30 June 2015</b>	<b>30 June 2014</b>
Net tangible asset backing per ordinary security	(2.7) cents	11.0 cents
Net asset backing per ordinary security	26.5 cents	28.1 cents

### 4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to (loss) / net profit in \$'000's	
	<b>30 June 2015</b>	30 June 2014	<b>30 June 2015</b>	30 June 2014
Digital Radio Broadcasting Melbourne Pty Ltd	18.2%	18.2%	15	(17)

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### 5. Funding

	<b>30 June 2015 \$'000's</b>	30 June 2014 \$'000's
Cash	3,569	4,056
Borrowings	(7,000)	(584)
Net (Debt) / cash	(3,431)	3,472
Total Equity	21,463	16,444
Gearing % = Net Debt / (Net Debt + Shareholder Funds)	16%	3.5%

At an Extraordinary General Meeting held on 11 December 2014, directors sought and received shareholder approval for the acquisition of the Morrison Media business and the issuing of additional equity through a placement and share purchase plan.

- On 12 December 2014, the company issued 13,333,334 ordinary shares at 30 cents to sophisticated and professional investors and senior managers of the company to raise \$4.0 million through a placement; and
- On 18 December 2014, the company issued 3,389,823 shares at 29.5 cents to existing shareholders (with the shortfall taken up by the underwriter, Rosh Hagiborim Pty Ltd, a company associated with director, Ron Hall) to raise \$1.0 million through a share purchase plan.

In conjunction with the plan to issue additional equity, the company successfully negotiated a new facility agreement with Commonwealth Bank of Australia (CBA) for the provision of two loan facilities as follows:

- A \$7.0 million loan facility to be used towards funding the purchase of the Morrison Media business; and
- A \$1.6 million working capital facility to fund capital expenditure and seasonal variations in cash flows.

At reporting date, the company had fully repaid an existing Bank of Melbourne loan facility of \$587,000 and has drawn down \$7.0 million of the CBA loan facility.

### 6. Control gained over entities during the period

Name of Entity	Morrison Media Services Pty Ltd
Date control acquired	17 December 2014
	<b>\$'000's</b>
Profit before income tax since the date control was acquired	1,288
Profit before income tax for the whole of the previous corresponding period (based on unaudited management accounts for twelve months to 30 June 2014)	1,918

## Preliminary Final Report

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### Directors' Report

Dear Shareholder,

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

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

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

<i>Name</i>	<i>Particulars</i>
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

### Principal activities

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

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

### Acquisition

The company successfully completed the acquisition of the Morrison Media business in December 2014.

Established in 1984, Morrison Media is home to a number of niche magazine titles (see principal activities above) and will provide the company with a cornerstone publishing business to leverage into this market segment. Morrison Media employs 42 staff located at offices in South Melbourne and Burleigh Heads, Queensland.

Cash consideration for the acquisition was \$10.930 million including working capital adjustments.

### Operating Result

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

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

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

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

Revenue at \$20.868 million for the full year was up 37% on the comparative period (2014: \$15.229 million).

Reported revenues include seven months of trading results for the Morrison Media business.

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### Directors' Report Cont'd

#### Operating Result Cont'd

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

Excluding the impact of one off transaction costs of \$1.319 million, operating costs were up 36% on the comparative period, including operating costs consolidated for the first seven months of trading for the Morrison Media business.

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

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

#### Review of Operations

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

#### Outlook

- At reporting date the company had net debt of \$3.431 million and a gearing ratio of 16%. The company continues to generate positive operating cash flows and this structure provides the flexibility to continue generating sustainable shareholder returns.
- A major focus next financial year will be to generate new revenue streams whilst maintaining cost discipline.
- A recent strategic review of existing organisational structures, brands and future business opportunities has been concluded with a view to implementing a range of measures in the course of the next financial year that will lay the foundations for building further growth potential in our brands.
- Our key business objective is to build a sustainable growing earnings profile by expanding our footprint as a niche media company through the creation of highly engaging content.
- FY16 earnings guidance is an underlying EBITDA within the range of \$3.8-\$4.3 million.

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### Directors' Report Cont'd

#### Dividends

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

The combined interim and final dividend amounts to a fully franked dividend payment of 2.3 cents.

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

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

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

#### Rounding of Amounts

Pacific Star Network Limited is of a kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with the Class Order, amounts in the Directors' Report and Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.

A handwritten signature in blue ink, appearing to read "Andrew Moffat".

Andrew Moffat  
Chairman

Melbourne, 28 August 2015



## Preliminary Final Report

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

	<i>Notes</i>	30 June 2015 \$'000's	30 June 2014 \$'000's
<b>REVENUE</b>	<b>2</b>	<b>20,868</b>	15,229
Sales and marketing expenses		<b>(3,514 )</b>	(2,959)
Occupancy expenses		<b>(741)</b>	(637)
Administration expenses		<b>(3,624)</b>	(2,780)
Technical expenses		<b>(6,917)</b>	(5,853)
Production / creative expenses		<b>(3,384)</b>	(796)
Morrison Media acquisition costs		<b>(1,319)</b>	-
Corporate expenses		<b>(727)</b>	(703)
Finance costs		<b>(244)</b>	(31)
Investments accounted for using the equity method		<b>15</b>	(17)
<b>EXPENSES</b>		<b>(20,455)</b>	(13,776)
<b>PROFIT BEFORE INCOME TAX</b>		<b>413</b>	1,453
Income tax expense	<b>3</b>	<b>(492)</b>	(500)
<b>(LOSS) / PROFIT FOR THE YEAR AFTER INCOME TAX</b>		<b>(79)</b>	953
Other comprehensive income net of tax		-	-
<b>COMPREHENSIVE (LOSS) / PROFIT FOR THE YEAR</b>		<b>(79)</b>	953
<b>EARNINGS PER SHARE</b>			
Basic (cents per share)	<b>4</b>	<b>(0.1)</b>	1.8
Diluted (cents per share)	<b>4</b>	<b>(0.1)</b>	1.8

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

## Preliminary Final Report

### Consolidated Statement of Financial Position as at 30 June 2015

	Notes	30 June 2015 \$'000's	30 June 2014 \$'000's
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		3,569	4,056
Trade and other receivables		4,161	2,577
Prepayments		855	521
<b>TOTAL CURRENT ASSETS</b>		<b>8,585</b>	<b>7,154</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,909	1,709
Deferred tax asset		433	381
Receivables from associate		132	231
Investments accounted for using the equity method		147	133
Intangibles	5	20,419	9,083
<b>TOTAL NON-CURRENT ASSETS</b>		<b>23,040</b>	<b>11,537</b>
<b>TOTAL ASSETS</b>		<b>31,625</b>	<b>18,691</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,848	2,136
Income tax		373	449
Deferred tax liability		928	-
Provisions		856	516
Borrowings		-	584
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,005</b>	<b>3,685</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	6	7,000	-
Provisions		75	73
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>7,075</b>	<b>73</b>
<b>TOTAL LIABILITIES</b>		<b>13,080</b>	<b>3,758</b>
<b>NET ASSETS</b>		<b>18,545</b>	<b>14,933</b>
<b>EQUITY</b>			
Issued capital		21,463	16,444
Share based payment reserve		696	674
Accumulated losses		(3,614)	(2,185)
<b>TOTAL EQUITY</b>		<b>18,545</b>	<b>14,933</b>

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

## Preliminary Final Report

### Consolidated Statement of Changes in Equity for Financial Year Ended 30 June 2015

	Notes	Issued Capital \$'000's	Share Based Payment Reserve \$'000's	Accumulated Losses \$'000's	Total \$'000's
<b>TOTAL EQUITY AT 1 JULY 2014</b>		<b>16,444</b>	<b>674</b>	<b>(2,185)</b>	<b>14,933</b>
Loss after income tax		-	-	(79)	(79)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(79)	(79)
<b>Transactions with owners in their capacity as owners</b>					
Share buy-back scheme	7	(11)	-	-	(11)
Dividends paid		-	-	(1,350)	(1,350)
Issue of share capital <sup>1</sup>	7	30	-	-	30
Issue of share capital - Placement <sup>2</sup>	7	4,000	-	-	4,000
Issue of share capital – SPP <sup>3</sup>	7	1,000	-	-	1,000
Amortisation of share options granted		-	22	-	22
<b>TOTAL EQUITY AT 30 JUNE 2015</b>		<b>21,463</b>	<b>696</b>	<b>(3,614)</b>	<b>18,545</b>
<b>TOTAL EQUITY AT 1 JULY 2013</b>		16,531	634	(2,201)	14,964
Profit after income tax		-	-	953	953
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	953	953
<b>Transactions with owners in their capacity as owners</b>					
Share buy-back scheme		(113)	-	-	(113)
Dividends paid		-	-	(911)	(911)
Issue of share capital <sup>4</sup>		26	-	(26)	-
Amortisation of share options granted		-	40	-	40
<b>TOTAL EQUITY AT 30 JUNE 2014</b>		<b>16,444</b>	<b>674</b>	<b>(2,185)</b>	<b>14,933</b>

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

<sup>1</sup> Issued 111,390 ordinary shares for nil consideration under the Company's Exempt Employee Share Plan (EESP) in the financial year.

<sup>2</sup> On 12 December 2014, the company issued 13,333,334 ordinary shares in a placement at 30 cents to raise \$4.0 million.

<sup>3</sup> On 18 December 2014, the company issued 3,389,823 ordinary shares in a Share Purchase Plan at 29.5 cents to raise \$1.0 million.

<sup>4</sup> In the previous financial year, the Company issued 126,828 ordinary shares for nil consideration under the Company's EESP.

## Preliminary Final Report

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

	Notes	Inflows / (Outflows)	
		30 June 2015 \$'000's	30 June 2014 \$'000's
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		23,304	17,449
Payments to suppliers and employees (inclusive of GST)		(20,530)	(15,271)
Interest received		49	93
Interest and other costs of finance paid		(222)	(31)
Income taxes paid		(620)	(75)
<b>Net cash provided by operating activities</b>		<b>1,981</b>	<b>2,165</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquisition of Morrison Media business	10	(10,930)	-
Payment for Morrison Media acquisition costs		(1,282)	-
Payment for property, plant and equipment		(308)	(486)
Loans to associate entity		-	(3)
<b>Net cash used in investing activities</b>		<b>(12,520)</b>	<b>(489)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of ordinary shares		5,000	-
Proceeds from borrowings		7,000	228
Repayment of borrowings		(587)	(199)
Dividends paid		(1,350)	(911)
Payment for buy back of equity securities		(11)	(132)
<b>Net cash provided by / (used in) financing activities</b>		<b>10,052</b>	<b>(1,014)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(487)</b>	<b>662</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>			
		<b>4,056</b>	3,394
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>			
		<b>3,569</b>	4,056

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

# Preliminary Final Report

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## Notes to the Financial Statements for the Year Ended 30 June 2015

### 1. Summary of significant accounting policies

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

#### Statement of Compliance

The preliminary report has been prepared in accordance with ASX Listing Rule 4.3A, the disclosure requirements of ASX Appendix 4E, and in accordance with the recognition and measurement requirements but not the disclosure requirements of Accounting Standards and Australian Accounting Interpretations and the Corporations Act 2001. Accounting Standards includes Australian equivalents to International Financial Reporting Standards (A-IFRS).

The preliminary final report does not include notes of the type normally included in an annual report.

#### Basis of Preparation

The preliminary report is to be read in conjunction with the 2014 Annual Financial Report, the December 2014 half year report and any public announcements made by Pacific Star Network Limited and its controlled entities during the year in accordance with the continuous disclosure obligation arising under ASX Listing Rules.

The preliminary final report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the Company's Annual Financial Report for the year ended 30 June 2014.

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

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

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

#### Critical accounting judgements and key sources of estimation uncertainty

In the application of accounting policies, management is required to make judgements, estimates, and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

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

Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions have been utilised for the impairment testing of intangible assets with indefinite lives.

By their nature, these estimates incorporate inherent risks as they are based on future events which could have a material impact on the value of assets and liabilities in this financial year.

## Preliminary Final Report

### Notes to the Financial Statements for the Year Ended 30 June 2015

#### 1 Summary of significant accounting policies cont'd

##### Rounding of Amounts

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

##### Fair value measurement of other financial instruments

The company has a number of financial instruments which are not measured at fair value in the Statement of Financial Position. Due to their short-term nature, the carrying amounts of receivables, payables and borrowings is assumed to approximate to fair value.

#### 2. Revenue from continuing operations

	30 June 2015 \$'000's	30 June 2014 \$'000's
Broadcast revenue	14,347	14,090
Publishing revenue	6,250	886
Interest revenue	77	93
Other revenue	194	160
Revenue from continuing operations	<b>20,868</b>	15,229

#### 3. Income Tax

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

Profit before income tax expense	413	1,453
Income tax expense calculated at 30%	124	436
Non allowable expenses / assessable income	326	24
Deductible expenses / non assessable income	(5)	-
	<b>445</b>	460

Income tax – under provision prior years

47                      40

Income tax expense

**492**                      500

- b) Income tax expense

Current tax

440                      395

Deferred tax

52                      105

**492**                      500

## Preliminary Final Report

### Notes to the Financial Statements for the Year Ended 30 June 2015

#### 4. Earnings Per Share

	30 June 2015 \$'000's	30 June 2014 \$'000's
<i>Weighted average number of ordinary shares on issue for calculation of:</i>		
Basic (loss) / earnings per share	63,246	53,192
Diluted (loss) / earnings per share	63,288	53,981
	<b>\$'000's</b>	<b>\$'000's</b>
(Loss) / profit for the year	(79)	953
Basic (loss) / earnings per share	(0.1)	1.8
Diluted (loss) / earnings per share	(0.1)	1.8

#### 5. Intangible Assets

##### *Broadcasting CGU*

Radio licences – indefinite useful life	8,169	8,169
Patents and trademarks – indefinite useful life	117	117
Broadcasting - total	8,286	8,286

##### *Publishing CGU*

Mastheads – indefinite useful life	2,077	797
Goodwill – indefinite useful life	7,442	-
Sub-total	8,722	797
Customer relationships – finite useful life	2,959	-
Customer relationships – amortisation	(345)	-
Sub-total	2,614	-
Publishing - total	12,133	797
Intangibles - total	20,419	9,083

### Notes to the Financial Statements for the Year Ended 30 June 2015

#### 5. Intangible Assets Cont'd

Intangibles are tested annually for impairment at CGU level.

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

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

In the opinion of directors, radio licences included in broadcasting intangibles have an indefinite useful life and are not amortised but are reviewed for impairment at each reporting date.

Publishing intangibles including mastheads, brands, and goodwill designated to have an indefinite useful life are not amortised but are reviewed for impairment at each reporting date.

Publishing intangibles include customer lists that have been designated with a finite life will be amortised systematically over a five year period.

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

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

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

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

#### Value in Use (VIU) for the Broadcast CGU

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

In respect of radio licences, the key assumptions used for value in use for the current period were:

- (i) Net cash flows before tax will grow at an annual rate of 2.1% (2014: 2.5%);
- (ii) A pre tax discount rate of 17% is an appropriate weighted cost of capital (2014: 15.6%).

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

#### Value in Use (VIU) for the Publishing CGU

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

- (i) Net cash flows before tax will grow at an annual rate of 2.5% (2014: 2.5%);
- (ii) A pre tax discount rate of 18% is an appropriate weighted cost of capital (2014: 18%).

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



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### Notes to the Financial Statements for the Year Ended 30 June 2015

#### 5. Intangible Assets Cont'd

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

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

This valuation adopted the following assumptions:

- (i) Use of a primary valuation methodology is appropriate as an input to estimate fair value.
- (ii) Using the excess earnings method and comparing EBITDA multiples used with other comparable listed companies and merger / acquisition transactions is a valid approach;
- (iii) It is appropriate to include a contributory asset charge in recognition of the economic rent for the use of other assets that contribute to the operating profit of the CGU; and
- (iv) Use of a terminal growth rate of 2.1% at the end of the projection period and a pre-tax rate of 17% is appropriate to discount cash flows.

Following consideration of each methodology, directors' confirm that the valuation of radio licences is at least equal to the recoverable value and no impairment is required to be made to these assets.

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

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

This valuation adopted the following assumptions:

- (i) Use of an income approach as the primary valuation methodology is appropriate as an input to estimate fair value.
- (ii) Use of estimates as to the timing and amount of all expected future cash flows, discounted to a present value at the valuation date by using a discount rate that takes into account the time value of the money and the risk inherent in achievement of the cash flow.
- (iii) It is appropriate to assume that customer lists will experience a 20% churn on an annual basis.
- (iv) Use of a growth rate of 2.5% is appropriate to project sales over future periods and a pre-tax rate of 18% is appropriate to discount cash flows.

## Preliminary Final Report

### Notes to the Financial Statements for the Year Ended 30 June 2015

#### 6. Borrowings

The Company has executed a new facility agreement with Commonwealth Bank of Australia (CBA). Funding provided under the facility agreement (together with existing cash reserves) have been utilised to fund the acquisition of the Morrison Media business. The facilities comprise of:

- \$7.0 million loan facility (**Facility A**); and
- \$1.6 million working capital facility (**Working Capital Facility**).

The new facilities have variable interest rates based upon Bank Bill Swap Rate plus a margin. A commitment fee may be payable in relation to committed but undrawn funds under the facilities.

Facility A is an interest only facility, and will be required to be paid in full three years and the Working Capital Facility is subject to annual review.

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

#### Financial undertakings

The agreement under which the facilities have been made available contains financial undertakings typical for facilities of this nature. The undertakings include financial undertakings which will be tested at financial year end and financial half-year end based on the preceding 12 month period.

The financial undertakings relate to both leverage and interest coverage. These undertakings include:

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

#### 7. Equity Securities Issued

##### Issues of Ordinary Shares during the half year

	30 June 2015		30 June 2014	
	000's	\$'000's	000's	\$'000's
Issuance of shares – 30 October 2014 (EESP)	111	30	127	26
Issuance of shares – 12 December 2014 (Placement)	13,333	4,000	-	-
Issuance of shares – 18 December 2014 (SPP)	3,390	1,000	-	-
	<b>16,834</b>	<b>5,030</b>	127	26

##### Issues (buy backs) of Ordinary Shares during the half year

Ordinary shares issued (bought back) – number / value	<b>50</b>	<b>(11)</b>	294	(61)
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### Notes to the Financial Statements for the Year Ended 30 June 2015

#### 8. Segment Information

	30 June 2015 \$'000's			30 June 2014 \$'000's			Total \$'000's	
	Broadc asting	Publi shing	Head Office	Broadc asting	Publis Hing	Head Office	2015	2014
Segment Revenues	14,258	6,567	43	14,287	890	52	20,868	15,229
Segment profit / (losses) before tax	1,622	1,307	(2,516) <sup>1</sup>	2,035	69	(651)	413	1,453
Segment Assets	15,274	13,528	2,823	15,258	1,002	2,431	31,625	18,691
Segment Liabilities	3,553	2,090	7,437	2,921	303	534	13,080	3,758

#### 9. Dividends Paid and Proposed

Dividends paid / payable were as follows

	30 June 2015 \$'000's	30 June 2014 \$'000's
Interim dividend paid for half year ended 31 December	477	373
Final dividend paid for the financial year ended 30 June	874	538
	<b>1,351</b>	911

Dividends paid in cash during the year was as follows:

Paid in cash	1,351	911
Interim dividend paid for half year – cents per share	1.25	0.70
Final dividend declared – cents per share	1.05	0.90
Total dividend paid / payable for the full year	<b>2.30</b>	1.60

Cash component of final dividend not accrued in the reporting period is \$734,324.

<sup>1</sup> Includes transaction costs incurred of \$1.319 million related to purchase of the Morrison Media business in December 2014.

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### Notes to the Financial Statements for the Year Ended 30 June 2015

#### 10. Business Combinations

	<b>Fair Value \$000's</b>
Cash and cash equivalents	1
Trade receivables	1,179
Other receivables	194
Plant and equipment	152
Intangibles – brands / trademarks	1,280
Intangibles – customer lists	2,959
Deferred tax liability – customer list	(928)
Trade payables	(664)
Employee benefits	(279)
Prepaid subscriptions	(406)
Net assets acquired	3,488
Goodwill	7,442
	<b>10,930</b>
<b>Acquisition date fair value of total consideration transferred</b>	
Representing	
Cash paid to vendor	10,841
Net working capital paid to vendor	89
<b>Total consideration</b>	<b>10,930</b>

The purchase of the business was settled in December 2014 and the company consolidated Morrison Media from the beginning of the month due to the impact from acquisition date to the beginning of the month not being material.

The Morrison Media acquisition has been provisionally accounted for at balance date, pending finalisation of Purchase Price Adjustments.

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### Notes to the Financial Statements for the Year Ended 30 June 2015

#### 11. Contingent Liabilities

As at the reporting date, there were no material claims or disputes of a contingent nature against the Company and its subsidiaries.

#### 12. Changes in the composition of the consolidated entity

Other than the acquisition of the Morrison Media business which is noted elsewhere in this report, there were no changes in the composition of the consolidated entity.

#### 13. Related party disclosures

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

#### 14. Events subsequent to reporting date

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

#### 15. Audit

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