



ABN 20 009 221 630

APPENDIX 4E

Preliminary Final Report for Year Ended 30 June 2016

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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 2016
Full Year Ended (previous period)	30 June 2015

2. Results for announcement to the market

	Change %		30 June 2016 \$'000's	30 June 2015 \$'000's
2.1 Revenues from continuing activities	Up 15%	to	23,983	20,868
2.2 EBITDA (underlying)*	Up 26%	to	3,451	2,732
2.3 Net profit from ordinary activities before tax attributable to members	Up >100%	to	1,429	413
2.4 Net profit from ordinary activities after tax attributable to members	Up >100%	to	1,093	(79)
2.5 Significant / acquisition expense*	Down 54%	to	(611)	(1,319)
2.6 Earnings per Share – basic cents (NPAT)	Up >100%	to	1.5	(0.1)
2.7 Earnings per Share – basic (cents) (underlying EBITDA)*	Up 9%	to	4.8	4.4

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 2015 and any public announcements made by the Company during the reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

* = Non-AIFRS item



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Results for announcement to the market cont'd

2.8 Brief explanation / notes

The reported revenues for the full year increased by 15% to \$23.983 million with an underlying EBITDA of \$3.451 million and an underlying net profit before tax of \$2.040 million (before significant costs – see Note 2.9 below).

Segment results for the company's two business units are disclosed in note 7 of this report.

Financial Performance

	30 June 2016 \$'000's	30 June 2015 \$'000's
Broadcast revenue	14,449	14,347
Publishing revenue	9,322	6,250
Other revenue	188	194
Revenue from continuing operations	23,959	20,791
Underlying EBITDA*	3,451	2,732
Depreciation / amortisation	(1,102)	(834)
Earnings before interest, tax and significant items*	2,349	1,898
Interest received	24	77
Interest paid	(333)	(243)
Significant items	(611)	(1,319)
Net profit before tax	1,429	413
Income tax	(336)	(492)
Net profit after tax as reported	1,093	(79)
Dividend paid / proposed per share	2.4 cents fully franked	2.3 cents fully franked

* = Non-AIFRS item

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Results for announcement to the market cont'd

2.9 Significant Items

At reporting date, the company has recognised \$610,941 of restructuring costs. These costs are predominantly the impact of redundancy and terminations across all parts of the business and by their nature are considered to be one-off costs.

Restructuring costs recognised for the full year are as follows:

	\$'000's
Employee costs	436
Assets written off	90
Consultant costs	65
Legal and tax advice costs	20
Total	611

2.10 Dividends (distributions)

	Amount per security	Franked amount per security
Final dividend declared (Conduit Foreign Income – Nil)	1.05 cents	100%
Previous corresponding period (Conduit Foreign Income – Nil)	1.05 cents	100%
Interim dividend declared (Conduit Foreign Income – Nil)	1.35 cents	100%
Previous corresponding period (Conduit Foreign Income – Nil)	1.25 cents	100%

2.11 Record date for determining entitlement date to dividend

2.12 Dividend payment date

19 September 2016

18 October 2016

3. Net Tangible Asset (NTA) Backing

	30 June 2016	30 June 2015
Net tangible asset backing per ordinary security	(2.6) cents	(2.7) cents
Net asset backing per ordinary security	25.6 cents	26.5 cents

4. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to net profit in \$'000's	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Digital Radio Broadcasting Melbourne Pty Ltd	18.2%	18.2%	15	15



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Results for announcement to the market cont'd

5. Funding

	30 June 2016 \$'000's	30 June 2015 \$'000's
Cash	1,908	3,569
Borrowings	(5,750)	(7,000)
Net (Debt) / cash	(3,842)	(3,431)
Total Equity	21,508	21,463
Gearing % = Net Debt / (Net Debt + Shareholder Funds)	18%	16%

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



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Director's Report

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

Name	Particulars
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 Resigned 24 March 2016 to take up the Managing Director position at the Australian Broadcasting Corporation (ABC).
Colm O'Brien	Appointed Non-Executive Director on 10 September 2015

Principal activities

Pacific Star Network Limited is a media company with interests in broadcasting (1116SEN, 1377MyMP, Aussie, Kool and Rythmos) and in publishing (frankie, Smith Journal, Slow and Inside Football magazine) and digital assets.

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

Operating Result

The company reports a net profit after tax of \$1.093 million compared to the corresponding period (2015: loss \$78,732).

The underlying net profit before tax (excluding the impact of restructuring costs of \$610,941 is \$2.040 million, up 18% on the corresponding period (2015: \$1.732 million).

EBITDA result was \$2.840 million, up 100% on the comparative period (2015: \$1.413 million).

Underlying EBITDA (excluding restructuring costs of \$610,941) was \$3.451 million, up 26% on the same period last year (2015: \$2.732 million).

Revenue at \$23.983 million for the year was up 15% on the comparative period (2015: \$20.868 million).

Operating costs at \$22.554 million were up 10% on the comparative period (2015: \$20.455 million).

Operating cash flows at \$1.985 million (excluding the cash impact of restructuring costs) were consistent with the comparative period (2015: \$1.981 million).

Taxable income for the full year is estimated at \$2.048 million. Income tax expense for the period is estimated at \$336,704 equating to an effective tax rate of 16%. This tax rate includes the effect of temporary timing differences. If these adjustments were excluded the effective tax rate would approximate to 30%.

Director's Report Cont'd

Review of Operations

Financial Performance	Change %	30 June 2016 \$'000's	30 June 2015 \$'000's
Revenue	Up 15%	23,983	20,868
Underlying EBITDA*	Up 26%	3,451	2,732
Net profit / (loss) after tax attributed to members	Up>100%	1,093	(79)
Significant expense*	Down>100%	(611)	(1,318)
Earnings per share - basic cents (NPAT)	Up>100%	1.5	(0.1)
Earnings per share - basic cents (underlying EBITDA)*	Up 9%	4.8	4.4

* = Non-AIFRS item

- The publishing segment results included in note 7 reflect a full year of trading results for Morrison Media, a publishing company acquired in December 2014. The underlying EBITDA result of \$1.674 million (2015: \$1.333 million) takes account of lower than budget copy sales across all publications and a decision by the company to continue to sustain losses on titles whilst the company assessed their future market and viability.

Following a re-launch trial in the second half of the financial year, a decision was made in June to cease publishing Surfing Life and White Horses titles and in August 2016, the company executed an agreement for the sale of these titles for a nominal consideration.

- During the year, the company initiated a review of its Gold Coast office and this resulted in a decision to scale down this office and make several redundancies. The costs savings to flow from this decision will be crystallized in the next financial year but we expect these savings to be offset against higher production costs being imposed on the business, however, over time we believe these changes will contribute to a leaner and more sustainable business.
- The underlying EBITDA result for broadcast was \$2.489 million (2015: \$2.073 million) for the year. Whilst our Melbourne agency revenue was strong and on target, advertising revenue did not meet expectations and lagged the overall growth in the Melbourne radio advertising market in the financial year.
- Managing costs was a key focus for the senior management team during the year and operating costs were maintained at 2% below budget. We continued to review the efficiency of key functions and this led to making a number of redundancies in the earlier part of the financial year.
- The company repaid \$1.250 million of debt during the financial year and was compliant with banking covenants in each quarterly reporting period.

Director's Report Cont'd

Outlook

- In coming days, the AFL is expected to announce the successful bidders to broadcast AFL for a further 6 years and 1116 SEN has bid to renew its rights to broadcast live 6 games per week during the AFL season.

The board believes that should 1116 SEN be successful in being awarded rights for a further 6 years, this would provide the launching pad to grow revenues in the broadcast business and we recently recruited an experienced General Manager, Cathy Thomas to lead the business on that path.

- The company is well progressed with developing a digital strategy for each business and this will require a significant investment over the course of the next financial year. In developing this strategy, our aim is to use technology to get to better know our customers and create diversified but sustainable revenue streams over the next 2-3 years.

Dividends

Directors have declared a fully franked final dividend of 1.05 cents per share consistent with last year's final dividend.

The combined interim and final dividend for the year is 2.4 cents (2015: 2.3 cents) up 4% on the comparative period.

The record date for determining entitlements to the dividend is 19 September and payment date will be 18 October 2016.

Rounding of Amounts

Pacific Star Network Limited is of a kind referred to in ASIC Legislative Instrument 2016/191 and in accordance with the Legislative Instrument, 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, 31 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2016

	Notes	30 June 2016 \$'000's	30 June 2015 \$'000's
REVENUE	2	23,983	20,868
Sales and marketing expenses		(4,068)	(3,514)
Occupancy expenses		(946)	(741)
Administration expenses		(3,884)	(3,624)
Technical expenses		(7,112)	(6,917)
Production / creative expenses		(4,759)	(3,384)
Morrison Media acquisition costs		-	(1,319)
Restructuring costs		(611)	-
Corporate expenses		(856)	(727)
Finance costs		(333)	(244)
Investments accounted for using the equity method		15	15
EXPENSES		(22,554)	(20,455)
PROFIT BEFORE INCOME TAX		1,429	413
Income tax expense	3	(336)	(492)
PROFIT / (LOSS) FOR THE YEAR AFTER INCOME TAX		1,093	(79)
Other comprehensive income net of tax		-	-
COMPREHENSIVE PROFIT / (LOSS) FOR THE YEAR		1,093	(79)
EARNINGS PER SHARE			
Basic (cents per share)	4	1.5	(0.1)
Diluted (cents per share)	4	1.5	(0.1)

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 2016

	Notes	30 June 2016 \$'000's	30 June 2015 \$'000's
CURRENT ASSETS			
Cash and cash equivalents		1,908	3,569
Trade and other receivables		4,143	4,161
Prepayments		561	855
TOTAL CURRENT ASSETS		6,612	8,585
NON-CURRENT ASSETS			
Property, plant and equipment		1,490	1,909
Deferred tax asset		769	433
Receivables from associate		104	132
Investments accounted for using the equity method		162	147
Intangibles	5	19,827	20,419
TOTAL NON-CURRENT ASSETS		22,352	23,040
TOTAL ASSETS		28,964	31,625
CURRENT LIABILITIES			
Trade and other payables		3,358	3,848
Income tax		325	373
Provisions		740	856
TOTAL CURRENT LIABILITIES		4,423	5,077
NON-CURRENT LIABILITIES			
Borrowings		5,750	7,000
Deferred tax liability		766	928
Provisions		53	75
TOTAL NON-CURRENT LIABILITIES		6,569	8,003
TOTAL LIABILITIES		10,992	13,080
NET ASSETS		17,972	18,545
EQUITY			
Issued capital		21,508	21,463
Share based payment reserve		666	696
Accumulated losses		(4,202)	(3,614)
TOTAL EQUITY		17,972	18,545

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 2016

	Notes	Issued Capital \$'000's	Share Based Payment Reserve \$'000's	Accumulated Losses \$'000's	Total \$'000's
TOTAL EQUITY AT 1 JULY 2015		21,463	696	(3,614)	18,545
Profit after income tax		-	-	1,093	1,093
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	1,093	1,093
Transactions with owners in their capacity as owners					
Dividends paid		-	-	(1,681)	(1,681)
Issue of share capital ¹	6	45	-	-	45
Amortisation of share options granted		-	(30)	-	(30)
TOTAL EQUITY AT 30 JUNE 2016		21,508	666	(4,202)	17,972
TOTAL EQUITY AT 1 JULY 2014		16,444	674	(2,185)	14,933
Loss after income tax		-	-	(79)	(79)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(79)	(79)
Transactions with owners in their capacity as owners					
Share buy-back scheme	6	(11)	-	-	(11)
Dividends paid		-	-	(1,350)	(1,350)
Issue of share capital ²	6	30	-	-	30
Issue of share capital - Placement ³	6	4,000	-	-	4,000
Issue of share capital – SPP ⁴	6	1,000	-	-	1,000
Amortisation of share options granted		-	22	-	22
TOTAL EQUITY AT 30 JUNE 2015		21,463	696	(3,614)	18,545

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

¹ Issued 179,280 ordinary shares for nil consideration under the Company's Exempt Employee Share Plan (EESP) in the financial year.

² Issued 111,390 ordinary shares for nil consideration under the Company's Exempt Employee Share Plan (EESP) in the prior financial year.

³ On 12 December 2014, the company issued 13,333,334 ordinary shares in a placement at 30 cents to raise \$4.0 million.

⁴ 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.

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Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2016

	Inflows / (Outflows)	
	30 June 2016 \$'000's	30 June 2015 \$'000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	27,099	23,304
Payments to suppliers and employees (inclusive of GST)	(23,828)	(20,530)
Interest received	24	49
Interest and other costs of finance paid	(363)	(222)
Income taxes paid	(947)	(620)
Payment for significant / acquisition costs	(658)	(1,183)
Net cash provided by operating activities	1,327	798
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of Morrison Media business	-	(10,930)
Payment for property, plant and equipment	(57)	(308)
Loans to associate entity	-	(99)
Net cash used in investing activities	(57)	(11,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	-	5,000
Proceeds from borrowings	-	7,000
Repayment of borrowings	(1,250)	(587)
Dividends paid	(1,681)	(1,350)
Payment for buy back of equity securities	-	(11)
Net cash provided by / (used in) financing activities	(2,931)	10,052
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,661)	(487)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,569	4,056
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,908	3,569

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

Preliminary Final Report

Notes to the Financial Statements for the Year Ended 30 June 2016

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 2015 Annual Financial Report, the December 2015 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 2015.

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.

Notes to the Financial Statements for the Year Ended 30 June 2016

1. Summary of significant accounting policies cont'd

Rounding of Amounts

In accordance with Legislative Instrument 2016/191, 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.

30 June 2016 \$'000's	30 June 2015 \$'000's
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2. Revenue from continuing operations

Broadcast revenue	14,449	14,347
Publishing revenue	9,322	6,250
Interest revenue	24	77
Other revenue	188	194
Revenue from continuing operations	23,983	20,868

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	1,429	413
Income tax expense calculated at 30%	430	124
Non allowable expenses / assessable income	189	326
Deductible expenses / non assessable income	(5)	(5)
	614	445
Income tax – over provision in prior years	(104)	47
Income tax expense	510	492

- b) Income tax expense

Current tax	510	440
Movement in deferred tax asset	(336)	52
Movement in deferred tax liability	162	-
	336	492

Notes to the Financial Statements for the Year Ended 30 June 2016

4. Earnings Per Share

	30 June 2016 \$'000's	30 June 2015 \$'000's
<i>Weighted average number of ordinary shares on issue for calculation of:</i>		
Basic earnings/ (loss) per share	70,869	63,246
Diluted earnings / (loss) per share	71,674	63,288
	\$'000's	\$'000's
Profit / (loss) for the year after income tax	1,093	(79)
Basic earnings / (loss) per share	1.5	(0.1)
Diluted earnings / (loss) per share	1.5	(0.1)

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	2,077
Goodwill – indefinite useful life	7,442	7,442
Sub-total	9,519	9,519
Customer relationships – finite useful life	2,959	2,959
Customer relationships – amortisation	(937)	(345)
Sub-total	2,022	2,614
Publishing – total	11,541	12,133
Intangibles – total	19,827	20,419

Notes to the Financial Statements for the Year Ended 30 June 2016

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, Slow and Inside Football - \$11.541 million.

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

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

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

The recoverable amount of each CGU has been determined based on the higher of value in use or fair value.

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

6. Equity Securities Issued

Issues of Ordinary Shares during the year

	30 June 2016		30 June 2015	
	000's	\$'000's	000's	\$'000's
Issuance of shares – Exempt Employee Share Plan	179	45	111	30
Issuance of shares – Placement	-	-	13,333	4,000
Issuance of shares – Share Purchase Plan	-	-	3,390	1,000
	179	45	16,834	5,030

Issues (buy backs) of Ordinary Shares during the year

Ordinary shares issued (bought back) – number / value	-	-	50	(11)
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Preliminary Final Report

Notes to the Financial Statements for the Year Ended 30 June 2016

7. Segment Information

	30 June 2016 \$'000's			30 June 2015 \$'000's			Total \$'000's	
	Broadcasting	Publishing	Head Office	Broadcasting	Publishing	Head Office	2016	2015
Segment Revenues	14,634	9,332	17	14,258	6,567	43	23,983	20,868
Underlying EBITDA*	2,489	1,674	(712)	2,073	1,333	(674)	3,451	2,732
Depreciation & amortisation	(478)	(624)	-	(465)	(369)	-	(1,102)	(834)
Earnings before interest, tax and significant items*	2,011	1,050	(712)	1,608	964	(674)	2,349	1,898
Net finance costs	10	10	(329)	14	(2)	(178)	(309)	(166)
Significant costs	(238)	(206)	(167)	-	-	(1,319)	(611)	(1,319)
Segment profit or loss before tax	1,783	854	(1,208)	1,622	962	(2,171)	1,429	413
Segment Assets	14,718	13,971	275	15,274	14,702	1,649	28,964	31,625
Segment Liabilities	3,246	2,540	5,206	2,893	2,750	7,437	10,992	13,080

* Non-AIFRS item

8. Dividends Paid and Proposed

	30 June 2016 \$'000's	30 June 2015 \$'000's
Dividends paid / payable were as follows		
Interim dividend paid for half year ended 31 December	946	477
Final dividend paid for the financial year ended 30 June	735	874
	1,681	1,351
Dividends paid in cash during the year was as follows:		
Paid in cash	1,681	1,351
Interim dividend paid for half year – cents per share	1.35	1.25
Final dividend declared – cents per share	1.05	1.05
Total dividend paid / payable for the full year	2.40	2.30

Cash component of final dividend not accrued in the reporting period is \$744,129.

Notes to the Financial Statements for the Year Ended 30 June 2016

9. Contingent Liabilities

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

10. Changes in the composition of the consolidated entity

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

11. Related party disclosures

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

12. Events subsequent to reporting date

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

13. Audit

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