

ABN 20 009 221 630

APPENDIX 4D

Interim Financial Report for half year ended 31 December 2013

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This half year financial report provided to the ASX under Listing Rule 4.2A should be read in conjunction with the Annual Report for the year ended 30 June 2013.

Interim Half Year Report

Appendix 4D

Results for announcement to the market

1. Company Details

Name of Entity:	Pacific Star Network Limited
ABN:	20 009 221 630
Half Year Ended (current period)	31 December 2013
Half Year Ended (previous period)	31 December 2012

2. Results for announcement to the market

2.1 Revenues from continuing activities	Up Nil%	to	\$000's 7,703
2.2 Profit from ordinary activities before tax attributable to members	Up 62%	to	785
2.3 Profit from continuing operations after tax attributable to members	Up 53%	to	491
2.4 Dividends (distributions)	Amount per security	Franked amount per security	
Interim dividend declared (Conduit Foreign Income – Nil)	0.70 cents	Nil	
Previous corresponding period (Conduit Foreign Income – Nil)	0.59 cents	Nil	
2.5 Record date for determining entitlement date to the dividend	7 March 2013		
2.6 Brief explanation			

3. NTA Backing

	31 December 2013	31 December 2012
Net tangible asset backing per ordinary security	10.9 cents	11 cents

4. Details of associates and joint venture entities

Name of joint venture entity	Reporting entity's percentage holding		Contribution to net profit in \$000's	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Digital Radio Broadcasting Melbourne Pty Ltd	18.2%	18.2%	(31)	7

Interim Half Year Report

Directors' Report

Dear Shareholder,

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 period ended 31 December 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 half year are:

<i>Name</i>	<i>Particulars</i>
Ronald Hall	Appointed Non-Executive Director in 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

Operating Result

The Company reports a profit of \$785 thousand before income tax, up 62% compared to the corresponding period (2012: \$484 thousand before income tax).

EBITDA result at \$990 thousand was up 31% on the comparative period (2012: EBITDA \$754 thousand).

Revenue at \$7,703 thousand for the half year was flat with the comparative period (2012: \$7,646 thousand).

Operating costs at \$6,918 thousand were down 3.4% on the comparative period (2012: \$7,162 thousand).

Operating cash flows at \$1,555 thousand were up 38% on the comparative period (2012: \$1,127 thousand).

The effective tax rate for the half year is 37% representing an increase on the normal company tax rate of 30%. The effective rate includes the tax effect of movements in temporary differences and under / over provisions for income tax from prior years. If the impact of these adjustments were excluded, the effective tax rate would be closer to 30%.

Review of Operations

- In the radio division, the first trading quarter got off to a strong start and it was pleasing that SEN recorded it's highest ever trading revenue of \$1.5 million for the month of September, however, with the uncertainties brought about by the Federal election and its impact on business confidence, this influenced our second quarter revenue and results for that period were disappointing.

Overall, revenue was flat for the first half but the division delivered an improved EBITDA result of \$1.24 million, up 19% on the comparative period (2012: \$1.04 million). This improved result was achieved by reducing operating costs and curtailing trading losses in the MyMP radio station.

- Inside Football magazine was further integrated with the SEN brand by renaming the magazine SEN Inside Football. This publication also delivered an improved result by containing operating costs. We have plans to continue developing and promoting this product in a digital format. After forty years, Inside Football remains the only independent AFL weekly magazine published across Australia.

Interim Half Year Report

Directors' Report Cont'd

Outlook

Consumer and business confidence remains subdued and it remains difficult to predict trading conditions over the longer term.

The first budget of the incoming liberal government is expected to introduce a range of measures to reduce public spending and we fully expect this to have a negative flow through impact on the rest of the economy.

On a positive note, the Company has cash reserves of \$4.1 million, maintains a strong balance sheet and generates positive operating cash flows. With this in mind, your board continues to focus on implementing measures that will enhance shareholder value and we intend to make further announcements on this in the near future.

The Company is forecasting a full year EBITDA within the range of \$1.6-\$1.9 million (Full Year 2013: \$1.57 million).

Dividends

Directors' have declared an unfranked interim dividend of 0.7 cents per share.

Record date for determining entitlements to the dividend is 7 March and payment date will be 21 March 2014.

Directors anticipate that future year dividends will be partially or fully franked.

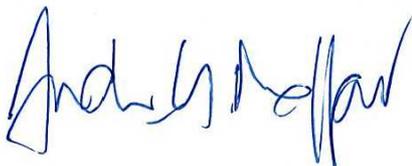
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2013.

Rounding of Amounts

Pacific Star Network Limited is of a kind referred to in ASIC Class Order 98/0100, 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, 21 February 2014

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

As lead auditor of Pacific Star Network Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

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



David Garvey
Partner

BDO East Coast Partnership

Melbourne, 21 February 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Pacific Star Network Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying financial report of Pacific Star Network Limited, which comprises the consolidated statement of financial position as at 31 December 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 half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our audit in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pacific Star Network Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the half-year financial report.

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

Independence

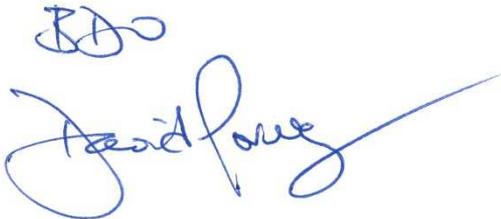
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pacific Star Network Limited, would be in the same terms if given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

Conclusion

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

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Statements* and *Corporations Regulations 2001*.

BDO East Coast Partnership



David Garvey
Partner

Melbourne, 21 February 2014

Interim Half Year Report

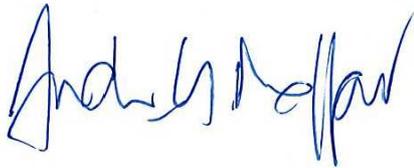
Directors' Declaration

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

- a) the financial statements and notes set out on pages 9 to 16 are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013, and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "*Interim Financial Reporting*" and the *Corporations Regulations 2001*; and other mandatory professional reporting requirements; and
 - (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.

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, 21 February 2014

Interim Half Year Report

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2013

	<i>Notes</i>	<i>Consolidated</i>	
		<i>31 December 2013</i>	<i>31 December 2012</i>
		<i>\$'000</i>	<i>\$'000</i>
REVENUE		7,703	7,646
Sales and marketing expenses		(1,479)	(1,584)
Occupancy expenses		(318)	(316)
Administration expenses		(1,423)	(1,554)
Technical expenses		(3,279)	(3,342)
Corporate expenses		(371)	(348)
Finance costs		(17)	(25)
Share of loss of joint venture partnerships accounted for using the equity method		(31)	7
EXPENSES		(6,918)	(7,162)
PROFIT BEFORE INCOME TAX		785	484
Income tax expense		(294)	(163)
NET PROFIT AFTER INCOME TAX		491	321
Other comprehensive income net of tax		-	-
TOTAL COMPREHENSIVE INCOME NET OF TAX		491	321
EARNINGS PER SHARE			
- Basic (cents per share)	2	0.9	0.6
- Diluted (cents per share)	2	0.9	0.6

The accompanying notes form part of these financial statements

Interim Half Year Report

Consolidated Statement of Financial Position as at 31 December 2013

	<i>Notes</i>	<i>Consolidated</i>	
		<i>31 December 2013 \$'000</i>	<i>30 June 2013 \$'000</i>
CURRENT ASSETS			
Cash and cash equivalents		4,096	3,394
Trade and other receivables		1,946	3,389
TOTAL CURRENT ASSETS		6,042	6,783
NON-CURRENT ASSETS			
Property, plant and equipment		1,479	1,671
Deferred tax assets		323	485
Receivables		228	228
Investments accounted for using the equity method		120	150
Intangibles	5	9,101	9,125
TOTAL NON-CURRENT ASSETS		11,251	11,659
TOTAL ASSETS		17,293	18,442
CURRENT LIABILITIES			
Trade and other payables		1,164	2,294
Income tax liability		259	128
Provisions		409	408
Borrowings		461	555
TOTAL CURRENT LIABILITIES		2,293	3,385
NON-CURRENT LIABILITIES			
Provisions		114	93
TOTAL NON-CURRENT LIABILITIES		114	93
TOTAL LIABILITIES		2,407	3,478
NET ASSETS			
Contributed equity		16,496	16,531
Share based payment reserve		658	634
Accumulated losses		(2,268)	(2,201)
TOTAL EQUITY		14,886	14,964

The accompanying notes form part of these financial statements

Interim Half Year Report

Consolidated Statement of Changes in Equity for the half-year ended 31 December 2013

	Contributed Equity \$'000	Share Based Payment Reserve \$'000	Accumulated Losses \$'000	Total \$'000
<i>Notes</i>				
BALANCE AT 1 JULY 2013	16,531	634	(2,201)	14,964
Total comprehensive income	-	-	491	491
Transactions with owners in their capacity as owners:				
Share buy-back scheme	(61)	-	-	(61)
Dividends paid – ordinary shares	-	-	(532)	(532)
Issue of share capital – Exempt Employee Share Plan	26		(26)	-
Amortisation of share options expense	-	24	-	24
BALANCE AT 31 DECEMBER 2013	16,496	658	(2,268)	14,886

	Contributed Equity \$'000	Share Based Payment Reserve \$'000	Accumulated Losses \$'000	Total \$'000
BALANCE AT 1 JULY 2012	52,381	573	(38,071)	14,883
Total comprehensive income	-	-	321	321
Transactions with owners in their capacity as owners:				
Share buy-back scheme	(17)	-	-	(17)
Dividends paid – ordinary shares	-	-	(311)	(311)
Reduction of share capital	(35,775)	-	35,775	-
Amortisation of share options expense	-	92	-	92
BALANCE AT 31 DECEMBER 2012	16,589	665	(2,286)	14,968

The accompanying notes form part of these financial statements

Interim Half Year Report

Consolidated Statement of Cash Flows for the half-year ended 31 December 2013

	Consolidated Inflows / (Outflows)	
	31 December 2013 \$'000	31 December 2012 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	9,884	9,440
Payments to suppliers and employees	(8,361)	(8,327)
Interest received	49	40
Interest and other costs of finance paid	(17)	(26)
NET CASH FROM OPERATING ACTIVITIES	1,555	1,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(145)	(35)
NET CASH USED IN INVESTING ACTIVITIES	(145)	(35)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(94)	(114)
Dividends paid	(532)	(311)
Payment for buy back of equity securities	(82)	(17)
NET CASH USED IN FINANCING ACTIVITIES	(708)	(442)
NET INCREASE IN CASH EQUIVALENTS	702	650
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	3,394	2,214
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,096	2,864

The accompanying notes form part of these financial statements

Interim Half Year Report

Notes to the Financial Statements for the half-year ended 31 December 2013

1. Summary of Accounting Policies

Basis of Preparation

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

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

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

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

Cost is based on the valuation of consideration given.

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

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2013 and any public announcements made by the Company during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

Adoption of new and revised Accounting Standards and Interpretations

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

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 financial instruments

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

Interim Half Year Report

Notes to the Financial Statements for the half-year ended 31 December 2013

2. Earnings Per Share

	December 2013 000's	December 2012 000's
<i>Weighted average number of ordinary shares on issue for calculation of earnings per share</i>	53,031	53,138
	\$'000	\$'000
Net profit after tax for the half year	491	321
Basic and diluted earnings per share	0.9	0.6

3. Segment Information

Segment Revenues

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.

	31 December 2013 \$'000		31 December 2012 \$'000		Total	
	Radio	Print	Radio	Print	2013	2012
Segment Revenues	7,240	438	7,200	446	7,678	7,626
Segment Profit	1,017	66	760	3	1,083	763
Segment Depreciation	236	2	284	1	238	285

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

Total segment result	1,083	763
Head office expenses	(298)	(279)
Net profit before tax	785	484

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

Total sales revenue and other	7,678	7,626
Interest	25	20
	7,703	7,646

Interim Half Year Report

Notes to the Financial Statements for the half-year ended 31 December 2013

4. Equity Securities Issued

	December 2013		December 2012	
	000's	\$'000	000's	\$'000
<i>Issues (buy backs) of Ordinary Shares during the half year</i>				
Ordinary shares issued (bought back) – number / value	294	(61)	88	(17)

5. Intangible Assets

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

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

- o Radio 1116AM (SEN) / 1377AM (MyMP) cash generating unit – \$8,169 thousand; and
- o 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 3% (2012: 3%);
- b) Pre tax discount rate of 15.6% is an appropriate weighted cost of capital (2012: 13.5%).

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 3%, which does not exceed the long term average growth rate for the business in which the CGU's operate.

Fair value is determined by sourcing an independent valuation of radio licences. The last date such a report was commissioned was December 2012 and as there have not been any transactions in the market since the time of completion of that report, directors' have formed the view that there is no basis for assuming that there has been a significant change in the fair value of those radio licences.

The independent expert assessed the fair value of radio licences by reference to a number of external factors including:

- a) Sales of similar licences in the market;
- b) Annual revenue growth; and
- c) EBIT multiples.

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

Interim Half Year Report

Notes to the Financial Statements for the half-year ended 31 December 2013

	December 2013 000's	December 2012 000's
6. Dividends Paid and Proposed		
The dividends paid / payable were as follows – un-franked:		
Final dividend paid for the financial year ended 30 June	532	311
	532	311
Dividends paid in cash during the half-year were as follows:		
Paid in cash	532	311
Final dividend paid in the half year period - cents per share	1.00	0.50
Total dividend paid during the half year period	532	311
Interim dividend declared for half year – cents per share	0.70	0.59
Interim dividend not accrued in the current half year financial statements is \$373 thousand.		
7. Contingent Liabilities		
As at the reporting date, there are no material claims or disputes of a contingent nature against the Company and its subsidiaries.		
8. Changes in the composition of the consolidated entity		
There were no changes in the composition of the consolidated entity.		
9. Related party disclosures		
Arrangements with related parties have not changed since the last reporting date. For details refer to the 2012-13 Annual Report of Pacific Star Network Limited.		
10. Events occurring after reporting date		
There were no significant events that occurred subsequent to reporting date.		