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NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD

ACN 108 282 971

SPECIAL PURPOSE FINANCIAL REPORT for the year ended 31 December 2018

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NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD ACN 108 282 971

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Directors' report

Your directors submit their report for the year ended 31 December 2018

DIRECTORS

The names of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated

Siobhan McKenna
David Roberts
Nicholas Lindsay

DIVIDENDS

A dividend of \$5,500,000 was paid during the financial year (2017: \$3,000,000).

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was to license a fellow group company to operate a radio station. There have been no significant changes in the nature of this activity during the year.

OPERATING RESULTS FOR THE YEAR

The net profit after tax of the Company for the year ended 31 December 2018 was \$5,540,054 (year ended 31 December 2017 Restated: \$5,890,657).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the year

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matter or circumstance has arisen since 31 December 2018 that has affected the Company's operations, results or state of affairs, or may do so in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

Government regulations covering minimum levels of electromagnetic radiation exposure and acceptable standards of fencing and signage at transmitter sites came into force in January 2002. To ensure these standards are met, the Company has completed compliance testing at its transmitter site and radiation folders are maintained at the transmitter site.

SHARE OPTIONS

No option to acquire shares in the Company has been granted to any person. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

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INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, a related party paid, on behalf of the Company, a premium in respect of a contract insuring the directors of the Company, the Company secretary, all executive officers of the Company and any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, PricewaterhouseCoopers, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify PricewaterhouseCoopers during or since the financial year.

AUDITOR INDEPENDENCE

The directors received an independence declaration from the auditor, PricewaterhouseCoopers. A copy has been included on page 4 of the report

Signed in accordance with a resolution of the directors



Siobhan McKenna
Director

Sydney
12 April 2019



Auditor's Independence Declaration

As lead auditor for the audit of Nova Entertainment (UK Radio 1) Pty Ltd for the year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in cursive script, appearing to read 'S. Horlin'.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
12 April 2019

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Statement of comprehensive income

	Notes	2018 \$	2017 \$ Restated
Revenue		6,867,727	7,320,564
Expenses	4	(28,155)	(22,373)
Finance cost		-	(3,260)
Profit before income tax		6,839,572	7,294,931
Income tax expense		(1,299,518)	(1,404,274)
Profit for the year		5,540,054	5,890,657
Other comprehensive income for the year		-	-
Total comprehensive income for the year		5,540,054	5,890,657

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	31 December 2018 \$	31 December 2017 \$ Restated	1 January 2017 \$ Restated
Assets				
<i>Current assets</i>				
Other receivables	5	7,197,097	6,708,533	3,121,743
Total current assets		7,197,097	6,708,533	3,121,743
<i>Non-current assets</i>				
Intangible assets	6	-	-	-
Total non-current assets		-	-	-
Total assets		7,197,097	6,708,533	3,121,743
Liabilities and equity				
<i>Current liabilities</i>				
Other payables	7	10,253	12,500	8,500
Tax payable		2,054,073	1,603,316	911,183
Total current liabilities		2,064,326	1,615,816	919,683
Total liabilities		2,064,326	1,615,816	919,683
Equity				
Issued capital	8	1	1	1
Retained earnings	10	4,935,175	4,895,121	2,004,464
Reserve	9	197,595	197,595	197,595
Total equity		5,132,771	5,092,717	2,202,060
Total equity and liabilities		7,197,097	6,708,533	3,121,743

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Issued capital \$	Reserve \$	Retained Earnings \$	Total \$
At 1 January 2018	1	197,595	4,895,121	5,092,717
Profit for the year	-	-	5,540,054	5,540,054
Total comprehensive income for the year	-	-	5,540,054	5,540,054
Dividend paid	-	-	(5,500,000)	(5,500,000)
At 31 December 2018	1	197,595	4,935,175	5,132,771
At 1 January 2017	1	197,595	144,230	341,826
Correction of error (note 11)	-	-	1,860,234	1,860,234
Restated total equity at the beginning of the financial year	1	197,595	2,004,464	2,202,060
Profit for the year (Restated)	-	-	5,890,657	5,890,657
Total comprehensive income for the year	-	-	5,890,657	5,890,657
Dividend paid	-	-	(3,000,000)	(3,000,000)
At 31 December 2017 (Restated)	1	197,595	4,895,121	5,092,717

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	2018 \$	2017 \$
Operating activities		-	-
Net cash flows from operating activities		-	-
Investing activities		-	-
Net cash flows used in investing activities		-	-
Financing activities		-	-
Net cash flows used in financing activities		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 CORPORATE INFORMATION

The financial statements of Nova Entertainment (UK Radio 1) Pty Ltd (the "Company") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 26 March 2019 and signed by the directors on 12 April 2019.

Nova Entertainment (UK Radio 1) Pty Ltd is a for profit company limited by shares incorporated in Australia and operating in the United Kingdom. The parent entity of the Company is Nova Entertainment Investments Limited (UK). The ultimate parent entity of the Company is Illyria Nominees Television Pty Limited.

The registered office of the Company is Level 5, 33 Saunders Street, Pyrmont, NSW 2009, Australia.

The principal place of business of the Company is 78 Cannon Street London EC4N 6AF, United Kingdom.

The nature of the operations and principal activities of the Company are described in the directors' report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This special purpose financial report has been prepared for distribution to the members to fulfil the directors' financial reporting requirements under the *Corporations Act 2001*. The accounting policies used in the preparation of this financial report, as described below, are consistent with the financial reporting requirements of the *Corporations Act 2001*, and are, in the opinion of the directors, appropriate to meet the needs of members:

- (i) The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.
- (ii) The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. It contains only those disclosures considered necessary by the directors to meet the needs of the members.

The financial report is presented in Australian dollars (\$).

(b) Changes in accounting policies, new and amended standards and interpretations

(i) Changes in accounting policies, new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial period.

The Company has adopted AASB 101 *Presentation of Items of Other Comprehensive Income - Amendments to AASB 101*. The adoption of the above does not have any impact on the financial statements of the Company.

From 1 January 2018, the Company has adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from contracts with customers*. The adoption of the above does not have any impact on the financial statements of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies, new and amended standards and interpretations (continued)

(ii) Accounting standards and interpretations issued but not yet effective

At the date of authorisation of the financial information, the IFRS 16 Leases Standard and Interpretations, which will be mandatory for periods starting from 1 January 2019, has not been early adopted by the Company. The Company expects no impact upon the application of the new standard.

(c) Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other receivables are recognised initially at fair value. After initial measurement, other receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment if any. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income.

(d) Intangible assets

Radio licence

The radio licence is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over its estimated useful life of 20 years. Commercial radio licences are renewable every five years under the provisions of the *Broadcasting Services Act 1992*. At this time the Directors believe that the conditions for renewal of the licence will continue to be satisfied. The Directors have considered the commercial and technical factors likely to impact on the useful life of the radio licence, and consider the radio licence to have a useful life of 20 years, however, from time to time, the remaining useful life is reassessed on the basis of the directors' expectations. It is assessed for impairment annually, or when there is an indication that the licence might be impaired.

(e) Other payables

Other payables are recognised initially at fair value. After initial recognition, other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

(f) Revenue recognition

Revenue from an agreement to use the radio licence is recognised by reference to the use of the asset under the contract, set at a predetermined rate based on the revenues earned by the party to the contract.

(g) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rate and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date

Deferred income tax assets and liabilities are recognised for all deductible and taxable temporary differences, the carry forward of unused tax credits and unused tax losses, except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authority. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD
Notes to the financial statements
For the year ended 31 December 2018
(continued)

4 OTHER EXPENSES

	31 December 2018 \$	31 December 2017 \$
Director Fees	19,668	14,139
Professional Fees	8,487	8,234
	<u>28,155</u>	<u>22,373</u>

5 OTHER RECEIVABLES

	31 December 2018 \$	31 December 2017 \$ Restated	1 January 2017 \$ Restated
Related party receivables	7,197,097	6,708,533	3,121,743
	<u>7,197,097</u>	<u>6,708,533</u>	<u>3,121,743</u>

6 INTANGIBLE ASSETS

	31 December 2018 \$	31 December 2017 \$
<i>Radio licence</i>		
Cost (gross carrying amount)	106,048,707	106,048,707
Accumulated amortisation	(106,048,707)	(106,048,707)
Net carrying amount	<u>-</u>	<u>-</u>

7 OTHER PAYABLES

	31 December 2018 \$	31 December 2017 \$
Accrued expenses	10,253	12,500
	<u>10,253</u>	<u>12,500</u>

8 ISSUED CAPITAL

	31 December 2018 \$	31 December 2017 \$
1 fully paid ordinary share (31 December 2017: 1)	1	1
	<u>1</u>	<u>1</u>

NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD
Notes to the financial statements
For the year ended 31 December 2018
(continued)

9 RESERVE

	31 December 2018 \$	31 December 2017 \$
Other Reserves	197,595	197,595
	197,595	197,595

10 RETAINED EARNINGS

	2018 \$	2017 \$ Restated
Balance at beginning of the year	4,895,121	144,230
Correction of error (note 11)	-	1,860,234
Restated retained earnings at the beginning of the period	4,895,121	2,004,464
Net profit attributable to members of the entity	5,540,054	5,890,657
Dividends paid	(5,500,000)	(3,000,000)
Balance at end of the year	4,935,175	4,895,121

11 CORRECTION OF PRIOR YEAR ERROR

The Company owns a radio licence in Australia, and is a licensor under an Exclusive Use Agreement with a related party. The related party has exclusive right to use and operate the radio licence owned by the Company

During the year the Company identified that the fees owed to it from the related party, under the Exclusive Use Agreement, has been incorrectly calculated in prior years. This has resulted in an increase in the amount receivable, an increase in tax payable, and an increase in retained earnings.

The error has been corrected by restating each of the affected financial statement line items as follows:

Statement of financial position (extract)	31 December 2017 \$	Change \$	31 December 2017 \$ Restated	1 January 2017 \$	Change \$	1 January 2017 \$ Restated
Increase in tax payable	(482,563)	(1,120,753)	(1,603,316)	(444,930)	(466,253)	(911,183)
Increase in other receivables	982,046	5,726,487	6,708,533	795,256	2,326,487	3,121,743
Net assets	486,983	4,605,734	5,092,717	341,826	1,860,234	2,202,060
Increase in retained earnings	289,387	4,605,734	4,895,121	144,230	1,860,234	2,004,464
Total equity	486,983	4,605,734	5,092,717	341,826	1,860,234	2,202,060

NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD
Notes to the financial statements
For the year ended 31 December 2018
(continued)

11 CORRECTION OF PRIOR YEAR ERROR (CONTINUED)

	31 December 2017	Change	31 December 2017
	\$	\$	\$
Statement of comprehensive income (extract)			Restated
Increase in revenue	3,920,564	3,400,000	7,320,564
Profit before income tax	3,894,931	3,400,000	7,294,931
Increase in tax expense	(749,774)	(654,500)	(1,404,274)
Total comprehensive income for the year	3,145,157	2,745,500	5,890,657

12 CONTINGENCIES

There are no contingent liabilities at the date of signing the report, which in the opinion of the directors would require disclosure in the financial statements (2017: none).

13 EVENTS AFTER THE BALANCE SHEET DATE

There have been no significant events occurring after the balance date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

14 AUDITOR'S REMUNERATION

The auditor of Nova Entertainment (UK Radio 1) Pty Ltd is PricewaterhouseCoopers (2017: PricewaterhouseCoopers).

	2018	2017
	\$	\$
An audit of the financial report of the entity	6,432	6,180
Other services in relation to the entity - Tax related	2,054	2,054
	8,486	8,234

Directors' declaration

As stated in note 2 to the financial statements, in the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements. The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 2.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the entity's financial position as at 31 December 2018 and of its performance for the financial year ended on that date, and
- (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

This declaration is made in accordance with a resolution of the directors

On behalf of the Board



Siobhan McKenna
Director

Sydney
12 April 2019



Independent auditor's report

To the members of Nova Entertainment (UK Radio 1) Pty Ltd

Our opinion

In our opinion:

The accompanying financial report of Nova Entertainment (UK Radio 1) Pty Ltd (the Company) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards to the extent described in Note 2 and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 December 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of accounting and restriction on use

We draw attention to Note 2 in the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Nova Entertainment (UK Radio 1) Pty Ltd and

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its members and should not be distributed to or used by parties other than Nova Entertainment (UK Radio 1) Pty Ltd and its members. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:



http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horlin

Susan Horlin
Partner

Sydney
12 April 2019