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NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD

ACN 108 282 971

ANNUAL REPORT for the year ended 31 December 2019



NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD

ACN 108 282 971

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Directors' report

The directors present the report on Nova Entertainment (UK Radio 1) Pty Ltd (the "Company") for the financial year ended 31 December 2019.

DIRECTORS

The names of the Company's directors in office during the financial year and until the date of this report are as follows:

Siobhan McKenna
David Roberts
Nicholas Lindsay

Directors were in office for this entire period unless otherwise stated.

DIVIDENDS

No dividends were paid during the 2019 financial year (2018: \$5,500,000).

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was to licence 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 2019 was \$8,174,079 (year ended 31 December 2018 \$5,540,054).

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 2019 that has affected the Company's operations, results or state of affairs, or may do so in future years, except as follows:

COVID-19

As at 31 December 2019, a limited number of cases of an unknown virus had been reported to the World Health Organization. However, in early 2020 there was an outbreak of Coronavirus Disease 2019 ("COVID-19" or "the coronavirus"). There have been unprecedented measures put in place by governments across the globe to contain the coronavirus which have had a significant impact on the economy.

Management continues to consider the potential implications of coronavirus, which may include reductions in revenue, delays and risk to receipt of receivables and reductions in profitability. However, at this stage the financial impact of the virus is not able to be estimated due to the general level of uncertainty.

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.

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
26 May 2020



Auditor's Independence Declaration

As lead auditor for the audit of Nova Entertainment (UK Radio 1) Pty Ltd for the year ended 31 December 2019, 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 black ink, appearing to read 'S. Horlin'.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
26 May 2020

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Statement of comprehensive income

	Notes	2019 \$	2018 \$
Revenue	4	10,233,537	6,867,727
Expenses	5	(59,515)	(28,155)
Finance cost		(46,898)	-
Profit before income tax		10,127,124	6,839,572
Income tax expense	6	(1,953,045)	(1,299,518)
Profit for the year		8,174,079	5,540,054
Other comprehensive income for the year		-	-
Total comprehensive income for the year		8,174,079	5,540,054

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

Statement of financial position

	Notes	2019 \$	2018 \$
Assets			
<i>Current assets</i>			
Other receivables	7	14,313,452	7,197,097
Total current assets		14,313,452	7,197,097
<i>Non-current assets</i>			
Intangible assets	8	-	-
Total non-current assets		-	-
Total assets		14,313,452	7,197,097
Liabilities and equity			
<i>Current liabilities</i>			
Other payables	9	18,622	10,253
Tax payable		987,980	2,054,073
Total current liabilities		1,006,602	2,064,326
Total liabilities		1,006,602	2,064,326
Equity			
Issued capital	10	1	1
Reserve	11	197,595	197,595
Retained earnings	12	13,109,254	4,935,175
Total equity		13,306,850	5,132,771
Total equity and liabilities		14,313,452	7,197,097

The notes included on pages 9 to 14 are an integral part of the financial statements.

The financial statements on pages 5 to 14 were approved and authorised for issue by the Board of Directors on 26 May 2020 and signed on its behalf by:

Siobhan McKenna

Siobhan McKenna
Director

Statement of changes in equity

	Issued capital \$	Reserve \$	Retained Earnings \$	Total \$
At 1 January 2019	1	197,595	4,935,175	5,132,771
Profit for the year	-	-	8,174,079	8,174,079
Total comprehensive income for the year	-	-	8,174,079	8,174,079
Dividend paid	-	-	-	-
At 31 December 2019	1	197,595	13,109,254	13,306,850
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

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

Statement of cash flows

	Notes	2019 \$	2018 \$
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 2019 were authorized for issue in accordance with a resolution of the directors on 26 May 2020.

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

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Nova Entertainment (UK Radio 1) Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

Compliance with Australian Accounting Standards – Reduced Disclosure Requirements

The financial statements of Nova Entertainment (UK Radio 1) Pty Ltd comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Historical cost convention

The financial statements have been prepared on a historical cost basis, unless otherwise stated.

Currency

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

Going Concern

In early 2020 there was an outbreak of Coronavirus Disease 2019 ("COVID-19" or "the coronavirus"). There have been unprecedented measures put in place by governments across the globe to contain the coronavirus which have had a significant impact on the economy.

The Company has assessed the impact of COVID-19 on the business, the financial report, and the Company's ability to continue as a going concern. Based on the financial position of the Company for the year ended 31 December 2019 the directors are satisfied that the Company has sufficient available resources to enable the Company to meet their financial obligations as and when they fall due for a minimum period of twelve months from the date of signing these financial statements despite economic uncertainties arising as a result of the outbreak of coronavirus. For this reason, the directors consider it appropriate to prepare the financial statements on a going concern basis.

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

Changes in accounting policies, new and amended standards and interpretations

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

From 1 January 2019, the Company has adopted the IFRS 16 Leases standard. The adoption of the new standard does not have any impact on the financial statements of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 licenses 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.

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 and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Taxes (continued)

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.

NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD
Notes to the financial statements
For the year ended 31 December 2019
(continued)

4. REVENUE

	2019	2018
	\$	\$
Revenue from exclusive use agreement with other related parties	10,233,537	6,867,727
	10,233,537	6,867,727

5. EXPENSES

	2019	2018
	\$	\$
Director fees	14,196	19,668
Professional fees	45,319	8,487
	59,515	28,155

6. INCOME TAX EXPENSE

	2019	2018
	\$	\$
The tax expense comprises:		
Current tax on profits for the year	1,924,154	1,299,518
Adjustments for current tax of prior periods	28,891	-
Total tax expense for the year	1,953,045	1,299,518

Numerical reconciliation between tax expense and pre-tax accounting profit:

Company profit for the year before income tax	10,127,124	6,839,572
Tax on Company profit before income tax at the standard UK corporation tax rate of 19% (year ended 31 December 2018: 19%)	1,924,154	1,299,518
Adjustments for current tax of prior periods	28,891	-
Total tax expense on profits for the year	1,953,045	1,299,518

Changes to the UK Corporation tax rates were substantively enacted on 7 September 2016 to reduce the main rate of Corporation tax to 17% from 1 April 2020 and deferred tax balances at the balance sheet date have been measured using this rate.

Subsequent to the balance sheet date, a further change was substantively enacted on 17 March 2020 to maintain the rate at 19%.

7. OTHER RECEIVABLES

	2019	2018
	\$	\$
Other receivables with parent entity	14,313,452	7,197,097
	14,313,452	7,197,097

8. INTANGIBLE ASSETS

	2019	2018
	\$	\$
<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	-	-

NOVA ENTERTAINMENT (UK RADIO 1) PTY LTD
Notes to the financial statements
For the year ended 31 December 2019
(continued)

9. OTHER PAYABLES

	2019 \$	2018 \$
Accrued expenses	<u>18,622</u>	<u>10,253</u>
	18,622	10,253

10. ISSUED CAPITAL

	2019 \$	2018 \$
1 fully paid ordinary share (31 December 2018: 1)	<u>1</u>	<u>1</u>
	1	1

11. RESERVE

	2019 \$	2018 \$
Other reserves	<u>197,595</u>	<u>197,595</u>
	197,595	197,595

12. RETAINED EARNINGS

	2019 \$	2018 \$
Balance at beginning of the year	4,935,175	4,895,121
Net profit attributable to members of the entity	8,174,079	5,540,054
Dividends paid	-	(5,500,000)
Balance at end of the year	<u>13,109,254</u>	<u>4,935,175</u>

13. RELATED PARTIES

(a) Parent entities

The group is controlled by the following entities:

Name	Type	Place of incorporation	Ownership interest	
			2019	2018
Nova Entertainment Investments Limited	Parent entity	United Kingdom	100%	100%
Illyria Nominees Television Pty Limited	Ultimate parent entity	Australia	100%	100%

13. RELATED PARTIES (continued)

(b) Key management personnel compensation

	2019	2018
	\$	\$
Total key management personnel compensation	14,196	19,668

(c) Transactions with related parties

The following transactions occurred with related parties:

	2019	2018
	\$	\$
<i>Sale of goods and services</i>		
Exclusive use agreement with other related parties	10,233,537	6,867,727
<i>Other transactions</i>		
Dividends paid to parent entity	-	(5,500,000)

(d) Balances with related parties

	2019	2018
	\$	\$
Other receivables with parent entity	14,313,452	7,197,097

14. CONTINGENCIES AND COMMITMENTS

There are no known contingencies and commitments at the date of signing the report, which in the opinion of the directors would require disclosure in the financial statements (2018: none).

15. EVENTS AFTER THE BALANCE SHEET DATE

COVID-19

As at 31 December 2019, a limited number of cases of an unknown virus had been reported to the World Health Organization. However, in early 2020 there was an outbreak of Coronavirus Disease 2019 ("COVID-19" or "the coronavirus"). There have been unprecedented measures put in place by governments across the globe to contain the coronavirus which have had a significant impact on the economy.

Management continues to consider the potential implications of coronavirus, which may include reductions in revenue, delays and risk to receipt of receivables and reductions in profitability. However, at this stage the financial impact of the virus is not able to be estimated due to the general level of uncertainty.

Directors' declaration

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:
 - (ii) complying with Accounting Standards – Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (iii) giving a true and fair view of the entity's financial position as at 31 December 2019 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.

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

On behalf of the Board



Siobhan McKenna
Director

Sydney
26 May 2020



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 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 31 December 2019
- 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 (including Independence Standards)* (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.

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 2019, but does not include the financial report and our auditor's report thereon.

PricewaterhouseCoopers, ABN 52 780 433 757

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

In 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
26 May 2020