

Company Registration No. 1886042

19 Entertainment Limited

Report and Financial Statements

Year ended 31 December 2014

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19 Entertainment Limited

Report and financial statements 2014

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19 Entertainment Limited

Report and financial statements 2014

Officers and professional advisers

Directors

Marc Graboff (resigned 9 September 2014)
Kimberly Williams (resigned 15 September 2014)
Peter Hurwitz
Scott Frosch (appointed 29 September 2014)
Kelly Pontano (appointed 29 September 2014)

Secretary

Abogado Nominees Limited

Registered Office

100 New Bridge Street
London
EC4V 6JA

Bankers

Natwest Bank Plc
Bloomsbury Parr's
PO Box 158
214 Holborn
London
WC1V 7BX

Solicitors

Baker & McKenzie LLP
100 New Bridge Street
London
EC4V 6JA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
10 Bricket Road
St Albans
Herts
AL1 3JX
United Kingdom

19 Entertainment Limited

Report and financial statements 2014

Strategic report

The directors present their report and the audited financial statements for the year ended 31 December 2014.

Enhanced business review

The Group suffered a loss for the financial year of \$274,635,806 (2013: profit \$106,092,138). The Company suffered a loss for the financial year of \$169,658,599 (2013: profit \$2,453,854). As of 31 December 2014 the Company had a total shareholders' deficit of \$186,063,318 and the Group had total shareholders' funds of \$20,584,527.

The Group's strategy is to license its ownership interest in entertainment content and to seek to enhance the value of that content. The Group's primary revenue sources include license fees and royalties from the sale of the *Dance* and *IDOLS* television formats, live performance tours based on *American Idol* and *Dance*, branded merchandise, recorded music artists and fee income from management clients. The directors believe the Group is well placed to exploit future licensing and royalty opportunities and intends to take steps to develop the business in future years. During 2014 the group recorded a profit on the reversal of historical accruals no longer required, which is recognised in the "profit on fundamental reorganization" line.

IDOLS

19 TV Limited, a subsidiary of the Company, owns the *IDOLS* television show format, which is exploited worldwide in conjunction with our global television production & distribution partner FremantleMedia. *IDOLS* revenue is derived from licensing the *IDOLS* television show format in various countries and ancillary revenue streams from the *IDOLS* brand.

Most of the *IDOLS* related revenue is generated through agreements with FremantleMedia, and our contractual global record label partners Sony Music Entertainment and Universal Music Group.

A portion of the revenue from the *American Idol* series is dependent upon the number of hours of programming delivered. In the twelfth broadcast season, which aired during 2014, the Company's US subsidiary and Fremantle Media delivered 56.5 hours of programming to the Fox Broadcasting Network ("Fox") compared to 59.5 hours of programming during the same period of 2013.

So You Think You Can Dance

19 Entertainment Limited created, and a US subsidiary co-produces, the television show *Dance*, which has been broadcast in the US on Fox since the summer of 2005 and in numerous other countries.

A portion of the revenue from the *Dance* series is dependent upon the number of hours of programming delivered. In the tenth broadcast season, which aired during 2013, and the eleventh broadcast season, which aired during 2014, the Company's US subsidiary delivered 34 hours and 30 hours, respectively, of *Dance* programming to Fox.

Touring

With the success of the *American Idol* and *Dance* productions, touring has become an additional source of revenue for 19 Touring LLC, a subsidiary of the Company, which it generated from ticket sales. 19 Touring LLC receives from the contracted tour promoters a minimum guarantee on ticket sales, which ensures tour revenue will be sufficient to fund the costs of producing the tours. Additional ticket sale revenue may be earned, contingent upon 19 Touring's share of ticket sales surpassing the minimum guarantee. 19 Touring LLC also earns ancillary revenue streams including tour merchandise and sponsorships. In the summer and fall of 2014, the *Dance* tour played 59 dates in cities and venues across the US and Canada; the *American Idol* tour played 40 dates across the US, Canada and the Philippines.

Key performance indicators

The key factors affecting the profitability of the Group are as follows:

- The number of hours of *American Idol* and *Dance* shows broadcast on the Fox network.
- Ratings of *American Idol* and *Dance* shows on the Fox network. This directly affects the TV revenue we generate and is also an early indicator for touring, sponsorship and merchandising revenues.

Principal risks and uncertainties facing the group

- We are dependent upon a limited number of brands which may, over time, decline in popularity.
- We rely heavily upon the continued appeal of the *American Idol* and *Dance* brands in the US and, to a lesser extent, its foreign adaptations. Our revenues and income derived from those television programs depend primarily upon the initial and continued acceptance of that programming by the public.
- Our success depends, to a significant degree, on our relationships with third parties, including our television broadcasters. Although we have strong relationships in the entertainment industry, there can be no guarantee that these relationships will endure or that our production and distribution partners will honor their obligations to us.

19 Entertainment Limited

Report and financial statements 2014

Strategic report

Principal risks and uncertainties facing the group (continued)

- Certain affiliates and third parties have the right to exploit our intellectual property for commercial purposes and may exercise those rights in a manner that negatively affects our business.
- The Company is a guarantor of debt that is currently subject to negotiations with its lenders. If a consensual restructuring plan is not agreed to with the lenders, it is unlikely the company would meet its debt obligations and there is a risk that other restructuring alternatives would need to be pursued.

Approved by the Board of Directors and signed on behalf of the Board



Scott Frosch
Director
29 September 2015

19 Entertainment Limited

Directors' report

The directors present their report and the audited consolidated financial statements of the group for the year ended 31 December 2014.

Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including cash flow risk and credit risk. The Group does not currently use derivative financial instruments for hedging or speculative purposes.

Currency risk

Although the Group's functional currency is the US Dollar, the Group derives a portion of its revenue from foreign currencies and incurs certain costs in Pounds Sterling. If currency exchange rates were to change unfavourably, our financial results could be negatively impacted.

Credit risk

The Group's principal financial assets are cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Future Developments

A review of the activity and future developments of the group and company is contained in the strategic report on page 2.

Dividends

The directors do not recommend a dividend payment in the current year (2013: \$nil).

Going concern

After making enquiries, including considering overall financial resources of the Core Media Group companies, and the future revenues and costs of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern can be found in note 1 "Accounting Policies" in the financial statements.

Directors

The directors of the company who were in office during the year and up to the date of signing financial statements were as follows:

Marc Graboff (resigned 9 September 2014)
Kimberly Williams (resigned 15 September 2014)
Peter Hurwitz
Scott Frosch (appointed 29 September 2014)
Kelly Pontano (appointed 29 September 2014)

Director's indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Disclosure of relevant information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's Independent Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

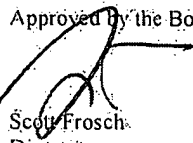
19 Entertainment Limited

Directors' report

Independent Auditors:

PricewaterhouseCoopers LLP were appointed as the Group's independent auditors for the year ended 31 December 2014. They have expressed their willingness to continue in office as independent auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



Scott Frosch
Director
29 September 2015

19 Entertainment Limited

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

19 Entertainment Limited

Independent auditors' report to the members of 19 Entertainment Limited

Report on the financial statements

Our opinion

In our opinion, 19 Entertainment Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's and the company's loss and the group's cash flows for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

Emphasis of matter - Going concern

In forming our opinion on the group and company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group and company's ability to continue as a going concern. Group companies have provided secured guarantees in respect of a debt instrument held by an intermediate parent which is in default. As a result of this default, there is currently a risk that the lenders may foreclose their security interests in the group companies. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and company's ability to continue as a going concern. The group and company financial statements do not include the adjustments that would result if they were unable to continue as a going concern.

What we have audited

The financial statements comprise:

- the group and company balance sheets as at 31 December 2014;
- the group and company profit and loss account for the year then ended;
- the group cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

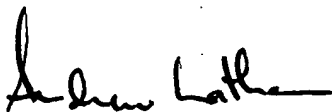
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

30 September 2015

19 Entertainment Limited

Profit and loss account Year ended 31 December 2014

| | Note | Group | | Company | |
|--|------|-----------------------------|---------------------------|-----------------------------|-------------------------|
| | | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Turnover | 1,2 | 114,471,344 | 146,688,964 | 6,152,980 | 9,453,150 |
| Cost of sales | | <u>(60,116,762)</u> | <u>(75,070,942)</u> | <u>(5,632,919)</u> | <u>(8,366,582)</u> |
| Gross profit | | 54,354,582 | 71,618,022 | 520,061 | 1,086,568 |
| Other operating expense | | <u>(323,556,303)</u> | <u>(6,031,052)</u> | <u>(169,593,108)</u> | <u>(673,481)</u> |
| Operating profit | 3 | (269,201,721) | 65,586,970 | (169,073,047) | 413,087 |
| Profit on sale or termination of an operation | 7 | 1,129 | 1,491,117 | 1,129 | 1,491,276 |
| Profit on fundamental reorganization | | 58,241 | 26,929 | - | 26,929 |
| Interest receivable and similar income | 6 | <u>486,456</u> | <u>475,644</u> | <u>473,617</u> | <u>475,855</u> |
| Profit on ordinary activities before taxation | | (268,655,895) | 67,580,660 | (168,598,301) | 2,407,147 |
| Tax on profit on ordinary activities | 8,9 | <u>(5,979,911)</u> | <u>38,511,478</u> | <u>(1,060,298)</u> | <u>46,707</u> |
| Profit/(loss) for the financial year | | <u><u>(274,635,806)</u></u> | <u><u>106,092,138</u></u> | <u><u>(169,658,599)</u></u> | <u><u>2,453,854</u></u> |

The above results are derived from continuing activities.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

There are no recognised gains or losses or movements in equity shareholders' funds for the current year and prior year other than as stated in the profit and loss account and accordingly no statement of total recognised gains or losses has been presented.

19 Entertainment Limited

Balance sheets 31 December 2014

| | Note | Group | | Company | |
|---|------|--------------|--------------|---------------|---------------|
| | | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Fixed assets | | | | | |
| Tangible assets | 10 | 95,822 | 371,145 | - | - |
| Investments | 11 | 50,688 | 50,646 | 7,398,369 | 7,398,327 |
| | | 146,510 | 421,791 | 7,398,369 | 7,398,327 |
| Current assets | | | | | |
| Debtors - due within one year | 12 | 18,446,295 | 303,028,462 | 4,110,443 | 175,528,769 |
| - due after more than one year | 12 | 25,032,500 | 24,892,361 | - | - |
| Cash at bank and in hand | | 4,813,034 | 2,483,456 | 86,543 | 447,091 |
| Total current assets | | 48,291,829 | 330,404,279 | 4,196,986 | 175,975,860 |
| Creditors: amounts falling due within one year | 13 | (25,787,636) | (33,180,945) | (197,658,673) | (199,778,906) |
| Net current assets/(liabilities) | | 22,504,193 | 297,223,334 | (193,461,687) | (23,803,046) |
| Total assets less current liabilities | | 22,650,703 | 297,645,125 | (186,063,318) | (16,404,719) |
| Creditors : amounts falling due after more than one year | 14 | (2,066,176) | (2,424,792) | - | - |
| Net assets/(liabilities) | | 20,584,527 | 295,220,333 | (186,063,318) | (16,404,719) |
| Capital and reserves | | | | | |
| Called up share capital | 16 | 288 | 288 | 288 | 288 |
| Share premium account | 17 | 7,879,704 | 7,879,704 | 7,879,704 | 7,879,704 |
| Profit and loss account | 18 | 12,704,535 | 287,340,341 | (193,943,310) | (24,284,711) |
| Total Shareholders' funds/(deficit) | 19 | 20,584,527 | 295,220,333 | (186,063,318) | (16,404,719) |

The notes on pages 12 to 22 form an integral part of the financial statements.

The financial statements on pages 9 to 22 of 19 Entertainment Limited, registered number 1886042, were approved by the Board of Directors on 29 September 2015.

Signed on behalf of the Board of Directors


Scott Frosch
Director

19 Entertainment Limited

Group cash flow statement 31 December 2014

| | Note | Group | |
|---|------|------------|------------|
| | | \$ 2014 | \$ 2013 |
| Net cash flow from operating activities | 21 | 2,145,281 | (523,696) |
| Returns on investment and servicing of finance | | | |
| Interest received | | 486,455 | 475,644 |
| Net cash inflow from returns on investment and servicing of finance | | 486,455 | 475,644 |
| Taxation | | (302,158) | (699,090) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | - | (126,325) |
| Net cash outflow for capital expenditure and financial investment | | - | (126,325) |
| Increase/(decrease) in net cash | | 2,329,578 | (873,467) |
| Reconciliation to net cash | | | |
| Net cash at 1 January | | 2,483,456 | 3,356,923 |
| Increase/(decrease) in net cash | | 2,329,578 | (873,467) |
| Net Cash at 31 December | 21 | 4,813,034 | 2,483,456 |

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies

The financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period.

Presentational currency

The Group's functional currency is the US Dollar. The reporting currency is also the US Dollar.

Basis of consolidation

These financial statements have been prepared on a consolidated basis as the Group has elected to no longer take advantage of the exemptions available to it under s400(1) of the Companies Act 2006 and FRS 2 "Accounting for Subsidiary Undertakings" not to produce consolidated financial statements. In producing consolidated financial statements at this level, the subsidiaries of the Company are eligible to take advantage of the audit exemption available to them under s479A of the Companies Act 2006 relating to subsidiary companies.

The consolidated financial statements include the Company and all its wholly-owned subsidiary undertakings. Uniform group accounting policies have been used in preparing the financial statements. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from, or to, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

Joint ventures

Entities in which the Group holds an interest on a long-term basis and over whose activities the Group has joint control, established by contractual agreement, are classified as joint ventures. The consolidated financial statements include the Group's share, based on its ownership interest, of the profits less losses of joint ventures in the consolidated income statement and its interest in their assets and liabilities in the consolidated balance sheet using the gross equity method. Where increases in the ownership interests result in entities becoming controlled by the Group, joint venture accounting is suspended from the date of change of control.

Cash flow statement

19 Entertainment Limited consolidated financial statements for the year ended 31 December 2014 contain a consolidated cash flow statement. Consequently, the company has taken advantage of the exemption in FRS 1 "Cash Flow Statements" not to present its own cash flow statement.

Turnover

Turnover represents the value of goods and services provided, net of value added taxation. The directors do not consider any one part of the worldwide market to be significantly different from any other. Full segmental information has not been disclosed as permitted by Statement of Standard Accounting Practice No. 25: Segmental Reporting. In the opinion of the directors, such disclosure would be commercially sensitive.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Tangible assets

Tangible fixed assets are stated at cost or valuation, net of any depreciation and any provision for impairment. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of the asset as follows:

| | | |
|-------------------------|---|------------------------------|
| Furniture and equipment | - | 25% per annum on cost |
| Leasehold improvements | - | over the period of the lease |
| Plant and machinery | - | 25% per annum on cost |

Investments

Fixed asset investments are stated at cost less provision for impairment.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2014

1. Accounting policies (continued)

Operating leases

The company enters into operating leases as described in note 5. Rentals under operating leases are charged at actual cost as payments come due rather than on a straight-line basis over the lease term, as the company has determined the difference between straight-line and actual cost is immaterial.

Accounting Convention

The financial statements are prepared under the historical cost convention.

Going concern

The Directors have considered the use of the going concern basis in the preparation of the financial statements and concluded that it is appropriate.

The company has provided secured guarantees in respect of two debt instruments held by an intermediate parent, CORE Entertainment Inc. ("CORE Inc."). CORE Inc. chose not to make a required interest payments to its second lien lender group on June 11, 2015 and September 11, 2015 and as such is currently in default under that agreement. With respect to the debt instrument held by the first lien lender group, the first lien lenders assert there is a default which Core Entertainment Inc. disputes. As a result of the default under the second lien debt instrument and the possible default under the first lien debt instrument, there is currently a risk that the lender groups may foreclose their security interests in the subsidiaries of CORE Inc., including those security interests in the company.

The outstanding loans under the two debt instruments have principal payments of \$200,000,000 and \$160,000,000 due in June 2017 and June 2018, respectively. The directors have considered the current cash resources available throughout CORE Inc. group which are sufficient to allow CORE Inc. to pay all interest amounts due up until the aforementioned debt maturities. In order to ensure that CORE Inc. can continue to meet its obligations in 2017 and beyond, CORE Inc. began discussions in June 2015 with its lenders to determine a possible restructuring and refinancing plan regarding these payments and changes to the group's capital structure. As part of these discussions, CORE Inc. chose not to make the interest payments explained above, triggering a loan default. If a consensual restructuring plan is not agreed with the lenders, it is unlikely CORE Inc. will be able to meet its debt obligations in 2017 and 2018 unless it is successful in securing alternative financing.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The company also generated a net loss during the year ended 31 December 2014 and has net current liabilities as at 31 December 2014 and is reliant on the support of its immediate parent company to be able to meet its liabilities as they fall due. This creates an uncertainty over the use of the going concern basis in the preparation of the financial statements. However, a letter of support has been provided by CORE Entertainment Inc. which states its intent to provide the necessary financial support to ensure that the Company is a going concern for at least twelve months from the date of signing of these financial statements.

The current status of discussions with lenders, along with the company and CORE Inc. group's business plan and access to cash resources, were considered by the directors when determining whether to adopt the going concern basis of accounting. After making enquiries and taking account of the factors noted above, the directors concluded that the going concern basis remains appropriate. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2014

2. Turnover

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover is given below:

| | Group | | Company | |
|-------------------|--------------------|--------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ |
| | 2014 | 2013 | 2014 | 2013 |
| Third Party Sales | 114,471,344 | 146,688,964 | 787,170 | 2,627,501 |
| Management fees | - | - | 5,365,810 | 6,825,649 |
| | <u>114,471,344</u> | <u>146,688,964</u> | <u>6,152,980</u> | <u>9,453,150</u> |

3. Operating profit

Operating profit is stated after charging/ (crediting):

| | Group | | Company | |
|---|----------------|---------------|-----------------|----------------|
| | \$ | \$ | \$ | \$ |
| | 2014 | 2013 | 2014 | 2013 |
| Depreciation of owned tangible fixed assets | 275,323 | 273,505 | - | - |
| Operating leases - other | 988,486 | 836,395 | - | - |
| Impairment of receivables | 316,735,802 | - | 169,363,154 | - |
| Exchange (gains)/losses | <u>487,598</u> | <u>62,315</u> | <u>(59,127)</u> | <u>377,388</u> |

Fees payable to the company's auditors for the audit of the company and their associates' consolidated financial statements have been borne in full in the current year by CORE Entertainment Inc. The portion of fees paid by CORE Entertainment Inc. that were directly attributable to the 19 Entertainment Limited Group are detailed below:

| | Group | | Company | |
|---|----------------|----------------|----------|----------|
| | \$ | \$ | \$ | \$ |
| | 2014 | 2013 | 2014 | 2013 |
| Fees payable to the Company's auditors for the audit of annual financial statements | 45,000 | 45,000 | - | - |
| Fees payable to the Company's auditors and their associates for audit of the Company's subsidiaries pursuant to legislation | 318,542 | 435,376 | - | - |
| Fees payable to the Company's auditors and their associates for tax advisory services | 196,458 | 247,227 | - | - |
| Total fees | <u>560,000</u> | <u>727,603</u> | <u>-</u> | <u>-</u> |

There are no other fees payable to the company's auditors.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2014

4. Directors and employees

(a) Employee numbers

The monthly average number of employees during the year including directors was:

| | Group | | Company | |
|----------------|-----------|-----------|----------|----------|
| | \$ | \$ | \$ | \$ |
| | 2014 | 2013 | 2014 | 2013 |
| Distribution | 40 | 40 | - | - |
| Administration | 15 | 17 | - | - |
| | <u>55</u> | <u>57</u> | <u>-</u> | <u>-</u> |

(b) Staff costs

| | Group | | Company | |
|---------------------------------------|------------------|------------------|----------|----------|
| | \$ | \$ | \$ | \$ |
| | 2014 | 2013 | 2014 | 2013 |
| The aggregate remuneration comprised: | | | | |
| Wages and salaries | 4,259,945 | 6,396,671 | - | - |
| Social security costs | 261,101 | 351,492 | - | - |
| | <u>4,521,046</u> | <u>6,748,163</u> | <u>-</u> | <u>-</u> |

(c) Directors' remuneration

| | Group | | Company | |
|------------|----------------|----------------|----------|----------|
| | \$ | \$ | \$ | \$ |
| | 2014 | 2013 | 2014 | 2013 |
| Emoluments | <u>521,256</u> | <u>481,791</u> | <u>-</u> | <u>-</u> |

The highest paid Director received \$521,256 during 2014 and \$481,791 during 2013.

5. Lease Commitments

The Group had annual commitments under non-cancellable operating leases for land and buildings as set out below:

| | Group | | Company | |
|---------------------------------------|------------------|------------------|----------|----------|
| | \$ | \$ | \$ | \$ |
| | 2014 | 2013 | 2014 | 2013 |
| Operating leases which expire: | | | | |
| Within one year | 1,514,000 | 1,786,822 | - | - |
| In one to two years | - | 1,276,700 | - | - |
| Less sublease income | - | (333,392) | - | - |
| | <u>1,514,000</u> | <u>2,730,130</u> | <u>-</u> | <u>-</u> |

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Notes to the financial statements Year ended 31 December 2014

6. Interest receivable and similar income

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Bank interest (paid)/received | 12,514 | (96) | - | 115 |
| Interest on amounts owed from group undertakings | 474,725 | 475,718 | 474,400 | 475,718 |
| Interest received/(paid) on corporate tax | (783) | 22 | (783) | 22 |
| | <u>486,456</u> | <u>475,644</u> | <u>473,617</u> | <u>475,855</u> |

7. Exceptional Items

| | Group | | Company | |
|--|--------------|------------------|--------------|------------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Profit/(loss) on the sale or termination of an operation | <u>1,129</u> | <u>1,491,117</u> | <u>1,129</u> | <u>1,491,276</u> |

Beginning in 2009, Core Media Group Inc. undertook an assessment of the strategic and structural needs of 19 Entertainment's creative development projects and market focus. This review resulted in a significant restructuring of the 19 Entertainment businesses in 2010 to focus on core projects and the resulting closure of the London office. This fundamental reorganisation of the company led to a number of exceptional costs being born by the entity. A further review of the business in 2011 led to the forgiveness of intercompany loans to two subsidiaries and the decision to enter voluntary liquidation on three international subsidiaries, two of which were located in Germany and one in France. The companies were officially closed resulting in the write-off of intercompany indebtedness.

8. Tax on profit on ordinary activities

| | Group | | Company | |
|---|------------------|---------------------|------------------|-----------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Current taxation | | | | |
| Adjustments in respect of prior years | 914,368 | (38,786,684) | 727,941 | - |
| Foreign tax suffered | 81,379 | 339,907 | - | - |
| Foreign Exchange | 43,679 | - | 20,977 | - |
| Current tax charge/(credit) for the year | <u>1,039,426</u> | <u>(38,446,777)</u> | <u>748,918</u> | <u>-</u> |
| Deferred taxation | | | | |
| Origination and reversal of timing differences | 4,965,471 | (117,833) | 334,627 | - |
| Effect of changes in tax rates | (23,916) | 48,049 | (23,247) | (46,707) |
| Adjustments in respect of prior years | (1,070) | 5,083 | - | - |
| Tax charge/(credit) for the year | <u>5,979,911</u> | <u>(38,511,478)</u> | <u>1,060,298</u> | <u>(46,707)</u> |

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2014

8. Tax on profit on ordinary activities (continued)

Factors affecting the current tax charge for the current year

The tax charge for the year differs (2013: differs) from the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%).

The differences are explained below:

| | Group | | Company | |
|---|---------------|--------------|---------------|------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Profit on ordinary activities before taxation | (268,655,895) | 67,580,660 | (168,598,301) | 2,407,147 |
| Tax charge at 21.49% (2013 - 23.25%) | (57,734,152) | 15,711,900 | (36,231,775) | 559,579 |
| Effects of: | | | | |
| Foreign exchange | 43,679 | - | 20,977 | - |
| Utilisation of tax losses | (2,713) | 1,042 | - | - |
| Movement in short term timing differences | (342,224) | 117,833 | - | - |
| Expenses not deductible for tax purposes | 68,104,834 | 31,227 | 36,446,906 | 29,590 |
| Group relief for nil consideration | (2,912,256) | (4,144,181) | (215,131) | (589,169) |
| Adjustments in respect of prior years | 914,368 | (38,786,684) | 727,941 | - |
| US tax losses | (13,393,241) | (18,789,712) | - | - |
| Effects of other tax rates/credits | 6,361,131 | 7,411,798 | - | - |
| Current tax charge/(credit) for the year | 1,039,426 | (38,446,777) | 748,918 | - |

Factors affecting current and future tax charges

The rate of corporation tax changed from 23% to 21% with effect from 1 April 2014. Accordingly, the company's result for this accounting year is taxed at an effective rate of 21.49% (2013: 23.25%). A further reduction to 20% from 1 April 2015 has been substantively enacted at the date of the financial statements.

Changes to the UK corporation tax rules were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements.

9. Deferred taxation

| | Group | | Company | |
|---|-------------|---------------|------------|------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Accelerated capital allowances | - | 4,968,906 | - | 311,380 |
| The movement during the year in the deferred taxation asset | | | | |
| | Group \$ | Company \$ | | |
| Balance at 1 January 2014 | 4,968,906 | 311,380 | | |
| Current year credit/(charge) | (4,941,555) | (311,380) | | |
| Adjustment in respect of prior years | 1,070 | - | | |
| Other | (28,421) | - | | |
| Balance at 31 December 2014 | - | - | | |

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Notes to the financial statements Year ended 31 December 2014

10. Tangible assets

| | <u>Leasehold Improvements</u> | <u>Furniture and Equipment</u> | <u>Plant and machinery</u> | <u>Total</u> |
|---|-----------------------------------|------------------------------------|--------------------------------|--------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Cost | | | | |
| At 1 January 2014 | 548,061 | 304,455 | 391,189 | 1,243,705 |
| Disposals | (26,527) | (1,998) | - | (28,525) |
| At 31 December 2014 | <u>521,534</u> | <u>302,457</u> | <u>391,189</u> | <u>1,215,180</u> |
| Depreciation | | | | |
| At 1 January 2014 | (429,718) | (235,664) | (207,178) | (872,560) |
| Charge for the year | (117,753) | (1,312) | (156,258) | (275,323) |
| Disposals | 26,527 | 1,998 | - | 28,525 |
| At 31 December 2014 | <u>(520,944)</u> | <u>(234,978)</u> | <u>(363,436)</u> | <u>(1,119,358)</u> |
| Net book value at 31 December 2014 | <u>590</u> | <u>67,479</u> | <u>27,753</u> | <u>95,822</u> |
| Net book value at 31 December 2013 | <u>118,343</u> | <u>68,791</u> | <u>184,011</u> | <u>371,145</u> |

11. Investments

| | <u>Group</u> | <u>Company</u> |
|---|---------------|------------------|
| | <u>\$</u> | <u>\$</u> |
| Cost | | |
| At 1 January 2014 | 50,646 | 7,398,327 |
| Additions | 42 | 42 |
| At 31 December 2014 | <u>50,688</u> | <u>7,398,369</u> |
| Net book value at 1 January 2014 | <u>50,646</u> | <u>7,398,327</u> |
| Net book value at 31 December 2014 | <u>50,688</u> | <u>7,398,369</u> |

The directors believe that the carrying value of the investments is supported by their underlying net assets.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2014

11. Investments (continued)

The parent company owns the issued share capital of the following companies:

| Name of Subsidiaries | Country of Incorporation | Nature of Business | Class of Shares Held | % of Shares Held - Direct or Indirect |
|-----------------------------------|--------------------------|---|----------------------|---------------------------------------|
| Native Management Limited | UK | Management of Artists | Ordinary | 100% |
| Native Songs Limited | UK | Record Production | Ordinary | 100% |
| 19 Entertainment Inc | US | TV Production & Music Artist Management | Ordinary | 100% |
| 19 Recording Services, Inc | US | Record Production | Ordinary | 100% |
| All Girl Productions | US | TV Production | Ordinary | 100% |
| 19 Touring LLC | US | Artists Touring | Ordinary | 100% |
| Dance Nation Productions, Inc | US | TV Production | Ordinary | 100% |
| Southside Productions, Inc | US | TV Production | Ordinary | 100% |
| On The Road Productions | US | TV Production | Ordinary | 100% |
| IICD, LLC | US | TV Production | Ordinary | 100% |
| 19 Recordings, Inc | US | Record Production | Ordinary | 100% |
| J2K Productions, Inc | US | TV Production | Ordinary | 100% |
| This Land Productions, Inc | US | TV Production | Ordinary | 100% |
| CTA Productions, Inc | US | TV Production | Ordinary | 100% |
| Masters of Dance Productions, Inc | US | TV Production | Ordinary | 100% |
| SYTYCD DVD Productions, Inc | US | TV Production | Ordinary | 100% |
| 19 Publishing Inc | US | Record Production | Ordinary | 100% |
| 19 TV Limited | UK | TV Production | Ordinary | 100% |
| 19 Merchandising Limited | UK | Merchandising and Sponsorship | Ordinary | 100% |
| 19 Management Limited | UK | Music Artist Management | Ordinary | 100% |
| Brilliant 19 Limited | UK | Music Artist Management | Ordinary | 100% |
| 19 Productions Limited | UK | Film Development | Ordinary | 100% |
| 19 Touring Limited | UK | Artists Touring | Ordinary | 100% |
| 19 Recordings Limited | UK | Record Production | Ordinary | 100% |
| Double Vision Film Limited | UK | Film Development | Ordinary | 100% |
| Other Significant Holdings | | | | |
| TLS Management Limited | UK | Music Artist Management | Ordinary | 50% |
| 19 Fashionair Limited | UK | Fashion Website | Ordinary | 50% |

As detailed in the 'Basis of Consolidation' section of Note 1, in producing consolidated financial statements the UK subsidiaries of the Company are eligible to take advantage of the audit exemption available to them under s479A of the Companies Act 2006 relating to subsidiary companies.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2014

12. Debtors

| | Group | | Company | |
|---|-------------------|--------------------|------------------|--------------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Amounts falling due within one year | | | | |
| Trade Debtors | 1,097,370 | 2,270,969 | 75,562 | 436,142 |
| Amounts owed by group undertakings | 316,735,802 | 272,881,818 | 169,363,154 | 169,113,324 |
| Less: Provision for impairment of receivables | (316,735,802) | - | (169,363,154) | - |
| | - | 272,881,818 | - | 169,113,324 |
| Other Debtors | 4,278,344 | 5,028,435 | 3,470,741 | 4,203,394 |
| Deferred tax asset (note 9) | - | 4,968,906 | - | 311,380 |
| Prepayments and accrued income | 13,070,581 | 17,878,334 | 564,140 | 1,464,529 |
| | <u>18,446,295</u> | <u>303,028,462</u> | <u>4,110,443</u> | <u>175,528,769</u> |
| Amounts falling due after more than one year | | | | |
| Amounts owed by group undertakings | 24,894,300 | 24,754,161 | - | - |
| Other debtors | 138,200 | 138,200 | - | - |
| | <u>25,032,500</u> | <u>24,892,361</u> | <u>-</u> | <u>-</u> |

13. Creditors: amounts falling due within one year

| | Group | | Company | |
|---|-------------------|-------------------|--------------------|--------------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Trade Creditors | 44,975 | 261,053 | 19,139 | 62,412 |
| Amounts owed to group undertakings | 9,180,556 | 9,205,286 | 194,861,138 | 194,877,114 |
| Other creditors (including tax and social security) | 861,223 | 1,221,918 | 347,820 | 751,249 |
| Deferred Tax | (156) | - | - | - |
| Accruals and deferred income | 15,701,038 | 22,492,688 | 2,430,576 | 4,088,131 |
| | <u>25,787,636</u> | <u>33,180,945</u> | <u>197,658,673</u> | <u>199,778,906</u> |

Amounts owed to group undertakings noted above are unsecured.

14. Creditors: amounts falling due after more than one year

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------|------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Amounts owed to group undertakings | 1,114,544 | 974,406 | - | - |
| Other creditors | 951,632 | 1,450,386 | - | - |
| | <u>2,066,176</u> | <u>2,424,792</u> | <u>-</u> | <u>-</u> |

Amounts owed to group undertakings noted above are unsecured.

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Notes to the financial statements Year ended 31 December 2014

15. Related party transactions

The Company is a wholly owned subsidiary of Core Entertainment Holdings Inc. and, as such, has taken advantage of the exemption allowed by Financial Reporting Standard No. 8 to not disclose details of transactions and balances with other wholly owned members of Core Entertainment Holdings Inc. group.

Related party transactions with non-wholly owned subsidiaries are as follows:

| | As at 31 December 2014 \$ | As at 31 December 2013 \$ |
|-----------------------|------------------------------------|------------------------------------|
| 19 Fashionair Limited | 9,056 | 9,632 |

16. Called up share capital

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Authorised ordinary share capital | | | | |
| 97,500 (2013: 97,500) voting shares of £0.01 each | 1,553 | 1,553 | 1,553 | 1,553 |
| 2,500 (2013: 2,500) non-voting share of £0.01 each | 40 | 40 | 40 | 40 |
| | <u>1,593</u> | <u>1,593</u> | <u>1,593</u> | <u>1,593</u> |
| Alotted and fully paid up | | | | |
| 15,619 (2013: 15,619) voting shares of £0.01 each | 248 | 248 | 248 | 248 |
| 2,500 (2013: 2,500) non-voting share of £0.01 each | 40 | 40 | 40 | 40 |
| | <u>288</u> | <u>288</u> | <u>288</u> | <u>288</u> |

17. Share premium account

| | Group | | Company | |
|---------------|------------------|------------------|------------------|------------------|
| | \$ 2014 | \$ 2013 | \$ 2014 | \$ 2013 |
| Share premium | <u>7,879,704</u> | <u>7,879,704</u> | <u>7,879,704</u> | <u>7,879,704</u> |

18. Profit and Loss account

| | Group \$ | Company \$ |
|----------------------------------|----------------------|----------------------|
| As at 1 January 2014 | 287,340,341 | (24,284,711) |
| Profit/(loss) the financial year | <u>(274,635,806)</u> | <u>(169,658,599)</u> |
| As at 31 December 2014 | <u>12,704,535</u> | <u>(193,943,310)</u> |

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2014

19. Reconciliation of movements in shareholders' funds/ (deficit)

| | Group | | Company | |
|--|---------------|-------------|---------------|--------------|
| | \$ | \$ | \$ | \$ |
| | 2014 | 2013 | 2014 | 2013 |
| Profit/(loss) for the financial year | (274,635,806) | 106,092,138 | (169,658,599) | 2,453,854 |
| Net additions to shareholders' funds/(deficit) | (274,635,806) | 106,092,138 | (169,658,599) | 2,453,854 |
| Opening shareholders' funds/(deficit) | 295,220,333 | 189,128,195 | (16,404,719) | (18,858,573) |
| Closing shareholders' funds/(deficit) | 20,584,527 | 295,220,333 | (186,063,318) | (16,404,719) |

20. Contingent liabilities

The company has provided secured guarantees to the administrative agents (for the benefit of the respective lenders) in respect of the following credit facilities: First Lien Term Loan Agreement dated as of 9 December 2011, among CORE Entertainment Inc. as Borrower, CORE Media Group Inc., the lenders party thereto and U.S. Bank National Association (as successor to Goldman Sachs Bank USA) as administrative agent; and Second Lien Term Loan Agreement dated as of 9 December 2011, among CORE Entertainment Inc. as Borrower, CORE Media Group Inc., the lenders party thereto and U.S. Bank National Association (as successor to Goldman Sachs Bank USA) as administrative agent. At 31 December 2014, guarantees outstanding amounted to \$360,000,000 (2013: \$360,000,000).

The company has an open audit with the HMRC related to the year ended 31 December 2010. The company believes its tax treatment to be appropriate; however, the enquiry continues and could result in additional tax attributes.

21. Cash flow from operating activities

| | Group | |
|--|------------------|------------------|
| | \$ | \$ |
| | 2014 | 2013 |
| Continuing operations | | |
| Operating profit | (269,201,721) | 65,586,970 |
| Depreciation charge (net of profit on disposals) | 275,323 | 273,505 |
| Increase in debtors | (37,987,084) | (65,122,098) |
| Decrease in creditors | (7,752,081) | (4,611,942) |
| Other non-cash changes | 316,810,844 | 3,349,869 |
| Total net cash flow from operating activities | 2,145,281 | (523,696) |

Analysis of net cash

| | As at 1 January 2014 | Cash flow | As at 31 December 2014 |
|----------------------|-------------------------|-----------|------------------------------|
| Cash in hand at bank | 2,483,456 | 2,329,578 | 4,813,034 |

22. Ultimate parent company and controlling party

The directors regard CORE Entertainment Holdings Inc. ("COREH"), a company incorporated in the United States, as the ultimate parent company and the ultimate controlling party. The immediate parent company is CORE MG UK Holdings Limited (formerly CKX UK Holdings Limited), a company incorporated in the United Kingdom and registered in England and Wales. CORE Entertainment Holdings Inc. is the largest and 19 Entertainment Limited is the smallest group for which consolidated financial statements are prepared.

Since 21 June 2011 CORE Entertainment Holdings Inc. is owned by investment funds managed by affiliates of Apollo Global Management LLC ("Apollo"). On December 12, 2014, an affiliate of Apollo contributed 100% of its interest in COREH into AP NMT JV Newco B.V. and maintains a 50% interest in this joint venture with an affiliate of Twenty First Century Fox, Inc. ("FOX"). COREH is an affiliate of Apollo and FOX.