Company Registration No. 3695399

19 Merchandising Limited

Report and Financial Statements

Year ended 31 December 2011

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Officers and professional advisers

Directors

T P Benson
Marc Graboff
Peter Hurwitz

Secretaries

Abogado Nominees Limited

Registered Office

100 New Bridge Street
London
EC4V 6JA

Bankers

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

Solicitors

Harbottle& Lewis
Hanover House
14 Hanover Square
London
W1R 0BE

Auditor

Deloitte LLP
London

19 Merchandising Limited

Directors' report

The directors present their report and the audited financial statements for the year ended31 December 2011

Principal activity

The principal activity of the company continues to be music related merchandising and sponsorship

Review of developments and future prospects

The company made a profit after tax of $7,028,987(2010 profit of$8,748,489) 19 Merchandising Limited's sponsorship and merchandising revenues are driven primarily by the *IDOLS* brand franchise Fox has exclusive responsibility for selling on-air media on behalf of the *American Idol* series However, to the extent that media buyers seek any off-air promotional tie-ins or in programme identification rights, these rights can only be sold with the consent of the group/FremantleMedia With respect to *IDOLS* tours, the company's staff solicits sponsors directly and exclusively

19 Merchandising Limited also has the right to option the merchandising rights for the top ten contestants for each *American Idol* programme and has historically signed long-term exclusive merchandising contracts with the winners and certain runners-up Beginning in 2011, the company has licensed those rights with respect to future *American Idol* contestants to an affiliated US entity The directors believe the company is well placed to exploit future licensing opportunities and intends to take steps to develop the business in future years

Principal risks and uncertainties facing the company

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 IDOLS brand, including the American Idol series in the United States Our revenues and income are predominantly derived from the artists found on the television programme and therefore depend primarily upon the initial and continued acceptance of that programming by the public

The departure of or failure to recruit key personnel by affiliates CORE Media Group Inc and 19 Entertainment Inc could have a detrimental effect on us

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 use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks The group does not currently use derivative financial instruments for speculative purposes

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables

The company'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

Going concern

After making enquiries, the directors have a reasonable expectation that the Company 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

19 Merchandising Limited

Directors' report (continued)

Dividends

The directors do not recommend a dividend payment in the current year(2010 $nil)

Directors and their interests

The directors, who served throughout the year except as noted, were as follows

T P Benson	
Robert Dodds	(resigned 14 January 2011)
Kraig Fox	(appointed 14 January 2011, resigned 1 August 2012)
H Tytel	(resigned 13 March 2012)
Michael Ferrel	(appointed 5 January 2012, resigned 14 January 2012)
Marc Graboff	(appointed 13March 2012)
Peter Hurwitz	(appointed 16 August 2012)

The directors have no interests in the shares of the company The directors' beneficial interest in the parent company, Core Media Group Inc is shown in the accounts of that company The directors have no interests in any other group company

Disclosure of relevant information to auditor

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 company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information

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

Auditor

Deloitte LLP audited the books and records for the year ended 31 December 2011 The Directors do not intend to appoint Deloitte LLP as the company's auditors for the year ended 31 December 2012

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

Peter Hurwitz
Director
28 September 2012

19 Merchandising Limited

Directors' responsibility statement

The directors are responsible for preparing the annual 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 elected to prepare the 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 company and of the profit or loss of the company 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 estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions with reasonable accuracy at any time the financial position of the company and to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report to the members of 19 Merchandising Limited

We have audited the financial statements of 19 Merchandising Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

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) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of financial statements

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 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

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit 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

Opinion on other matter prescribed in the Companies Act 2006

In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

James A. Bates

James Bates ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 September 2012

19 Merchandising Limited

Profit and loss account
Year ended31 December 2011

	Notes	2011 $	2010 $
Turnover	1	17,604,026	23,196,623
Cost of sales		(1,025,483)	(2,589,346)
Gross profit		16,578,543	20,607,277
Administrative expenses		(8,561,792)	(11,579,928)
Operating profit	2,3	8,016,751	9,027,349
Interest payable and similar charges		-	(585)
Profit on sale of investment		-	2,249,219
Profit on ordinary activities before taxation		8,016,751	11,275,983
Tax on profit on ordinary activities	4	(987,764)	(2,527,494)
Profit/(loss) on ordinary activities after taxation		7,028,987	8,748,489

All activities derive from continuing operations

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 and losses has been presented

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Balance sheet
31 December 2011

	Notes	2011 $	2010 $
Current assets			
Debtors	5	53,963,022	40,683,204
Cash at bank and in hand		1,490	1,587
Total current assets		53,964,512	40,684,791
Creditors: amounts falling due within one year	6	(27,014,966)	(20,764,232)
Net current assets		26,949,546	19,920,559
Total assets less current liabilities		26,949,546	19,920,559
Net assets		26,949,546	19,920,559
Capital and reserves			
Called up share capital	7	2	2
Profit and loss account	8	26,949,544	19,920,557
Shareholders' funds	9	26,949,546	19,920,559

The notes on pages 8 to 11 form an integral part of the financial statements

The financial statements of 19 Merchandising Limited registered number 3695399 were approved by the Board of Directors on 28 September 2012
Signed on behalf of the Board of Directors

Peter Hurwitz
Director

19 Merchandising Limited

Notes to the financial statements
Year ended 31 December 2011

1. **Accounting policies**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom law accounting standards The principal accounting policies are summarised below and have been applied consistently in the current and prior year

Accounting convention

The financial statements have been prepared under the historical cost convention

Cash flow

The company is a wholly-owned subsidiary of CORE Entertainment Inc and is included in the consolidated financial statements of CORE Entertainment Inc and, has taken advantage of the exemption allowed by Financial Reporting Standard No 1 (revised) not to prepare a cash flow statement Consolidated financial statements of CORE Entertainment Inc are available to the public, on written request to Chief Financial Officer, CORE Entertainment Inc, 650 Madison Avenue, New York NY 10022

Turnover

Turnover represents the value of goods and services provided globally, 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

Royalty accounting

The company recognises royalties receivable as income on an accruals basis at the point that they are both earned and on the basis of the best information available at the time of drawing up the accounts No accrual is made where royalty information has not been received at the time of drawing up the accounts

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 all 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 that they will be recovered Deferred tax assets and liabilities are not discounted

Going concern

The Directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and concluded that it is appropriate In coming to this conclusion, the directors have considered the cash requirements of the company for the period of 12 months from the signing of the financial statements After making enquiries and taking account of the factors noted above, the Directors have a reasonable expectation that the company will have access to adequate resources to continue in existence for the foreseeable future Accordingly they continue to adopt the going concern basis of preparing the financial statements

2. **Directors and employees**

The directors received no remuneration for their qualifying services as directors in the current or preceding financial years There were no employees other than the directors

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Notes to the financial statements
Year ended 31 December 2011

3. Operatıng profit, profit on ordınary actıvıtıes before taxatıon

Operatıng profit ıs stated after credıtıng/(chargıng)

	2011	2010
	$	$
Exchange gaıns/(losses)	54,779	(684,874)

4. Tax on profit on ordınary actıvıtıes

	2011	2010
	$	$
Current tax		
Unıted Kıngdom corporatıon tax based on profits for the perıod at 26 5% (2010 28%)	987,764	2,527,494
Current tax charge/(credıt) for the year	987,764	2,527,494
Deferred taxatıon	-	-
Tax charge for the year	987,764	2,527,494

Factors affectıng the tax charge for the current year

The Fınance Act (No 2) 2010, whıch provıdes for a reductıon ın the maın rate of corporatıon tax from 28% to 26% effectıve from 1 Aprıl 2011, was substantıvely enacted on 21 July 2010 The Government has also ındıcated that ıt ıntends to enact future reductıons ın the maın tax rate of 1% each year down to 22% by 1 Aprıl 2014

The tax charge for the year ıs lower than the standard rate of UK corporatıon tax of 26 5% (2010 28%) for the year Thıs ıs due to the factors set out below

	2011	2010
	$	$
Profit on ordınary actıvıtıes before taxatıon	8,016,751	11,275,983
Tax charge at 26 5% (2010 28%)	2,124,439	3,157,275
Increase/(decrease) resultıng from		
Non-allowable expenses	50	-
Income not taxable for tax purposes	-	(629,781)
Group relıef	(1,121,258)	-
Prıor Year Adjustment	(15,467)	-
Current tax charge/(credit) for the year	987,764	2,527,494

Notes to the financial statements
Year ended 31 December 2011

5. Debtors

	2011 $	2010 $
Trade debtors	672,580	464,214
Other debtors	-	4,739
Prepayment and accrued income	1,325,554	2,401,950
Amounts owed from group undertakings	51,964,887	37,812,302
	53,963,021	40,683,204

6. Creditors: amounts falling due within one year

	2011 $	2010 $
Amounts due to group undertakings	21,745,316	14,993,384
Accruals and deferred income	3,078,242	2,254,854
Other current liabilities	2,191,408	3,515,994
	27,014,966	20,764,232

7. Called up share capital

	2011 $	2010 $
Issued and fully paid 1 ordinary share of £1 each	2	2

8. Reserves

	Profit and loss account $
As at 31 December 2010	19,920,557
Profit for period	7,028,987
As at 31 December 2011	26,949,544

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Notes to the financial statements
Year ended 31 December 2011

9. Reconciliation of movement in shareholders' funds

	2011 $	2010 $
Profit for the financial year	7,028,987	8,748,489
Net addition to shareholders' funds	7,028,987	8,748,489
Opening shareholders' funds	19,920,559	11,172,070
Closing shareholders' funds	26,949,546	19,920,559

10. 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 related entities of CORE Entertainment Holdings Inc

The directors consider that there are no other related party relationships, transactions or balances which require disclosure

11. Contingent liabilities

The company has provided secured guarantees to Goldman Sachs Bank USA (for the benefit of the respective lenders) in respect of the following credit facilities Credit Agreement dated as of 21 June 2011, among CORE Entertainment Inc , CORE Media Group Inc as borrower, the lenders party thereto and Goldman Sachs Bank USA as administrative agent, as amended as of 9 December 2011, 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 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 Goldman Sachs Bank USA as administrative agent At 31 December 2011, guarantees outstanding amounted to $360,000,000 (2010 $0)

12. Ultimate parent company and controlling party

The directors regard CORE Entertainment Holdings Inc , a company incorporated in the United States, as the ultimate parent company and the ultimate controlling party The immediate parent company is 19 Entertainment Limited, a company incorporated in the United Kingdom and registered in England and Wales CORE Entertainment Holdings Inc is the largest and CORE Entertainment Inc , a company incorporated in the United States, is the smallest group for which consolidated accounts are prepared Since 21 June 2011 CORE Entertainment Holdings Inc is owned by investment funds managed by affiliates of Apollo Global Management LLC