Company Registration No. 1886042

19 Entertainment Limited

Report and Consolidated Financial Statements

Year ended 31 December 2016

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19 Entertainment Limited

Report and Consolidated Financial Statements 2016

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19 Entertainment Limited

Report and Consolidated Financial Statements 2016
Officers and professional advisers

Directors

Peter Hurwitz
Scott Frosch
Kelly Pontano

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
2 Glass Wharf
Bristol
BS2 0FR
United Kingdom

19 Entertainment Limited

Report and Consolidated Financial Statements 2016
Strategic report

The Directors of 19 Entertainment Limited (the "Company") present their report and the audited financial statements for the year ended 31 December 2016. The financial statements are presented on a consolidated basis, for the Company and its subsidiaries (the "Group")

Restructuring

On 28 April 2016, CORE Entertainment Inc. the Parent company of the Group based in the United States (the "Predecessor Company") and certain of its subsidiaries including the Group and Company filed petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Chapter 11 Case"). The Chapter 11 Case automatically stayed the payment of all liabilities incurred prior to the filing date. These liabilities were resolved in accordance with a plan of reorganization filed and subsequently approved by the United States Bankruptcy Court. (the "Reorganization Plan"). The Reorganization Plan became effective on 17 October 2016 (the "Effective Date") and on that date the debtors emerged from bankruptcy.

On the Effective Date, the holders of the Predecessor Company's secured debt received equity or warrants to purchase equity of NEG Parent LLC (the "Successor Company") as part of a debt for equity exchange pursuant to the Reorganization Plan. Subsequent to the Effective Date one of the former debt holders. Crestview Media Investor L.P ("Crestview"), purchased the equity interests held by several of the other secured lenders and as of 31 December 2016, Crestview and a second secured lender Tennenbaum Capital Partners held all the outstanding equity interests in the Successor Company.

As a result of the restructuring, NEG Parent LLC., a company incorporated in the United States, became the ultimate parent company and controlling company of 19 Entertainment Limited. The immediate parent company remained CORE MG UK Holdings Limited.

Business review

The Group suffered a loss for the financial year of $6,771,838 (2015: loss $24.901,214). The Company generated a profit for the financial year of $7,611,260 (2015: loss $7,520,404). As of 31 December 2016 the Company had a total shareholders' deficit of $185,972,461 and the Group had total shareholders' deficit of $11,088,525.

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 *So You Think You Can Dance* ("*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 continues to take steps to develop the business in future years.

During 2016 the United States' version of *IDOLS (American Idol)*, the Group's biggest profit generating programs aired fewer hours and Fox Broadcasting Network ("Fox"), announced that the 2016 airing of *American Idol* would be the last on Fox. In May 2017, American Broadcasting Company ("ABC") closed a deal to begin rebroadcasting *American Idol* in 2018

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 and 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 fourteenth broadcast season, which aired during 2016, the Company's US subsidiary and Fremantle Media delivered 38 hours of programming to Fox compared to 42.0 hours of programming during the same period of 2015. The exploitation of this format in the United States contributes a significant portion of the Group's earnings and the announcement by Fox will put additional pressure on declining profits related to the format during 2017.

Dance

The Company 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 thirteenth broadcast season, which aired during 2016. and the twelfth broadcast season, which aired during 2015. the Company's US subsidiary delivered 21 hours and 32 hours, respectively, of *Dance* programming to Fox.

Strategic report

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 LLC's share of ticket sales surpassing the minimum guarantee. 19 Touring LLC also earns ancillary revenue streams including tour merchandise and sponsorships. In the first quarter of 2016, the 2015 show contestants participated in the *Dance* tour which completed a 72 show run with 17 dates in venues in the US. The Company did not stage a show with the 2016 show contestants for *American Idol* or *Dance*.

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

- The Group is dependent upon a limited number of brands which may, over time, decline in popularity.
- The Group relies 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. We continue to develop new creative ideas, change judging panels and adjust the format to appeal to our customer base.
- 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 honour their obligations to us. As noted we continue to create new formats and actively pursue new relationships with new content and talent to provide new offerings to our customer base.
- 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.

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

Scott Frasch
Director
22 September 2017

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 2016.

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 presentational 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 other than from other related companies subject to guaranties on debt agreements which would supersede debts due to the Group and make collection unlikely, as such the amounts of these receivables have been fully reserved.

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 (2015: $nil).

Going concern

After making enquiries, the Directors have reasonable expectations 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 finanacial statements. Further details regarding the adoption of the going concern can be found in note 3

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:

Peter Hurwitz
Scott Frosch
Kelly Pontano

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.

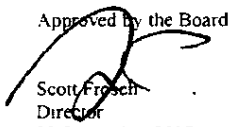
Independent Auditors

PricewaterhouseCoopers LLP were appointed as the Group's independent auditors for the year ended 31 December 2016. 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

19 Entertainment Limited

Directors' report

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



Scott Fresch
Director
22 September 2017

19 Entertainment Limited

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject
- to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2016 and of the group's loss, the company's profit 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.

What we have audited

The financial statements, included within the Report and Consolidated Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company statements of financial position as at 31 December 2016;
- the Consolidated and Company statements of comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated and Company statements of changes in equity 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 United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

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 set out on page 6, 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 Annual Report 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. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
29 September 2017

19 Entertainment Limited

Consolidated and Company statements of comprehensive income
For the year ended 31 December 2016

	Note	Group $ 2016	Group $ 2015	Company $ 2016	Company $ 2015
Turnover	5	56,056,998	93,467,735	2,023,134	3,630,224
Cost of sales		(40,329,048)	(60,761,258)	(1,469,685)	(3,176,460)
Gross profit		15,727,950	32,706,477	553,449	453,764
Administrative expenses		(27,446,163)	(57,731,500)	106,650	(8,448,583)
Operating profit/(loss)	6	(11,718,213)	(25,025,023)	660,099	(7,994,819)
Gain/(loss) on the sale of fixed assets		3,350	(9,646)	-	-
Interest receivable and similar income	8	153,114	471,906	154,164	474,415
Write offs arising from group restructuring	9	5,564,281	-	6,803,297	-
Profit/(loss) before taxation		(5,997,468)	(24,562,763)	7,617,559	(7,520,404)
Tax on profit/(loss)	10	(774,370)	(338,451)	(6,299)	-
Profit/(loss) for the financial year		(6,771,838)	(24,901,214)	7,611,260	(7,520,404)

The above results are derived from continuing activities and are wholly attributable to the owners of the Company

19 Entertainment Limited

Consolidated and Company statements of financial position
As at 31 December 2016

	Note	Group $ 2016	Group $ 2015	Company $ 2016	Company $ 2015
Fixed assets					
Tangible assets	12	98,710	29,973	-	-
Investments	13	108,168	50,688	109,149	51,669
		206,878	80,661	109,149	51,669
Current assets					
Debtors - due within one year	14	12,169,334	19,723,327	535,709	3,742,869
Cash at bank and in hand		2,811,471	6,746,313	74,024	68,316
Total current assets		14,980,805	26,469,640	609,733	3,811,185
Creditors: amounts falling due within one year	15	(12,315,851)	(28,950,908)	(186,691,343)	(197,446,576)
Net current assets/(liabilities)		2,664,953	(2,481,268)	(186,081,610)	(193,635,391)
Total assets less current liabilities		2,871,831	(2,400,607)	(185,972,461)	(193,583,722)
Creditors : amounts falling due after more than one year	16	(13,960,357)	(1,916,080)	-	-
Net liabilities		(11,088,525)	(4,316,687)	(185,972,461)	(193,583,722)
Capital and reserves					
Called up share capital	17	288	288	288	288
Share premium account		7,879,704	7,879,704	7,879,704	7,879,704
Profit and loss account		(18,968,517)	(12,196,679)	(193,852,453)	(201,463,714)
Total shareholders' deficit		(11,088,525)	(4,316,687)	(185,972,461)	(193,583,722)

The notes on pages 13 to 27 form an integral part of the financial statements.

The financial statements on pages 9 to 27 of 19 Entertainment Limited, registered number 1886042, were approved by the Board of Directors on 22 September 2017.

Signed on behalf of the Board of Directors

Scott Frosch
Director

19 Entertainment Limited

Consolidated and Company statements of changes in equity
Year ended 31 December 2016

Group

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds/(deficit)
	$	$	$	$
Balance as at 1 January 2015	288	7,879,704	12,704,535	20,584,527
Loss for the financial year	-	-	(24,901,214)	(24,901,214)
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive expense for the financial year	-	-	(24,901,214)	(24,901,214)
Balance as at 31 December 2015	288	7,879,704	(12,196,679)	(4,316,687)
Balance as at 1 January 2016	288	7,879,704	(12,196,679)	(4,316,687)
Loss for the financial year	-	-	(6,771,838)	(6,771,838)
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year	-	-	(6,771,838)	(6,771,838)
Balance as at 31 December 2016	288	7,879,704	(18,968,517)	(11,088,525)

Company

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' deficit
	$	$	$	$
Balance as at 1 January 2015	288	7,879,704	(193,943,310)	(186,063,318)
Loss for the financial year	-	-	(7,520,404)	(7,520,404)
Other comprehensive expense for the financial year	-	-	-	-
Total comprehensive expense for the financial year	-	-	(7,520,404)	(7,520,404)
Balance as at 31 December 2015	288	7,879,704	(201,463,714)	(193,583,722)
Balance as at 1 January 2016	288	7,879,704	(201,463,714)	(193,583,722)
Profit for the financial year	-	-	7,611,260	7,611,260
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year	-	-	7,611,260	7,611,260
Balance as at 31 December 2016	288	7,879,704	(193,852,453)	(185,972,461)

19 Entertainment Limited

Consolidated cash flow statement
Year ended 31 December 2016

	Note	Group S 2016	Group S 2015
Net cash from operating activities	21	(4,087,956)	1,461,373
Taxation paid		-	-
Net cash generated from operating activities		(4,087,956)	1,461,373
Cash flow from investing activities			
Interest received		153,114	471,906
Net cash generated from investing activities		153,114	471,906
Cash flow from financing activities			
Dividends paid to owners of the parent		-	-
Net cash used in financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(3,934,842)	1,933,279
Cash and cash equivalents at the beginning of the year		6,746,313	4,813,034
Exchange gains/(losses) on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year		2,811,471	6,746,313

19 Entertainment Limited

Notes to the financial statements
Year ended 31 December 2016

1. General information

19 Entertainment Limited (the "Company") and its subsidiaries (together the "Group") license its ownership interest in entertainment content and to seek to enhance the value of that content.

The Company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is 100 New Bridge Street, London, EC4V 6JA.

2. Statement of compliance

The consolidated financial statements of the Group and the individual financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) 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.

On 28 April 2016, CORE Entertainment Inc. the Parent company of the Group based in the United States (the "Predecessor Company") and certain of its subsidiaries including the Group and Company filed petitions for relief under Chapter 11 of Title 11 of the United States Code (the "Chapter 11 Case"). The Chapter 11 Case automatically stayed the payment of all liabilities incurred prior to the filing date. These liabilities were resolved in accordance with a plan of reorganization filed and subsequently approved by the United States Bankruptcy Court. (the "Reorganization Plan"). The Reorganization Plan became effective on 17 October 2016 (the "Effective Date") and on that date the debtors emerged from bankruptcy.

On the Effective Date, the holders of the Predecessor Company's secured debt received equity or warrants to purchase equity of NEG Parent LLC (the "Successor Company") as part of a debt for equity exchange pursuant to the Reorganization Plan. Subsequent to the Effective Date one of the former debt holders, Crestview Media Investor L.P ("Crestview"), purchased the equity interests held by several of the other secured lenders and as of 31 December 2016, Crestview and a second secured lender Tennenbaum Capital Partners held all the outstanding equity interests in the Successor Company.

As a result of the restructuring, NEG Parent LLC , a company incorporated in the United States, become the ultimate parent company and controlling company of 19 Entertainment Limited. The immediate parent company remained CORE MG UK Holdings Limited.

On the Effective Date as a result of the Reorganization Plan, the Successor Company had a change in ownership which resulted in a revaluation of Company assets and liabilities for financial and tax reporting purposes.

The Company generated a profit for the financial year ended 31 December 2016 and has net current liabilities at 31 December 2016. The company's current financial position and access to funding and 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. Additionally the Company received a support letter from NEG Parent LLC confirming their intention to continue to support the Company for the foreseeable future to enable its debts to be met as they fall due.

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

(i) from preparing a statement of cash flow, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows

3. Accounting policies (continued)

(d) Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings together with the Group's share of the results of jointly controlled entities made up to 31 December.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Uniform Group accounting policies have been used in preparing the consolidated financial statements.

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 jointly controlled entities. The consolidated financial statements include the Group's share, based on its ownership interest, of the profits less losses of jointly controlled entities in the consolidated statement of comprehensive income and its interest in their assets and liabilities in the consolidated statement of financial position using the equity method accounting. The jointly controlled entities held by the Group do not trade. Consequently, no balances are included in the consolidated statement of comprehensive income or consolidated statement of financial position.

Any subsidiary undertakings or jointly controlled entities sold or acquired during the year are included up to, or from, the dates of change of control.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

These financial statements have been prepared on a consolidated basis as the Group has elected not to take advantage of the exemptions available to it under s400 of the Companies Act 2006 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.

(e) Foreign currency

The functional currency of the Company and each of its subsidiaries is the US Dollar. The presentational currency is also the US Dollar

Transactions and balances

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.

Gains and losses on foreign exchange resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income in administrative expenses, except for foreign exchange differences on taxation balances which are classified in tax expense.

The average rates used during the year were 1.234 (2015: 1.480) for GBP to USD conversion.

(f) Turnover

Turnover represents the fair value of consideration received or receivable for goods and services provided, net of value added taxation.

Income from royalties and licenses – television programs

The following conditions must be met in order for the Company to recognize revenue from television productions: (i) persuasive evidence of a sale or licensing arrangement exists; (ii) the program is complete and has been delivered or is available for immediate and unconditional delivery; (iii) the license period of the arrangement has begun and the customer can begin its exploitation, exhibition or sales; (iv) the arrangement fee is fixed or determinable; and (v) collection of the arrangement fee is reasonable assured. Advance payments received from buyers or licensees are included in the financial statements as a component of deferred revenue.

Income from royalties and licenses – sponsorship

The Company derives revenue from sponsorships associated with certain of its television productions and tours. Sponsorship fees relate to either (a) a one-time event, or (b) a period of time. Revenue from a one-time event is recognized when: (i) persuasive evidence of an arrangement exists; (ii) the event has occurred; (iii) the price is fixed or determinable; and (iv) collectability is reasonably assured. Non-refundable advance payments associated with sponsorships over a period of time are recognized on a straight line basis over the term of the contract. Sponsorship advances are deferred until earned pursuant to the sponsorship agreement.

3. Accounting policies (continued)

Income from royalties and licenses - merchandising

A portion of the Company's revenue is derived from licensing rights to third parties to sell merchandise based on intellectual property, including name, image and likeness rights and related marks. Revenue from these activities is recognized when all of the following conditions are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the price to the licensee or buyer is fixed or determinable; and (iv) collectability is reasonably assured. Licensing advances are deferred until earned under the licensing agreement. Licensing contracts normally provide for quarterly reporting from the licensee of sales made and royalties due. Guaranteed minimum royalties are recognized rateably over the term of the license or are based on sales of the related products, if greater.

Rendering of services – music and artist management

The Company recognizes revenue from management and production services at the time the services are provided. Revenue earned based on artists' performances is earned when documentation that the client has performed the service is received; this revenue is typically based on a contractual percentage of the clients' earnings. Revenue from the clients' participation and residuals are recognized at the time such amounts can be reasonably determined, which is generally upon receipt of a statement from a third party.

Recoupable recording costs and artist advances are charged to expense in the period in which the sale of the record takes place. Recoupable recording costs and artist advances are only capitalized if the past performance and current popularity of the artist for whom the recording costs are incurred or to whom the advance is made provide a sound basis for estimating that the amount capitalized will be recoverable from future royalties to be earned by the artist. Any portion of recoupable recording costs or artists advances that subsequently appear not to be fully recoverable from future royalties to be earned by the artist are charged to expense based upon a net realizable analysis

The Directors do not consider any one part of the worldwide market to be significantly different from any other. Full geographical information has not been disclosed as permitted by SI 2008/410 as in the opinion of the Directors such disclosure would be seriously prejudicial.

(f) Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

(g) Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

(h) 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 period-end date.

Deferred taxation arises on timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is recognised on all timing differences at the reporting date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the period-end date.

Current or deferred tax assets and liabilities are not discounted.

(i) Business combinations

When applicable, business combinations are accounted for by applying the purchase method.

3. Accounting policies (continued)

(j) Tangible assets

Tangible fixed assets are stated at cost, net of any depreciation and any provision for impairment. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. 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

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

(k) Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

(l) Investments - Company

Investments in subsidiary companies and jointly controlled entities are held at cost less provision for impairment. Other investments are basic financial assets.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks. When applicable, it also includes other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within creditors falling due within one year. Interest received is classified as a cash flow from investing activities.

(n) Provisions and contingencies

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settlement the obligation; and the amount of the obligation can be reliably estimated.

Contingencies

Contingent liabilities arise as a result of past events when it is not probable that there will be an outflow of resources or that the amount cannot be measured reliably at the reporting date. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

(o) Financial instruments

Financial assets

Basic financial assets, including trade and other debtors and cash at bank and in hand, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are then subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying value and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in administrative expenses in the statement of comprehensive income. Impairment is reversed where there is a decrease in the impairment loss arising from events occurring after the impairment was recognised.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire or are settled or substantially all the risks and rewards of ownership of the asset are transferred to another party.

3. Accounting policies (continued)

Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Such liabilities are subsequently carried at amortised cost using the effective interest method.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(p) Share capital

Ordinary shares are classified as equity.

(q) Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the Group headed by the ultimate parent Company. When appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements in applying the Group's accounting policies

The Company did not have any critical judgements for the year ended 31 December 2016.

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

The Company did not make any adjustments that would have a significant impact on the financial statements for the year ended 31 December 2016.

5. Turnover

The turnover and loss before taxation are attributable to the principal activities of the Company.

An analysis of turnover is given below:

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Royalties and licenses	49,943,386	88,069,140	2,023,134	3,630,224
Music and artist management	6,112,033	5,359,916	-	-
Digital	1,579	6,829	-	-
Exited businesses	-	31,849	-	-
	56,056,998	93,467,734	2,023,134	3,630,224

6. Operating profit/(loss)

Operating profit/(loss) is stated after charging / (crediting):

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Depreciation of owned tangible fixed assets	14,590	117,701	-	-
Operating lease rentals	537,954	902,300	-	-
Impairment of investment	-	-	-	7,346,700
Impairment of receivables	21,864,930	525,202,337	-	989,362
Cost of reorganization	127,000	-	-	-
Foreign exchange losses/(gains)	757,765	438,287	(92,655)	107,231

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

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Fees payable to the Company's auditors for the audit of annual Company and consolidated 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	552,048	234,062	-	-
Fees payable to the Company's auditors and their associates for tax advisory services	166,530	280,938	-	-
Total fees	763,578	560,000	-	-

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

7. Directors and employees

(a) Employee numbers

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

	Group $ 2016	Group $ 2015	Company $ 2016	Company $ 2015
Distribution	26	40	-	-
Administration	15	15	-	-
	41	55	-	-

(b) Staff costs

	Group $ 2016	Group $ 2015	Company $ 2016	Company $ 2015
The aggregate remuneration comprised:				
Wages and salaries	3,918,132	4,024,440	-	-
Social security costs	222,353	240,894	-	-
	4,140,485	4,265,334	-	-

(c) Directors' remuneration

	Group $ 2016	Group $ 2015	Company $ 2016	Company $ 2015
Emoluments	521,256	521,256	-	-

The highest paid Director received $521,256 during 2016 and 2015 for services to the Company and its subsidiaries. There were three other Directors of the Company who were not paid. There is one Director accruing benefits under a defined contribution pension scheme and there are no Directors that are members of a long term incentive scheme. No Directors exercised share options in the year.

8. Interest receivable and similar income

	Group $ 2016	Group $ 2015	Company $ 2016	Company $ 2015
Bank interest (paid)/received	-	(48)	-	-
Interest on amounts owed from group undertakings	153,114	477,086	154,164	474,415
Interest received/(paid) on corporate tax	-	(5,132)	-	-
	153,114	471,906	154,164	474,415

9. Write offs arising from Group restructuring

In accordance with the Reorganization Plan, the Group recognized profits related to debt forgiveness of $4,991,918, which reduced the current creditors payable balance accordingly. Please refer to note 3(b) above Additionally, upon emergence, the Company adopted fresh start accounting ,which resulted in a revaluation of Group assets and liabilities for financial and tax reporting purposes and recognized profits of $572,363. The Group revaluation primarily related to expense adjustments made to the Company's liabilities for uncertain and other tax positions of $3.1M reduction in liability, partially offset by adjustments made to record accounts receivable at its estimated fair value reflecting policy change around evaluation of accounts receivable for an asset reduction by $2.5M.

9. Write offs arising from Group restructuring (continued)

The Company recognized profits related to debt forgiveness of $4,288,555, which reduced the creditors payable balance accordingly, and expense of $3,078,714 related to revaluation of assets and liabilities for financial and tax reporting purposes. The Group revaluation primarily related to adjustments made to the Company's liabilities for uncertain and other tax positions.

10. Tax on profit/(loss)

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Current taxation				
United Kingdom corporation tax on profits	210,907	-	6,299	-
Foreign tax suffered	502,748	321,132	-	-
Foreign exchange losses	60,715	17,319	-	-
Current tax charge for the year	774,370	338,451	6,299	-
Deferred taxation				
Origination and reversal of timing differences	-	-	-	-
Effect of changes in tax rates	-	-	-	-
Adjustments in respect of prior years	-	-	-	-
Tax charge for the year	774,370	338,451	6,299	-

Factors affecting the tax charge for the current year

The tax charge for the year differs (2015: differs) from the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

The differences are explained below:

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Loss/(Profit) before taxation	(5,997,468)	(24,562,763)	7,617,559	(7,520,404)
Tax charge at 20.00% (2015: 20.25%)	(1,253,719)	(4,973,117)	1,523,512	(1,522,624)
Effects of:				
Foreign exchange	60,715	17,319	-	-
Expenses not deductible for tax purposes	(37,846,618)	10,500,382	-	1,687,767
Income not deductible for tax purposes	(1,427,349)	-	(1,360,659)	-
Group relief surrendered (claimed)	(985,173)	(1,951,765)	(109,972)	(108,403)
US tax losses	85,526,259	(6,747,985)	-	-
Deferred tax not recognised	(67,097)	(58,042)	(45,960)	(56,740)
Current tax (current period) exchange	-	-	(622)	-
Effects of other tax rates/credits	(43,232,648)	3,551,659	-	-
Total tax charge for the year	774,370	338,451	6,299	-

10. Tax on profit/(loss) (continued)

Factors affecting current and future tax charges

The rate of Corporation Tax in the UK remained at 20% throughout the period. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 20.00% (2015: 20.25%).

The standard rate of Corporation Tax in the UK reduced to 19% with effect from 1 April 2017 and will reduce further to 17% with effect from 1 April 2020.

11. Deferred taxation

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Accelerated capital allowances	-	-	-	-

The movement during the year in the deferred taxation asset

	Group	Group
	$	$
	2016	2015
Balance at 1 January	-	-
Current year charge	-	-
Adjustment in respect of prior years	-	-
Other	-	-
Balance at 31 December	-	-

As at 31 December 2016, total tax losses carried forward by the Group amount to nil (2015: nil). Tax losses carried forward by the Company amount to nil (2015: nil). Unrecognised accelerated capital allowances for the Company amount to $177,966 (2015: $229,798).

Notes to the financial statements
Year ended 31 December 2016

12. Tangible assets

Group

	Leasehold Improvements	Furniture and Equipment	Plant and machinery	Total
	$	$	$	$
Cost				
At 1 January 2016	573,386	267,781	329,304	1,170,471
Additions	-	-	5,269	5,269
Disposals	-	-	-	-
Write-off of assets on restructuring	(535,355)	(197,781)	(329,304)	(1,062,440)
At 31 December 2016	38,031	70,000	5,269	113,300
Accumulated Depreciation				
At 1 January 2016	(547,471)	(250,478)	(342,549)	(1,140,498)
Charge for the year	(5,110)	(9,407)	(73)	(14,590)
Disposals	-	-	-	-
Write-off of assets on restructuring	547,471	250,478	342,549	1,140,498
At 31 December 2016	(5,110)	(9,407)	(73)	(14,590)
Net book value at 31 December 2016	32,921	60,593	5,196	98,710
Net book value at 31 December 2015	25,915	17,303	(13,245)	29,973

13. Investments

	Group	Group	Group	Company	Company
	Jointly controlled entities	Other investments	Total	Shares in subsidiary undertakings	Total
	$	$	$	$	$
Cost					
At 1 January 2016	-	50,688	50,688	7,398,369	7,398,369
Additions	-	57,480	57,480	57,480	57,480
At 31 December 2016	-	108,168	108,168	7,455,849	7,455,849
Provisions for impairment					
At 1 January 2016	-	-	-	(7,346,700)	(7,346,700)
Disposals	-	-	-	-	-
At 31 December 2016	-	-	-	(7,346,700)	(7,346,700)
Net book value at 1 January 2016	-	50,688	50,688	51,669	51,669
Net book value at 31 December 2016	-	108,168	108,168	109,149	109,149

Notes to the financial statements
Year ended 31 December 2016

13. Investments (continued)

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

The Company owns, directly or indirectly, 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%
Jointly controlled entities				
TLS Management Limited	UK	Music Artist Management	Ordinary	50%
19 Fashionar Limited	UK	Fashion Website	Ordinary	50%

As detailed in the 'Basis of Consolidation' section of Note 3, by 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.

Notes to the financial statements
Year ended 31 December 2016

14. Debtors

Amounts falling due within one year

Trade Debtors	3,289,180	1,503,909	475,645	56,474
Amounts owed by group undertakings	340,960,271	343,332,570	170,821,967	170,352,516
Less: Provision for impairment of receivables	(340,805,520)	(343,332,570)	(170,821,967)	(170,352,516)
	154,751	-	-	-
Other Debtors	130,034	4,521,644	30,602	3,445,337
Prepayments and accrued income	8,595,368	13,697,774	29,462	241,058
	12,169,334	19,723,327	535,709	3,742,869

Amounts falling due after more than one year

Amounts owed by group undertakings	-	25,238,581	-	-
Less: Provision for impairment of receivables	-	(25,238,581)	-	-
Other debtors	-	-	-	-
	-	-	-	-

Amounts owed by Group undertakings are unsecured, interest free, and are repayable on demand. Group amounts owed by Group undertakings relate to intercompany receivable balances with NEG Group entities outside the 19 Entertainment Limited Group.

15. Creditors: amounts falling due within one year

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Trade Creditors	279,704	3,593,081	-	7,043
Amounts owed to group undertakings	8,726,822	9,035,680	185,785,323	192,672,089
Other creditors (including taxation and social security)	315,353	626,269	279,464	507,262
Accruals and deferred income	2,993,972	15,695,878	626,556	4,260,182
	12,315,851	28,950,908	186,691,343	197,446,576

Amounts owed to Group undertakings are unsecured, interest free, and are repayable on demand. Group amounts owed to Group undertakings relate to intercompany payable balances with NEG Group entities outside the 19 Entertainment Limited Group.

Notes to the financial statements
Year ended 31 December 2016

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

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Amounts owed to group undertakings	13,960,357	1,442,261	-	-
Other creditors	-	473,819	-	-
	13,960,357	1,916,080	-	-

Amounts owed to Group undertakings are unsecured, interest free, and are repayable on demand. Group amounts owed to Group undertakings relate to intercompany payable balances with NEG Group entities outside the 19 Entertainment Limited Group.

17. Called up share capital

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Authorised ordinary share capital				
97,500 (2015: 97,500) voting shares of £0.01 each	1,553	1,553	1,553	1,553
2,500 (2015: 2,500) non-voting share of £0.01 each	40	40	40	40
	1,593	1,593	1,593	1,593
Allotted and fully paid up				
15,619 (2015: 15,619) voting shares of £0.01 each	248	248	248	248
2,500 (2015: 2,500) non-voting share of £0.01 each	40	40	40	40
	288	288	288	288

There are no restrictions on the distribution of dividends and the repayment of capital.

18. Related party transactions

The Company is a wholly owned subsidiary of NEG Parent LLC, and, as such, has taken advantage of the exemption allowed by FRS 102 to not disclose details of transactions and balances with other wholly owned members of NEG Parent LLC Group

In connection with the *IDOLS* and *Dance* properties the Group has entered into various contracts with Fox, a Predecessor Company shareholder. The Predecessor recorded television and sponsorship revenue from Fox of $40,357,031 (2015: $62,349,174) and profit share expense to Fox of $590,324 (2015: $1,116,703), for the year ended December 31, 2016. As of December 31, 2016 the amount due from and owed to Fox is nil (2015: $6,121,118) and nil (2015: $2,650,695), respectively. These amounts are related to deferred license fees and tape sale profits payable on *Dance*.

Related party transactions with jointly controlled entities are as follows:

	As at 31 December 2016	As at 31 December 2015
	$	$
19 Fashionair Limited	8,890	9,041

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

Notes to the financial statements
Year ended 31 December 2016

19. Contingent liabilities

Core Entertainment UK Limited ("CORE UK") is under audit by HMRC which has resulted in an audit enquiry related to the interest expense generated by CORE UK related entity loans and the resulting group tax relief taken by CORE UK Group companies, including the Company and its subsidiaries, from 2011 through 2015. CORE UK believes its tax treatment to be appropriate and continues to provide all Company documents to the HMRC; however, the HMRC has pursued further information regarding the Group's 2011 acquisition and the resulting debt which it has requested be provided by taxing authorities in the United States. CORE UK has not yet received the HMRC enquiry to the United States; however we understand the information was requested by the HMRC in December 2015. Although the HMRC enquiry is ongoing and has reached no conclusion on the appropriateness of interest deductions, on 1 June 2016 the HMRC has issued "Jeopardy Assessments" against CORE UK relating to the interest deduction stand in response to their concern about the effect that Core Entertainment Holdings, Inc's reorganization under Chapter 11 of the United States Bankruptcy code would have the HMRC's ability to collect any amounts which they determine are due. The Jeopardy Assessments were made assuming that all Group relief taken by CORE UK Group companies, including the Company and its subsidiaries, would be disallowed and resulted in assessments of approximately £10M across CORE UK Group companies for the tax years ending 31 December 2011 to 2014. Further, this position could result in an additional £4M across CORE UK Group companies relating to the two years ending 31 December 2015 and 2016. On 24 June 2016, CORE UK appealed the assessments and the HMRC has "stood over" any collection efforts until it receives a response from the US taxing authorities related to its information requests that it believes will help it to determine the appropriateness of CORE UK's tax position.

The Company and Group believes its tax treatment to be appropriate and therefore has not recognized any liabilities in relation to the Jeopardy Assessments in the financial statements

20. Lease Commitments

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Lease commitments

	Group	Group	Company	Company
	$	$	$	$
	2016	2015	2016	2015
Payments due:				
Not later than one year	190,000	569,000	-	-
Later than one year and not later than five years	-	190,000	-	-
Later than five years	-	-	-	-
	190,000	759,000	-	-

21. Notes to the consolidated cash flow statement

	Group	Group
	$	$
	2016	2015
Loss for the financial year	(6,771,838)	(24,901,214)
Adjustments for:		
Tax on profit	774,370	338,451
Loss on sale of fixed assets	(3,350)	9,646
Interest receivable and similar income	(153,114)	(471,906)
Operating loss	(6,153,932)	(25,025,023)
Depreciation charge (net of profit on disposals)	14,590	117,701
Increase in debtors	7,553,993	(28,218,081)
Increase/(decrease) in creditors	(4,590,779)	3,013,176
Other non-cash changes	(911,828)	51,573,600
Cash flow from operating activities	(4,087,956)	1,461,373

22. Ultimate parent company and controlling party

The Directors regard NEG Parent LLC, a company incorporated in the United States, as the ultimate parent company and the ultimate controlling party. The immediate parent company is NEG Operations Inc., a company incorporated in the United States. NEG Holdings LLC (an intermediate parent) is the largest group for which consolidated financial statements are prepared.