Company Registration No. 3695399

19 Merchandising Limited

Report and Financial Statements

Year ended 31 December 2016

19 Merchandising Limited

Report and Financial Statements 2016

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Officers and professional advisers

Directors

Peter Hurwitz
Scott Frosch

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

19 Merchandising Limited

Directors' report

The Directors of 19 Merchandising Limited (the "Company") present their report and the audited financial statements of the Company for the year ended 31 December 2016

This Directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 The Company has taken advantage of section 414B of the Companies Act 2006 not to include a strategic review in these financial statements

Restructuring

On 28 April 2016, CORE Entertainment Inc. the Parent company of the Company based in the United States (the "Predecessor Company") and certain of its subsidiaries including the 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 Merchandising Limited The immediate parent company remained 19 Entertainment Limited

Principal activities

The principal activity of the Company is that of music related merchandising and sponsorship

Future developments

The Company generated a profit after tax for the year of $1,860,577 (2015 loss 856,468) 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 and its production partner FremantleMedia Ltd 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 each of the finalists in the competition for each *American Idol* programme and has historically signed long-term exclusive merchandising contracts with the winners and certain runners-up Beginning in 2012, 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

Financial risk management objectives and policies

The Company'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

Credit risk

The Company's principal financial assets are 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

Dividends

The Directors do not recommend a dividend payment in the current year (2015 $nil)

Going concern

After making enquiries, including considering the overall financial resources of the Company and the future costs of the Company, 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 3 "Accounting Policies" in the financial statements

19 Merchandising Limited

Directors' report

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

Director's indemnities

As permitted by the Articles of Association, the Director has 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 Director's and Officer's liability insurance in respect of itself and its Directors

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

Scott Frosch
Director
22 September 2017

19 Merchandising 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 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 Company and of the profit or loss of the 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 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 and disclose with reasonable accuracy at any time the financial position of the 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

19 Merchandise Limited

Statement of comprehensive income
Year ended 31 December 2016

	Note	2016 $	2015 $
Turnover		1,917,941	3,927,117
Cost of sales		-	(309,223)
Gross profit		1,917,941	3,617,894
Administrative income (expenses)	3	598,025	(481,257)
Impairment of receivables		-	(3,993,105)
Operating profit (loss)		2,515,966	(856,468)
Write offs arising from group restructuring	5	(582,298)	-
Profit (Loss) before taxation		1,933,668	(856,468)
Tax on profit (loss)	6	(73,091)	-
Profit (Loss) for the financial year		1,860,577	(856,468)
Total comprehensive income (expense) for the year		1,860,577	(856,468)

The above results are derived from continuing operations

There is no material difference between the profit/loss before taxation and the profit/loss 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 Merchandising Limited

Statement of financial position
31 December 2016

	Note	2016	2015
		$	$
Current assets			
Debtors - due within one year	7	2,552 734	410,154
Cash at bank and in hand		-	-
Total current assets		2,552 734	410 154
Creditors: amounts falling due within one year	8	(30,232,137)	(29,950 134)
Net current liabilities		(27,679,403)	(29,539 980)
Total assets less current liabilities		(27,679,403)	(29 539,980)
Net liabilities		(27,679,403)	(29,539,980)
Capital and reserves			
Called up share capital	9	2	2
Profit and loss account		(27,679,405)	(29,539 982)
Total shareholders' deficit		(27,679,403)	(29,539,980)

For the year ended 31 December 2016, the Company was entitled to exemption under section 479A of the Companies Act 2006

No members have required the Company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006

The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime

The notes on pages 7 to 12 form an integral part of the financial statements

The financial statements on pages 4 to 12 of 19 Merchandising Limited, registered number 3695399, were approved by the Board of directors on 22 September 2017

Signed on behalf of the Board of directors

Scott Frosch
Director
22 September 2017

19 Merchandising Limited

Statement of changes in equity
Year ended 31 December 2016

	Called up share capital $	Profit and loss account $	Total $
Balance as at 1 January 2015	2	(28 683 514)	(28 683 512)
Profit (loss) for the year	-	(856 468)	(856 468)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(856 468)	(856,468)
Balance as at 31 December 2015	2	(29,539,982)	(29 539,980)
Balance as at 1 January 2016	2	(29,539 982)	(29 539,980)
Profit (loss) for the year	-	1,860,577	1,860,577
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,860,577	1,860 577
Balance as at 31 December 2016	2	(27,679 405)	(27 679 403)

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Notes to the financial statements
Year ended 31 December 2016

1. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below These policies have been consistently applied to all the years presented unless otherwise stated Details of the transition to FRS 102 are disclosed in note 12

(a) Basis of preparation

These financial statements are prepared on a basis other than going concern, 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 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 2.

(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 Company based in the United States (the "Predecessor Company") and certain of its subsidiaries including the 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.

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 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

(c) *Exemptions for qualifying entities under FRS 102*

FRS 102 allows a qualifying entity certain disclosure exemptions The Company has not taken advantage of any available exemption for qualifying entities

(d) Cash flow statement

The financial statements of the Company have been prepared in accordance with the provisions applicable to Companies entitled to the small companies exemption and, as such, has taken advantage of the exemption allowed by Financial Reporting Standard No 1 (revised) not to prepare a Cash Flow Statement

(e) Foreign currency

The functional and presentation currency of the Company is 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

The average rates used during the year were 1 234 (2015 1 480) for GBP to USD conversion

19 Merchandising Limited

Notes to the financial statements
Year ended 31 December 2016

1. Accounting policies (continued)

(f) Turnover

Turnover represents the value of goods and services 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 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.

(g) Taxation

Current 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.

(h) 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.

(i) Provisions and contingencies

Provisions

Provisions are recognised when the Company 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.

(j) 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.

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.

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

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Notes to the financial statements
Year ended 31 December 2016

1. Accounting policies (continued)

(k) Share capital

Ordinary shares are classified as equity

(l) Related party transactions

The Company 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 Company financial statements

2. 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 Company's accounting policies

There were no critical judgements used in applying the Company s accounting policies for the year ended 31 December 2016

Key accounting estimates and assumptions

The Company 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.

3. Operating loss

Operating loss is stated after charging

	2016	2015
	$	$
Foreign exchange gains (losses)	598 025	(479,999)

4. Directors and employees

The Company had no employees during the financial year and prior year

The Directors did not receive any emoluments from the Company for their services in the financial year and prior year

5. Write offs arising from group restructuring

In accordance with the Reorganization Plan, see note 3(b) above the Company adopted fresh start accounting which resulted in a revaluation of Group assets and liabilities for financial and tax reporting purposes and recognized loss of $582,298 The revaluation related to expense adjustments made to record accounts receivable at its estimated fair value reflecting policy change around evaluation of accounts receivable

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Notes to the financial statements
Year ended 31 December 2016

6. Tax on profit

	2016	2015
	$	$
Current taxation		
United Kingdom corporation tax on profits	73,091	-
Current tax charge/(credit) for the year	73,091	-
Deferred taxation	-	-
Tax charge/(credit) for the year	73,091	-

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

	2016	2015
	$	$
Loss before taxation	1,933,668	(856,468)
Tax charge at 20.00% (2015: 20.25%)	386,734	(173,405)
Effects of:		
Group relief surrendered/(claimed)	(306,428)	(635,293)
Expenses not deductible for tax purposes	-	808,698
Current tax exchange difference	(7,215)	-
Total tax charge/(credit) for the year	73,091	-

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.

7. Debtors

	2016	2015
	$	$
Amounts falling due within one year		
Trade debtors	-	-
Amounts owed by group undertakings	73,834,721	71,281,987
Less: impairment of receivables	(71,281,987)	(71,281,987)
Prepayments and accrued income	-	410,154
	2,552,734	410,154

8. Creditors: amounts falling due within one year

Amounts owed to group undertakings	30,159,046	29,950,134
Accruals and deferred income	73,091	-
	30,232,137	29,950,134

Amounts owed to group undertakings are unsecured, interest free, and are repayable on demand

9. Called up share capital

	2016	2015
	$	$
Alotted and fully paid up		
2 (2015 2) ordinary shares of £1 each	2	2
	2	2

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

10. Related party transactions

The Company is a subsidiary of NEG Parent LLC 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 NEG Parent LLC

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

11. 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 and is the largest group for which consolidated financial statements are prepared. The immediate parent company is 19 Entertainment Limited, a company incorporated in the United Kingdom, who is the smallest group for which consolidated financial statements are prepared