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3695399-19 Merchandise Ltd

Company Registration No. 1886042

19 Entertainment Limited

Report and Financial Statements

Year ended 31 December 2013

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19 Entertainment Limited

Report and financial statements 2013

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19 Entertainment Limited

Report and financial statements 2013

Officers and professional advisers

Directors

Marc Graboff
Peter Hurwitz
Kimberly Williams

Secretary

Abogado Nominees Limited

Registered Office

100 New Bridge Street
London
EC4V 6JA

Bankers

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

Solicitors

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

Independent Auditors

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

19 Entertainment Limited

Report and financial statements 2013

Strategic report

The directors present their report and the audited financial statements for the year ended 31 December 2013

Enhanced business review

The Group made a profit after tax of \$106,092,138 (2012 \$44,900,189) The Company made a profit after tax of \$2,453,854 (2012 \$899,962) As of 31 December 2013 the Company had a shareholders' deficit of \$16,404,719 and the Group had shareholders' funds of \$295,220,333

The Group's strategy is to license its ownership interest in entertainment content and to seek to enhance the value of that content. The Group's primary revenue sources include license fees and royalties from the sale of the *Dance* and *IDOLS* television formats, live performance tours based on *American Idol* and *Dance*, branded merchandise, recorded music artists and fee income from management clients. The directors believe the Group is well placed to exploit future licensing and royalty opportunities and intends to take steps to develop the business in future years. During 2013 the company recorded a profit on fundamental reorganization related to the reversal of historical accruals no longer required

IDOLS

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

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

A portion of the revenue from the *American Idol* series is dependent upon the number of hours of programming delivered. In the twelfth broadcast season, which aired during 2013, the Company's US subsidiary and Fremantle Media delivered 59.5 hours of programming to the Fox Broadcasting Network ("Fox") compared to 59 hours of programming during the same period of 2012.

So You Think You Can Dance

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

A portion of the revenue from the *Dance* series is dependent upon the number of hours of programming delivered. In the ninth broadcast season, which aired during 2012, and the tenth broadcast season, which aired during 2013, the Company's US subsidiary delivered 30 hours and 34 hours, respectively, of *Dance* programming to Fox.

Touring

With the success of the *American Idol* and *Dance* productions, touring has become an additional source of revenue for 19 Touring LLC, a subsidiary of the Company, which it generated from ticket sales. 19 Touring LLC receives from the contracted tour promoters a minimum guarantee on ticket sales, which ensures tour revenue will be sufficient to fund the costs of producing the tours. Additional ticket sale revenue may be earned, contingent upon 19 Touring's share of ticket sales surpassing the minimum guarantee. 19 Touring LLC also earns ancillary revenue streams including tour merchandise and sponsorships. In the summer and fall of 2013, the *Dance* tour played 44 dates in cities and venues across the US and Canada, the *American Idol* tour played 30 dates across the US, Canada and the Philippines.

Key performance indicators

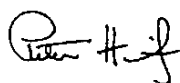
The key factors affecting the profitability of the Group are as follows:

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

Principal risks and uncertainties facing the group

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



Peter Hurwitz
Director
21 November 2014

19 Entertainment Limited

Directors' report

The directors present their report and the audited financial statements of the group for the year ended 31 December 2013

Financial risk management objectives and policies

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

Currency risk

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

Credit risk

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

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

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

Future Developments

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

Dividends

The directors do not recommend a dividend payment in the current year (2012: \$nil).

Going concern

After making enquiries, including considering overall financial resources of the Core Media Group companies, and the future revenues and costs of the Group, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern can be found in note 1 "Accounting Policies" in the financial statements.

Directors

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

Marc Graboff

Peter Hurwitz

Kimberly Williams

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:

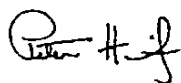
- so far as the director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's 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 2013. They have expressed their willingness to continue in office as independent auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



Peter Hurwitz

Director

21 November 2014

19 Entertainment Limited

Directors' responsibilities statement

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

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

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

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

19 Entertainment Limited

Independent auditors' report to the members of 19 Entertainment Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2013 and of the group's and 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

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by 19 Entertainment Limited, comprise

- the group and company balance sheets as at 31 December 2013,
- the group and company profit and loss accounts for the year then ended,
- the group cash flow statement for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

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

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

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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

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

Opinion on other matter prescribed by the Companies Act 2006

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

19 Entertainment Limited

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.



Andrew Latham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
21 November 2014

19 Entertainment Limited

Profit and loss account Year ended 31 December 2013

	Notes	Group		Company	
		\$ 2013	\$ 2012	\$ 2013	\$ 2012
Turnover	1,2	146,688,964	157,766,163	9,453,150	8,464,738
Cost of sales		<u>(75,070,942)</u>	<u>(91,380,678)</u>	<u>(8,366,582)</u>	<u>(7,666,703)</u>
Gross profit		71,618,022	66,385,485	1,086,568	798,035
Other operating income/(expense)		<u>(6,031,052)</u>	<u>(4,709,874)</u>	<u>(673,481)</u>	<u>487,593</u>
Operating profit	3	65,586,970	61,675,611	413,087	1,285,628
Profit/(loss) on the sale or termination of an operation	7	1,491,117	170,985	1,491,276	(943,906)
Profit on fundamental reorganization		26,929	-	26,929	-
Interest receivable and similar income	6	<u>475,644</u>	<u>475,847</u>	<u>475,855</u>	<u>480,821</u>
Profit on ordinary activities before taxation		67,580,660	62,322,443	2,407,147	822,543
Tax (charge)/credit on profit on ordinary activities	8,9	<u>38,511,478</u>	<u>(17,422,254)</u>	<u>46,707</u>	<u>77,419</u>
Profit for the financial year		<u>106,092,138</u>	<u>44,900,189</u>	<u>2,453,854</u>	<u>899,962</u>

The above results are derived from continuing activities

There is no material difference between the loss on ordinary activities before taxation and the 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 Entertainment Limited

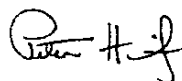
Balance sheets 31 December 2013

	Notes	Group		Company	
		\$ 2013	\$ 2012	\$ 2013	\$ 2012
Fixed assets					
Tangible fixed assets	10	371,145	519,470	-	-
Investments	11	50,646	56,497	7,398,327	7,403,871
		<u>421,791</u>	<u>575,967</u>	<u>7,398,327</u>	<u>7,403,871</u>
Current assets					
Debtors - due within one year	12	303,028,462	199,512,819	175,528,769	168,899,075
- due after one year	12	24,892,361	25,900,321	-	-
Cash at bank and in hand		<u>2,483,456</u>	<u>3,356,923</u>	<u>447,091</u>	<u>274,410</u>
Total current assets		<u>330,404,279</u>	<u>228,770,063</u>	<u>175,975,860</u>	<u>169,173,485</u>
Creditors amounts falling due within one year	13	<u>(33,180,945)</u>	<u>(37,719,656)</u>	<u>(199,778,906)</u>	<u>(195,342,909)</u>
Net current assets/(liabilities)		<u>297,223,334</u>	<u>191,050,407</u>	<u>(23,803,046)</u>	<u>(26,169,424)</u>
Creditors : amounts falling due after more than one year	14	<u>(2,424,792)</u>	<u>(2,498,179)</u>	<u>-</u>	<u>(93,020)</u>
Total assets less current liabilities		<u>297,645,125</u>	<u>191,626,374</u>	<u>(16,404,719)</u>	<u>(18,765,553)</u>
Net assets/(liabilities)		<u>295,220,333</u>	<u>189,128,195</u>	<u>(16,404,719)</u>	<u>(18,858,573)</u>
Capital and reserves					
Called up share capital	16	288	288	288	288
Share premium account	17	7,879,704	7,879,704	7,879,704	7,879,704
Profit and loss account	18	<u>287,340,341</u>	<u>181,248,203</u>	<u>(24,284,711)</u>	<u>(26,738,565)</u>
Total Shareholders' funds/(deficit)	19	<u>295,220,333</u>	<u>189,128,195</u>	<u>(16,404,719)</u>	<u>(18,858,573)</u>

The notes on pages 10 to 20 form an integral part of the financial statements

The financial statements on pages 7 to 20 of 19 Entertainment Limited, registered number 1886042, were approved by the Board of Directors on 21 November 2014

Signed on behalf of the Board of Directors



Peter Hurwitz
Director

19 Entertainment Limited

Group cash flow statement 31 December 2013

	Notes	Group	
		\$ 2013	\$ 2012
Net cash flow from operating activities	21	(523,696)	(8,136,346)
Returns on investment and servicing of finance			
Interest received		475,644	475,847
Net cash inflow from returns on investment and servicing of finance		475,644	475,847
Taxation		(699,090)	(4,366,877)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(126,325)	(149,507)
Capital contribution to investments		-	(40,266)
Net cash outflow for capital expenditure and financial investment		(126,325)	(189,773)
Decrease in net cash		(873,467)	(12,217,149)
Reconciliation to net cash			
Net cash at 1 January		3,356,923	15,574,072
Decrease in net cash		(873,467)	(12,217,149)
Net Cash at 31 December	21	2,483,456	3,356,923

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies

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

Presentational currency

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

Basis of consolidation

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

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

Joint ventures

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

Cash flow statement

19 Entertainment Limited consolidated financial statements for the year ended 31 December 2013 contain a consolidated cash flow statement. Consequently, the company has taken advantage of the exemption in FRS 1 "Cash Flow Statements" not to present its own cash flow statement.

Turnover

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

Taxation

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

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

Tangible fixed assets

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

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

Investments

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

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

1. Accounting policies (continued)

Operating leases

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

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 Group 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 Group will have access to adequate resources to continue in existence for the foreseeable future.

Foreign currencies

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

2. Turnover

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

An analysis of turnover is given below.

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Third Party Sales	146,688,964	157,766,163	2,627,501	1,872,606
Management fees	-	-	6,825,649	6,592,132
	<u>146,688,964</u>	<u>157,766,163</u>	<u>9,453,150</u>	<u>8,464,738</u>

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

3. Operating profit

Operating profit is stated after charging/ (crediting)

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Depreciation of owned tangible fixed assets	273,505	381,421	-	-
Operating leases - other	836,395	829,792	-	-
Exchange (gains)/losses	62,315	(188,230)	377,388	(771,276)

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

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Fees payable to the Company's auditors for the audit of annual financial statements	45,000	56,000	-	-
Fees payable to the Company's auditors and their associates for audit of the Company's subsidiaries pursuant to legislation	435,376	458,628	-	-
Fees payable to the Company's auditors and their associates for tax advisory services	247,227	134,173	-	-
Total fees	727,603	648,801	-	-

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

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

4. Directors and employees

(a) Employee numbers

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

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Distribution	40	38	-	-
Administration	17	16	-	-
	<u>57</u>	<u>54</u>	<u>-</u>	<u>-</u>

(b) Staff costs

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
The aggregate term remuneration comprised:				
Wages and salaries	6,396,671	6,800,812	-	-
Social security costs	351,492	461,602	-	-
	<u>6,748,163</u>	<u>7,262,414</u>	<u>-</u>	<u>-</u>

(c) Directors' remuneration

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Emoluments	<u>481,791</u>	<u>515,321</u>	<u>-</u>	<u>-</u>

The highest paid Director received \$481,791 during 2013 and \$459,456 during 2012

5. Lease Commitments

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

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Operating leases which expire:				
Within one year	1,786,822	1,436,000	-	-
In one to two years	1,276,700	1,139,000	-	-
Less sublease income	<u>(333,392)</u>	<u>(829,000)</u>	<u>-</u>	<u>-</u>
	<u>2,730,130</u>	<u>1,746,000</u>	<u>-</u>	<u>-</u>

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

6. Interest receivable and similar income

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Bank interest (paid)/received	(96)	(4,898)	115	532
Interest on note receivable	-	(538)	-	(538)
Interest on amounts owed from group undertakings	475,718	480,989	475,718	480,989
Interest received/(paid) on corporate tax	22	294	22	(162)
	<u>475,644</u>	<u>475,847</u>	<u>475,855</u>	<u>480,821</u>

7. Exceptional Items

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Profit/(loss) on the sale or termination of an operation	<u>1,491,117</u>	<u>170,985</u>	<u>1,491,276</u>	<u>(943,906)</u>

Beginning in 2009, Core Media Group Inc undertook an assessment of the strategic and structural needs of 19 Entertainment's creative development projects and market focus. This review resulted in a significant restructuring of the 19 Entertainment businesses in 2010 to focus on core projects and the resulting closure of the London office. This fundamental reorganisation of the company led to a number of exceptional costs being born by the entity. A further review of the business in 2011 led to the forgiveness of intercompany loans to two subsidiaries and the decision to enter voluntary liquidation on three international subsidiaries, two of which were located in Germany and one in France. The companies were officially closed resulting in the write-off of intercompany indebtedness. Also, there were additional gains recognized on the sale of two subsidiaries, which were initially reported in 2010 but for which the final accounting was received in 2012. Further restructuring of the business has continued into 2013.

8. Tax on profit on ordinary activities

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Current taxation				
United Kingdom corporation tax on profits	-	6,788	-	6,787
Adjustments in respect of prior years	(38,786,684)	(76,235)	-	(37,499)
Foreign tax suffered	339,907	18,893,833	-	-
Foreign tax relief	-	(6,787)	-	-
Adjustments in respect of prior years-foreign tax	-	74,748	-	-
Current tax charge/(credit) for the year	<u>(38,446,777)</u>	<u>18,892,347</u>	<u>-</u>	<u>(30,712)</u>
Deferred taxation				
Origination and reversal of timing differences	(117,833)	(1,425,753)	-	-
Effect of changes in tax rates	48,049	32,552	(46,707)	31,138
Adjustments in respect of prior years	5,083	(76,892)	-	(77,845)
Tax charge/(credit) for the year	<u>(38,511,478)</u>	<u>17,422,254</u>	<u>(46,707)</u>	<u>(77,419)</u>

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

8. Tax on profit on ordinary activities (continued)

Factors affecting the current tax charge for the current year

The tax charge for the year differs (2012 differs) from the standard rate of corporation tax in the UK of 23.25% (2012 24.5%)

The differences are explained below

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Profit on ordinary activities before taxation	67,580,660	62,322,443	2,407,147	822,543
Tax charge at 23.25% (2012 - 24.5%)	15,711,900	15,268,528	559,579	201,601
Effects of				
Gains (including Rollover relief)	-	1,013	-	1,013
Depreciation in excess of capital allowances	-	(3,282)	-	-
Utilisation of tax losses	1,042	-	-	-
Movement in short term timing differences	117,833	1,429,035	-	-
Expenses not deductible for tax purposes	31,227	97,923	29,590	444,680
Group relief for nil consideration	(4,144,181)	(4,257,194)	(589,169)	(640,507)
Adjustments in respect of prior years	(38,786,684)	(1,487)	-	(37,499)
US tax losses	(18,789,712)	-	-	-
Effects of other tax rates/credits	7,411,798	6,357,811	-	-
Current tax charge/(credit) for the year	(38,446,777)	18,892,347	-	(30,712)

Factors affecting current and future tax charges

The rate of corporation tax changed from 24% to 23% with effect from 1 April 2013 and from 26% to 24% from 1 April 2012. Accordingly, the company's result for this accounting year is taxed at an effective rate of 23.25% (2012 24.5%). Further reductions to 21% from 1 April 2014 and 20% with effect from 1 April 2015 have been substantively enacted at the date of the financial statements.

9. Deferred taxation

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Accelerated capital allowances	4,968,906	4,840,518	311,380	358,087

The movement during the year in the deferred taxation asset

	Group	Company
	\$	\$
Balance at 1 January 2013	4,840,518	358,087
Current year credit/(charge)	(69,784)	(46,707)
Adjustment in respect of prior years	5,083	-
Other	193,089	-
Balance at 31 December 2013	4,968,906	311,380

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Notes to the financial statements Year ended 31 December 2013

10. Tangible fixed assets

	<u>Leasehold Improvements</u>	<u>Furniture and Equipment</u>	<u>Plant and machinery</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Cost				
At 1 January 2013	947,523	875,663	871,174	2,694,360
Additions	39,589	43,241	43,495	126,325
Disposals	(439,051)	(614,449)	(523,480)	(1,576,980)
At 31 December 2013	<u>548,061</u>	<u>304,455</u>	<u>391,189</u>	<u>1,243,705</u>
Depreciation				
At 1 January 2013	(683,515)	(826,884)	(664,491)	(2,174,890)
Charge for the year	(185,254)	(23,229)	(65,022)	(273,505)
Disposals	439,051	614,449	522,335	1,575,835
At 31 December 2013	<u>(429,718)</u>	<u>(235,664)</u>	<u>(207,178)</u>	<u>(872,560)</u>
Net book value at 31 December 2013	<u>118,343</u>	<u>68,791</u>	<u>184,011</u>	<u>371,145</u>
Net book value at 31 December 2012	<u>264,008</u>	<u>48,779</u>	<u>206,683</u>	<u>519,470</u>

11. Investments

	<u>Group</u>	<u>Company</u>
	<u>\$</u>	<u>\$</u>
Cost		
At 1 January 2013	56,497	9,068,282
Additions	-	-
Disposals	(5,851)	(1,669,955)
At 31 December 2013	<u>50,646</u>	<u>7,398,327</u>
Provisions for impairment		
At 1 January 2013	-	(1,664,411)
Disposals	-	1,664,411
At 31 December 2013	<u>-</u>	<u>-</u>
Net book value at 1 January 2013	<u>56,497</u>	<u>7,403,871</u>
Net book value at 31 December 2013	<u>50,646</u>	<u>7,398,327</u>

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

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

11. Investments (continued)

The parent company owns the issued share capital of the following companies, all incorporated in the United Kingdom except where indicated otherwise

Name of Subsidiaries	Nature of business	Class of shares Held	% of shares held - Direct or indirect
19 Merchandising Limited	Merchandising and Sponsorship	Ordinary	100%
19 Recordings Limited	Record Production	Ordinary	100%
19 TV Limited	TV production	Ordinary	100%
19 Management Limited	Music artist management	Ordinary	100%
19 Touring Limited	Artistes touring	Ordinary	100%
19 Productions Limited	Film development	Ordinary	100%
Brilliant 19 Limited	Music artist management	Ordinary	75%
19 Entertainment Inc (incorporated in USA)	TV production and music artist management	Ordinary	100%
Native Management Limited	Management of artistes	Ordinary	100%
Other investments			
19 Fashionair Limited	Fashion website	Ordinary	50%

12. Debtors

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Amounts falling due within one year				
Trade Debtors	2,270,969	3,036,355	436,142	587,237
Amounts owed by group undertakings	272,881,818	168,624,671	169,113,324	162,428,460
Other Debtors	5,028,435	7,891,185	4,203,394	4,182,136
Deferred tax asset (note 9)	4,968,906	4,840,518	311,380	358,087
Prepayments and accrued income	17,878,334	15,120,090	1,464,529	1,343,155
	<u>303,028,462</u>	<u>199,512,819</u>	<u>175,528,769</u>	<u>168,899,075</u>
Amounts falling due after one year				
Trade debtors	-	1,250,000	-	-
Other debtors	138,200	105,584	-	-
Amounts owed by group undertakings	24,754,161	24,544,737	-	-
	<u>24,892,361</u>	<u>25,900,321</u>	<u>-</u>	<u>-</u>

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Notes to the financial statements Year ended 31 December 2013

13. Creditors: amounts falling due within one year

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Trade Creditors	261,053	152,384	62,412	20,748
Amounts owed to group undertakings	9,205,286	12,226,824	194,877,114	188,352,369
Other creditors (including tax and social security)	1,221,918	1,187,098	751,249	689,279
Accruals and deferred income	22,492,688	24,153,350	4,088,131	6,280,513
	<u>33,180,945</u>	<u>37,719,656</u>	<u>199,778,906</u>	<u>195,342,909</u>

Amounts owed to group undertakings noted above are unsecured

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

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Other creditors	1,450,386	1,905,458	-	93,020
Amounts owed to group undertakings	974,406	592,721	-	-
	<u>2,424,792</u>	<u>2,498,179</u>	<u>-</u>	<u>93,020</u>

Amounts owed to group undertakings noted above are unsecured

15. Related party transactions

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

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

	As at 31 December 2013	As at 31 December 2012
Related party debtors		
Brilliant 19 Limited	391,619	468,134
19 Fashionair Limited	9,632	9,513
	<u>401,251</u>	<u>477,647</u>

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

16. Called up share capital

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Authorised ordinary share capital				
97,500 (2012 97,500) voting shares of £0.01 each	1,553	1,553	1,553	1,553
2,500 (2012 2,500) non-voting share of £0.01 each	40	40	40	40
	<u>1,593</u>	<u>1,593</u>	<u>1,593</u>	<u>1,593</u>
Alotted, unused and fully paid up				
15,619 (2012 15,619) voting shares of £0.01 each	248	248	248	248
2,500 (2012 2,500) non-voting share of £0.01 each	40	40	40	40
	<u>288</u>	<u>288</u>	<u>288</u>	<u>288</u>

17. Share premium account

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Share premium	<u>7,879,704</u>	<u>7,879,704</u>	<u>7,879,704</u>	<u>7,879,704</u>

18. Reserves

	Group \$	Company \$
As at 1 January 2013	181,248,203	(26,738,565)
Profit the financial year	<u>106,092,138</u>	<u>2,453,854</u>
As at 31 December 2013	<u>287,340,341</u>	<u>(24,284,711)</u>

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

	Group		Company	
	\$ 2013	\$ 2012	\$ 2013	\$ 2012
Profit for the financial year	<u>106,092,138</u>	<u>44,900,189</u>	<u>2,453,854</u>	<u>899,962</u>
Net additions to shareholders' funds/(deficit)	<u>106,092,138</u>	<u>44,900,189</u>	<u>2,453,854</u>	<u>899,962</u>
Opening shareholders' funds/(deficit)	189,128,195	144,228,006	(18,858,573)	(19,758,535)
Closing shareholders' funds/(deficit)	<u>295,220,333</u>	<u>189,128,195</u>	<u>(16,404,719)</u>	<u>(18,858,573)</u>

20. Contingent liabilities

The company has provided secured guarantees to the administrative agents (for the benefit of the respective lenders) in respect of the following credit facilities: First Lien Term Loan Agreement dated as of 9 December 2011, among CORE Entertainment Inc. as Borrower, CORE Media Group Inc., the lenders party thereto and U.S. Bank National Association (as successor to Goldman Sachs Bank USA) as administrative agent, and Second Lien Term Loan Agreement dated as of 9 December 2011, among CORE Entertainment Inc. as Borrower, CORE Media Group Inc., the lenders party thereto and U.S. Bank National Association (as successor to Goldman Sachs Bank USA) as administrative agent. At 31 December 2013, guarantees outstanding amounted to \$360,000,000 (2012 \$360,000,000).

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2013

21. Cash flow from operating activities

Reconciliation of operating profit to net cash flow from operating activities

	Group	
	\$ 2013	\$ 2012
Continuing operations		
Operating profit	65,586,970	61,675,611
Depreciation charge (net of profit on disposals)	273,505	381,421
Increase in debtors	(65,122,098)	(32,143,942)
Decrease in creditors	(4,611,942)	(41,534,800)
Other non-cash changes	3,349,869	3,485,364
Total net cash flow from operating activities	(523,696)	(8,136,346)

Analysis of net cash

	As at 1 January 2013	Cash flow	As at 31 December 2013
Cash in hand at bank	3,356,923	(873,467)	2,483,456

22. 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 CORE MG UK Holdings Limited (formerly CKX UK Holdings Limited), a company incorporated in the United Kingdom and registered in England and Wales. CORE Entertainment Holdings Inc is the largest and 19 Entertainment Limited is the smallest group for which consolidated financial statements are prepared. Since 21 June 2011 CORE Entertainment Holdings Inc is owned by investment funds managed by affiliates of Apollo Global Management LLC.