Company Registration No. 3695399

19 Merchandising Limited

Report and Financial Statements

Year ended 31 December 2013

19 Merchandising Limited

Report and financial statements 2013

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Report and financial statements 2013

Officers and professional advisers

Directors

Marc Graboff
Peter Hurwitz
Kimberly Williams

Secretaries

Abogado Nominees Limited

Registered Office

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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
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19 Merchandising Limited

Directors' report

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

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

Principal activity

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

Review of developments and future prospects

The company made a profit after tax of $3,561,970 (2012 $4,565,205) 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

Principal risks and uncertainties facing the company

We are dependent upon a limited number of brands which may, over time, decline in popularity

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

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

Financial risk management objectives and policies

The group's activities expose it to a number of financial risks including cash flow risk and credit risk The use of financial derivatives is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks The group does not currently use derivative financial instruments for speculative purposes

Credit risk

The company's principal financial asset is accounts receivable

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

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

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

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

19 Merchandising Limited

Directors' report (continued)

Dividends

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

Directors and their interests

The directors, who served throughout the year and up to the date of signing the financial statements, were as follows

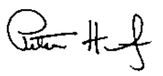
Marc Graboff
Peter Hurwitz
Kimberly Williams

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

Directors' 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

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



P Hurwitz
Director
29 September 2014

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Directors' responsibility statement

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476

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 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

19 Merchandising Limited

Profit and loss account
Year ended 31 December 2013

	Notes	2013 $	2012 $
Turnover	1	3,706,102	5,646,093
Cost of sales		(326,429)	(1,111,452)
Gross profit		3,379,673	4,534,641
Othe operating income		182 297	33,117
Operating profit	2,3	3,561,970	4,567,758
Interest receivable and similar income		-	197
Loss on the sale or termination of an operation		-	(10,673)
Profit on ordinary activities before taxation		3,561,970	4,557,282
Tax on profit on ordinary activities	4	-	7,923
Profit for the financial year		3,561,970	4,565,205

All activities derive from continuing operations

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 and losses has been presented

19 Merchandising Limited

Balance sheet
31 December 2013

	Notes	2013	2012
		$	$
Current assets			
Debtors - due within one year	5	64,445,686	58,653,020
Cash at bank and in hand		144	352
Total current assets		64,445,830	58,653,372
Creditors amounts falling due within one year	6	(29 369 110)	(27,138,622)
Net current assets		35,076,720	31,514,750
Total assets less current liabilities		35,076,720	31,514,750
Net assets		35,076 720	31,514 750
Capital and reserves			
Called up share capital	7	2	2
Profit and loss account	8	35,076,718	31,514,748
Total Shareholders' funds	9	35 076 720	31,514,750

For the year ended 31 December 2013, 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 notes on pages 7 to 10 form an integral part of the financial statements

The financial statements on pages 5 to 10 of 19 Merchandising Limited registered number 3695399 were approved by the Board of Directors on 29 September 2014

Signed on behalf of the Board of Directors

P Hurwitz
Director

19 Merchandising Limited

Notes to the financial statements
Year ended 31 December 2013

1. Accounting policies

The financial statements are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The particular accounting policies adopted are applied on a consistent basis in the current year and prior years and are described below

Accounting convention

The financial statements have been prepared under the historical cost convention

Presentational currency

The Company's functional currency is the US Dollar The reporting currency is also the US Dollar

Cash flow

The company is a wholly-owned subsidiary of CORE Entertainment Inc, is included in the consolidated financial statements of CORE Entertainment Inc and has taken advantage of the exemption allowed by Financial Reporting Standard No 1 (revised) not to prepare a cash flow statement

Turnover

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

Royalty accounting

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

Taxation

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

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

Going concern

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

2. Directors and employees

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

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Notes to the financial statements
Year ended 31 December 2013

3 Operating profit

Operating profit is stated after crediting/(crediting)

	2013	2012
	$	$
Exchange (gains)/losses	(183,042)	75,118

4 Tax on profit on ordinary activities

	2013	2012
	$	$
Current taxation		
United Kingdom corporation tax based on profits in the year at 23 25% (2012 - 24 5%)	-	-
Adjustment in respect of previous yearss	-	(7,923)
Current tax charge/(credit) for the year	-	(7,923)

The tax charge for the year differs (2012 differs) from the standard rate of corporation tax of 23 25% (2012 24 5%) The differences are explained below

	2013	2012
	$	$
Profit on ordinary activities before taxation	3,561,970	4,557,282
Tax charge at 23 25% (2012 - 24 5%)	828,036	1,116,410
Effects of		
Expenses not deductible for tax purposes	143	2,615
Group relief for nil consideration	(828,179)	(1,119,024)
Adjustments to tax charge in respect of previous years		(7 924)
Current tax charge/(credit) for the year	-	(7,923)

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

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Notes to the financial statements
Year ended 31 December 2013

5. Debtors

	2013	2012
	$	$
Amounts falling due within one year		
Prepayment and accrued income	451,121	463,477
Amounts owed by group undertakings	63,994,565	58,189,543
	64,445,686	58,653,020

6 Creditors. amounts falling due within one year

	2013	2012
	$	$
Trade Creditors		
Amounts owed to group undertakings	27,486,581	25,283,759
Accruals and deferred income	1 882 529	1,854 863
	29,369,110	27,138,622

Amounts owed to group undertakings noted above are unsecured

7 Called up share capital

	2013	2012
	$	$
Issued and fully paid 2 ordinary shares of £1	2	2

8 Reserves

	Profit and loss account 2013
	$
As at 1 January 2013	31,514,748
Profit for year	3,561,970
As at 31 December 2013	35,076,718

9. Reconcıliatıon of movement ın shareholders' funds

	2013	2012
	$	$
Profit for the finacial year	3,561,970	4,565,205
Net additions to shareholders' funds	3 561 970	4,565,205
Opening shareholders' funds	31,514,750	26,949,545
Closing shareholders' funds	35 076 720	31,514 750

10. Related party transactıons

The company ıs a wholly-owned subsıdıary of CORE Entertaınment Holdıngs Inc and, as such, has taken advantage of the exemptıon allowed by Fınancıal Reportıng Standard No 8 to not dısclose detaıls of transactıons and balances wıth other related entıtıes of CORE Entertaınment Holdıngs Inc

The dırectors consıder that there are no other related party relatıonshıps, transactıons or balances whıch requıre dısclosure

11 Contıngent lıabılıtıes

The company has provıded secured guarantees to the admınıstratıve agents (for the benefit of the respectıve lenders) ın respect of the followıng credıt facılıtıes First Lıen Term Loan Agreement dated as of 9 December 2011, among CORE Entertaınment Inc as Borrower, CORE Medıa Group Inc , the lenders party thereto and U S Bank Natıonal Assocıatıon (as successor to Goldman Sachs Bank USA) as admınıstratıve agent, and Second Lıen Term Loan Agreement dated as of 9 December 2011, among CORE Entertaınment Inc as Borrower, CORE Medıa Group Inc , the lenders party thereto and U S Bank Natıonal Assocıatıon (as successor to Goldman Sachs Bank USA) as admınıstratıve agent At 31 December 2013, guarantees outstandıng amounted to $360,000,000 (2012 $360,000,000)

12. Ultımate parent company and controllıng party

The dırectors regard CORE Entertaınment Holdıngs Inc , a company ıncorporated ın the Unıted States, as the ultımate parent company and the ultımate controllıng party The ımmedıate parent company ıs 19 Entertaınment Lımıted, a company ıncorporated ın the Unıted Kıngdom and regıstered ın England and Wales, whıch ıs also the smallest group for whıch consolıdated financıal statements are prepared CORE Entertaınment Holdıngs Inc ıs the largest group for whıch consolıdated financıal statements are prepared Sınce 21 June 2011 CORE Entertaınment Holdıngs Inc ıs owned by ınvestment funds managed by affilıates of Apollo Global Management LLC