

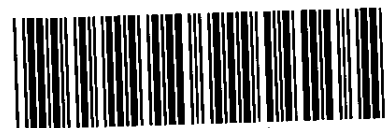
Company Registration No. 1886042

19 Entertainment Limited

Report and Consolidated Financial Statements

Year ended 31 December 2017

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19 Entertainment Limited

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19 Entertainment Limited

Report and Consolidated Financial Statements 2017 Officers and professional advisers

Directors

Dennis Miller
Scott Froesch

See Directors' Report on page 4 for detail regarding change of Directors during the year

Secretary

Abogado Nominees Limited

Registered Office

100 New Bridge Street
London
EC4V 6JA

Bankers

City National Bank
400 North Roxbury Drive
Third Floor
Beverly Hills CA 90210
United States

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 2017 Strategic report

The Directors of 19 Entertainment Limited (the "Company") present their report and the audited financial statements for the year ended 31 December 2017. The financial statements are presented on a consolidated basis, for the Company and its subsidiaries (the "Group").

In the prior year, CORE Entertainment Inc., the former parent company of the Group based in the United States, 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"). This resulted in a Reorganization Plan that became effective on 17 October 2016 (the "Effective Date") and as a result the assets of the Group and Company were sold to NEG Operations Inc., the new Parent 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 generated a profit for the financial year of \$13,457,649 (2016: loss \$6,771,838). The Company generated a profit for the financial year of \$320,173 (2016: profit \$7,611,261). As of 31 December 2017 the Company had a total shareholders' deficit of \$185,596,288 and the Group had total shareholders' funds of \$2,369,124.

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 fifteenth broadcast season, which aired during 2016, the Company's US subsidiary and Fremantle Media delivered 38 hours of programming to Fox compared to zero when it was off the air in 2017. The exploitation of this format in the United States contributed a significant portion of the Group's earnings and the cancellation by Fox put additional pressure on declining profits related to the format during 2017, but this should turn around in 2018 when the US show is being broadcast again.

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 fourteenth broadcast season, which aired during 2017, and the thirteenth broadcast season, which aired during 2016, the Company's US subsidiary delivered 23 hours and 21 hours, respectively, of *Dance* programming to Fox.

19 Entertainment Limited

Report and Consolidated Financial Statements 2017 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*. There was a smaller *Dance* tour in the fourth quarter of 2017 with the 2017 show contestants which completed a 44 show run with dates in venues in the US and Canada.

Key performance indicators

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

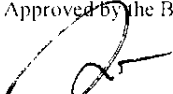
- The number of hours of *American Idol* and *Dance* shows broadcast on the Fox network
- Ratings of *American Idol* and *Dance* shows is an early indicator for successful renewals of the shows and success in ancillary revenue streams including touring, sponsorship and merchandising revenues

See IDOLS and Dance section of Strategic Report on page 2 for KPI detail

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 *Idol* and *Dance* brands. 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 Frosch
Director
17 July 2018

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 2017

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 pages 2 and 3.

Dividends

The Directors do not recommend a dividend payment in the current year (2016: \$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 financial statements. Further details regarding the adoption of the going concern can be found in note 3.

Directors

Peter Hurwitz and Kelly Pontano were directors of the Company from 1 January 2017 until their resignation on 13 December 2017. Dennis Miller became a director on 13 December 2017 and was in office the remainder of the year and up to the date of signing financial statements. Scott Prosch has been in office throughout the year and up to the date of the signing of the financial statements.

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.

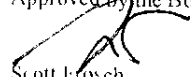
Independent Auditors

PricewaterhouseCoopers LLP were appointed as the Group's independent auditors for the year ended 31 December 2017. 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 Prosch
Director
17 July 2018

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 audit of the financial statements

Opinion

In our opinion, 19 Entertainment Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's and the parent 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 31 December 2017; the Consolidated and Company statements of comprehensive income, the Consolidated cash flow statement, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent 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.


Other required reporting

Companies Act 2006 exception reporting

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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



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

22 July 2018

19 Entertainment Limited

Consolidated and Company statements of comprehensive income For the year ended 31 December 2017

		Group	Group	Company	Company
		\$	\$	\$	\$
	Note	2017	2016	2017	2016
Turnover	5	56,199,538	56,056,998	437,388	2,023,134
Cost of sales		(40,190,589)	(40,329,048)	(239,022)	(1,469,685)
Gross profit		16,008,949	15,727,950	198,366	553,449
Administrative expenses		(786,012)	(26,688,398)	(9,920)	13,995
Other operating income/(expense)		-	(757,765)	166,954	92,655
Operating profit/(loss)	6	15,222,937	(11,718,213)	355,400	660,099
(Loss)/Gain on the sale of fixed assets		(382)	3,350	-	-
Interest receivable and similar income	8	-	153,114	-	154,164
Write offs arising from group restructuring	9	-	5,564,281	-	6,803,297
Profit/(loss) before taxation		15,222,555	(5,997,468)	355,400	7,617,560
Tax on profit/(loss)	10	(1,764,906)	(774,370)	(35,227)	(6,299)
Profit/(loss) for the financial year		13,457,649	(6,771,838)	320,173	7,611,261

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 2017

		Group	Group	Company	Company
		\$	\$	\$	\$
	Note	2017	2016	2017	2016
Fixed assets					
Tangible assets	12	30,694	98,710	-	-
Investments	13	108,168	108,168	109,149	109,149
		<u>138,862</u>	<u>206,878</u>	<u>109,149</u>	<u>109,149</u>
Current assets					
Debtors - due within one year	14	24,685,009	12,169,334	509,269	535,709
- due after more than one year	14	428,886	-	-	-
Cash at bank and in hand		<u>5,653,109</u>	<u>2,811,471</u>	<u>25,736</u>	<u>74,024</u>
Total current assets		<u>30,767,004</u>	<u>14,980,805</u>	<u>535,005</u>	<u>609,733</u>
Creditors: amounts falling due within one year	15	<u>(15,694,238)</u>	<u>(12,315,851)</u>	<u>(186,296,442)</u>	<u>(186,691,343)</u>
Net current assets/(liabilities)		<u>15,072,766</u>	<u>2,664,952</u>	<u>(185,761,437)</u>	<u>(186,081,610)</u>
Total assets less current liabilities		<u>15,211,628</u>	<u>2,871,830</u>	<u>(185,652,288)</u>	<u>(185,972,461)</u>
Creditors : amounts falling due after more than one year	16	<u>(12,842,504)</u>	<u>(13,960,357)</u>	<u>-</u>	<u>-</u>
Net Assets/(Liabilities)		<u>2,369,124</u>	<u>(11,088,525)</u>	<u>(185,652,288)</u>	<u>(185,972,461)</u>
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		<u>(5,510,868)</u>	<u>(18,968,517)</u>	<u>(193,532,280)</u>	<u>(193,852,453)</u>
Total shareholders' funds / (deficit)		<u>2,369,124</u>	<u>(11,088,525)</u>	<u>(185,652,288)</u>	<u>(185,972,461)</u>

The notes on pages 13 to 24 form an integral part of the financial statements.

The financial statements on pages 9 to 24 of 19 Entertainment Limited, registered number 1886042, were approved by the Board of Directors on 17 July 2018.

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 2017

Group

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds/(deficit)
	\$	\$	\$	\$
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 expense 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)
Balance as at 1 January 2017	288	7,879,704	(18,968,517)	(11,088,525)
Profit for the financial year	-	-	13,457,649	13,457,649
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year	-	-	13,457,649	13,457,649
Balance as at 31 December 2017	288	7,879,704	(5,510,868)	2,369,124

Company

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' deficit
	\$	\$	\$	\$
Balance as at 1 January 2016	288	7,879,704	(201,463,714)	(193,583,722)
Profit for the financial year	-	-	7,611,261	7,611,261
Other comprehensive expense for the financial year	-	-	-	-
Total comprehensive income for the financial year	-	-	7,611,261	7,611,261
Balance as at 31 December 2016	288	7,879,704	(193,852,453)	(185,972,461)
Balance as at 1 January 2017	288	7,879,704	(193,852,453)	(185,972,461)
Profit for the financial year	-	-	320,173	320,173
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year	-	-	320,173	320,173
Balance as at 31 December 2017	288	7,879,704	(193,532,280)	(185,652,288)

19 Entertainment Limited

Consolidated cash flow statement Year ended 31 December 2017

		Group	Group
		\$	\$
	Note	2017	2016
Net cash from operating activities	21	2,841,639	(4,087,956)
Taxation paid		-	-
Net cash generated from/(used in) operating activities		<u>2,841,639</u>	<u>(4,087,956)</u>
Cash flow from investing activities			
Interest received		-	153,114
Net cash generated from investing activities		<u>-</u>	<u>153,114</u>
Cash flow from financing activities			
Dividends paid to owners of the parent		-	-
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		2,841,639	(3,934,842)
Cash and cash equivalents at the beginning of the year		2,811,471	6,746,313
Exchange gains/(losses) on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year		<u>5,653,109</u>	<u>2,811,471</u>

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

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

In the prior year, CORE Entertainment Inc, the former parent company of the Group based in the United States, 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"). This resulted in a Reorganization Plan that became effective on 17 October 2016 (the "Effective Date") and as a result the assets of the Group and Company were sold to NEG Operations Inc, the new Parent 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

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 reporting purposes

The Company generated a profit for the financial year ended 31 December 2017 and has net current liabilities at 31 December 2017. 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, for the company, 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

(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

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

3. Accounting policies (continued)

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.

(c) 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 1.349 (2016: 1.234) 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 reasonably 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.

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 ratably over the term of the license or are based on sales of the related products, if greater.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

3. Accounting policies (continued)

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.

(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.

19 Entertainment Limited

Notes to the financial statements

Year ended 31 December 2017

3. Accounting policies (continued)

(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 settle 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.

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.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

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 2017

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 2017.

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
	\$	\$	\$	\$
	2017	2016	2017	2016
Royalties and licenses	54,270,667	49,943,386	437,388	2,023,134
Music and artist management	1,928,872	6,112,033	-	-
Digital	-	1,579	-	-
	<u>56,199,538</u>	<u>56,056,998</u>	<u>437,388</u>	<u>2,023,134</u>

6. Operating profit/(loss)

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

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
Depreciation of owned tangible fixed assets	78,111	14,590	-	-
Operating lease rentals	-	537,954	-	-
Impairment of receivables	-	21,864,930	-	-
Cost of reorganization	-	127,000	-	-
Foreign exchange (gains)/losses	<u>(180,001)</u>	<u>757,765</u>	<u>(166,954)</u>	<u>(92,655)</u>

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:

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

6. Operating profit/(loss) (continued)

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
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	242,770	552,048	-	-
Total fees	287,770	597,048	-	-

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	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
Distribution	2	26	-	-
Administration	15	15	-	-
	17	41	-	-

(b) Staff costs

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
The aggregate remuneration comprised				
Wages and salaries	3,678,376	3,918,132	-	-
Social security costs	175,668	222,353	-	-
	3,854,044	4,140,485	-	-

(c) Directors' remuneration

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
Emoluments	-	521,256	-	-

The highest paid Director received \$521,256 during 2016 for services to the Company and its subsidiaries. No Directors received any emoluments for their services to the Company in the current financial year. The Directors did not accrue benefits under a defined contribution pension scheme, were not members of a long term incentive scheme, and did not exercise share options in the year.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

8. Interest receivable and similar income

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
Interest on amounts owed from group undertakings	-	153,114	-	154,164
Interest received/(paid) on corporate tax	-	-	-	-
	-	153,114	-	154,164

9. Group restructuring

Included within the 2016 comparatives are amounts resulting from the impact of the Reorganization Plan. In 2016, the Group recognized profits related to debt forgiveness of \$4,991,918, which reduced the current creditors payable balance accordingly. Revaluation of Group assets and liabilities for financial and tax reporting purposes resulted in 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.

In 2016 the Company recognized profits related to debt forgiveness of \$9,882,011, 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 Company revaluation primarily related to adjustments made to the Company's liabilities for uncertain and other tax positions.

The 2017 results are not impacted by the prior year restructuring.

10. Tax on profit/(loss)

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
Current taxation				
United Kingdom corporation tax on profits	1,691,023	210,907	33,165	6,299
Foreign tax suffered	13,199	502,748	-	-
Foreign exchange losses	60,684	60,715	2,062	-
Current tax charge for the year	1,764,906	774,370	35,227	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	1,764,906	774,370	35,227	6,299

Factors affecting the tax charge for the current year

The tax charge for the year differs (2016 differs) from the standard rate of corporation tax in the UK of 19.25% (2016 20.00%)

The differences are explained below:

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

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

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
Loss/(Profit) before taxation	15,222,555	(5,997,468)	355,400	7,617,560
Tax charge at 19.25% (2016: 20.00%)	2,930,033	(1,253,719)	68,402	1,523,512
Effects of:				
Foreign exchange	-	60,715	-	-
Expenses not deductible for tax purposes	(1,188,133)	(37,846,618)	1,748	-
Income not deductible for tax purposes	-	(1,427,349)	-	(1,360,659)
Group relief surrendered (claimed)	-	(985,173)	(718)	(109,972)
US tax losses	-	85,526,259	-	-
Deferred tax not recognised	(33,445)	(67,097)	(32,034)	(45,960)
Current tax (current period) exchange	60,684	-	2,062	(622)
Effects of other tax rates/credits	(4,233)	(43,232,648)	(4,233)	-
Total tax charge for the year	1,764,906	774,370	35,227	6,299

Factors affecting current and future tax charges

The rate of Corporation Tax in the UK was 20% from 1 January 2017 until 5 April 2017 and 19% from 6 April 2017. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 19.25% (2016: 20.00%).

The standard rate of Corporation Tax in the UK reduced to 19% with effect from 6 April 2017 and will reduce further to 17% with effect from 1 April 2020.

11. Deferred taxation

There are no deferred tax assets or liabilities recognized in the current or prior year. As at 31 December 2017, total tax losses carried forward by the Group amount to nil (2016: nil). Tax losses carried forward by the Company amount to nil (2016: nil). Unrecognised accelerated capital allowances for the Company amount to \$145,932 (2016: \$177,966).

12. Tangible assets

Group

	Leasehold Improvements	Furniture and Equipment	Plant and machinery	Total
	\$	\$	\$	\$
Cost				
At 1 January 2017	38,031	70,000	5,269	113,300
Additions	-	5,263	7,007	12,270
Disposals	-	-	(3,010)	(3,010)
At 31 December 2017	38,031	75,263	9,266	122,560
Accumulated Depreciation				
At 1 January 2017	(5,110)	(9,407)	(73)	(14,590)
Charge for the year	(24,753)	(49,490)	(3,868)	(78,111)
Disposals	-	-	835	835
At 31 December 2017	(29,863)	(58,897)	(3,106)	(91,866)
Net book value at 31 December 2017	8,168	16,366	6,160	30,694
Net book value at 31 December 2016	32,921	60,593	5,196	98,710

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

13. Investments

	Group	Group	Group	Company	Company
	Jointly controlled entities	Other investments	Total	Shares in subsidiary undertakings	Total
	\$	\$	\$	\$	\$
Cost					
At 1 January 2017	-	108,168	108,168	109,149	109,149
Additions	-	-	-	-	-
At 31 December 2017	-	108,168	108,168	109,149	109,149
Provisions for impairment					
At 1 January 2017	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2017	-	-	-	-	-
Net book value at 1 January 2017	-	108,168	108,168	109,149	109,149
Net book value at 31 December 2017	-	108,168	108,168	109,149	109,149

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

Registered Office Address of all US based entities - 401 Wilshire Blvd, Suite 1070, Santa Monica, CA 90401, U.S.A

Registered Office Address of all UK based entities - 100 New Bridge Street London E14 6JA, England

Name of Subsidiaries	Country of Incorporation	Nature of Business	Class of Shares Held	% of Shares Held - Direct	% of Shares Held - Indirect
19 Entertainment Ltd	UK	TV Production & Music Artist Management	Ordinary		
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%
19 Touring LLC	US	Artists Touring	Ordinary		100%
Dance Nation Productions, Inc	US	TV Production	Ordinary		100%
19 Recordings, Inc	US	Record 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					
HLS Management Limited	UK	Music Artist Management	Ordinary		50%
19 Fashionair Limited	UK	Fashion Website	Ordinary	50%	

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

13. Investments (continued)

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

14. Debtors

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
Amounts falling due within one year				
Trade Debtors	5,780,525	3,289,180	-	6,194
Amounts owed by group undertakings	345,441,813	340,960,271	170,761,175	170,821,967
Less: Provision for impairment of amounts owed by group undertakings	(345,287,062)	(340,805,520)	(170,352,516)	(170,352,516)
	154,751	154,751	408,659	469,451
Other Debtors	7,306,415	130,034	100,266	30,602
Prepayments and accrued income	11,443,318	8,595,368	343	29,462
	<u>24,685,009</u>	<u>12,169,334</u>	<u>509,269</u>	<u>535,709</u>
Amounts falling due after more than one year				
Amounts owed by group undertakings	-	-	-	-
Less: Provision for impairment of receivables	-	-	-	-
Other debtors	428,886	-	-	-
	<u>428,886</u>	<u>-</u>	<u>-</u>	<u>-</u>

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
	\$	\$	\$	\$
	2017	2016	2017	2016
Trade Creditors	10,332	279,704	10,332	-
Amounts owed to group undertakings	10,257,260	8,726,822	185,766,822	185,785,323
Other creditors (including taxation and social security)	457,126	315,353	205,630	279,464
Accruals and deferred income	4,969,520	2,993,972	313,658	626,556
	<u>15,694,238</u>	<u>12,315,851</u>	<u>186,296,442</u>	<u>186,691,343</u>

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.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

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

	Group	Group	Company	Company
	\$	\$	\$	\$
	2017	2016	2017	2016
Amounts owed to group undertakings	12,842,504	13,960,357	-	-
Other creditors	-	-	-	-
	<u>12,842,504</u>	<u>13,960,357</u>	<u>-</u>	<u>-</u>

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
	\$	\$	\$	\$
	2017	2016	2017	2016
Authorised ordinary share capital				
97,500 (2016: 97,500) voting shares of £0.01 each	1,553	1,553	1,553	1,553
2,500 (2016: 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>
Allotted and fully paid up				
15,619 (2016: 15,619) voting shares of £0.01 each	248	248	248	248
2,500 (2016: 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>

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 IRS 102 to not disclose details of transactions and balances with other wholly owned members of NEG Parent LLC Group.

Related party transactions with jointly controlled entities are as follows:

	As at 31 December 2017 \$	As at 31 December 2016 \$
19 Fashionair Limited	<u>8,890</u>	<u>8,890</u>

This is an outstanding balance with 19 Fashionair and that there were no transactions in the year with that entity. The Directors consider that there are no other related party relationships, transactions or balances which require disclosure.

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 and the resulting group tax relief taken by Group companies, including the Company, from 2011 through 2016. CORE UK believes its interest charge to be appropriate and continues to work to close this enquiry with the HMRC.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2017

19. Contingent liabilities (continued)

Although the HMRC enquiry is ongoing and has reached no conclusion on the appropriateness of interest charges which provided Group relief, the HMRC issued "Jeopardy Assessments" and filed claims in US bankruptcy court against the Group of approximately £11M for the tax years ending 31 December 2011 to 2014 and 31 December 2016. CORE UK appealed the assessments and the HMRC has "stood over" any collection efforts until resolution of this matter.

On 14 June 2018 the Company filed a rejection of the HMRC claims in the US bankruptcy court.

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
	\$	\$	\$	\$
	2017	2016	2017	2016
Payments due:				
Not later than one year	-	190,000	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	190,000	-	-

21. Notes to the consolidated cash flow statement

	Group	Group
	\$	\$
	2017	2016
Profit/(Loss) for the financial year	13,457,649	(6,771,838)
Adjustments for:		
Tax on profit	1,764,906	774,370
Loss on sale of fixed assets	382	(3,350)
Interest receivable and similar income	-	(153,114)
Write offs arising from group restructuring	-	(5,564,281)
Operating profit/(loss)	15,222,937	(11,718,213)
Depreciation charge (net of profit on disposals)	67,634	14,590
(Increase)/decrease in debtors	(12,944,561)	13,118,274
Increase/(Decrease) in creditors	495,627	(5,094,017)
Other non-cash changes	2	(408,590)
Cash flow from operating activities	2,841,639	(4,087,956)

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.