

Company Registration No. 1886042

19 Entertainment Limited

Report and Consolidated Financial Statements

Year ended 31 December 2018

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19 Entertainment Limited

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19 Entertainment Limited

Report and Consolidated Financial Statements 2018 Officers and professional advisers

Directors

Dennis Miller
Scott Frosch

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 2018 Strategic report

The Directors of 19 Entertainment Limited (the "Company") present their report and the audited financial statements for the year ended 31 December 2018. The financial statements are presented on a consolidated basis, for the Company and its subsidiaries (the "Group").

Industrial Media Parent LLC, a company incorporated in the United States, is the ultimate parent company and controlling company of 19 Entertainment Limited. Industrial Media Parent LLC was formerly named NEG Parent LLC and was legally renamed on November 8, 2018. The immediate parent company remains CORE MG UK Holdings Limited.

Business review

The Group generated a profit for the financial year of \$19,196,834 (2017: profit \$13,457,649). The Group increase over the prior year is largely due to the return of *American Idol* in 2018 and strong international idol format sales. The Company generated a profit for the financial year of \$95,230 which was a decrease from prior year as a result of foreign exchange losses (2017: profit \$320,173). As of 31 December 2018 the Company had a total shareholders' deficit of \$185,557,058 (2017: deficit \$185,652,288) and the Group had total shareholders' funds of \$21,565,958 (2017: fund \$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.

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, Universal Music Group, and Hollywood Records.

A portion of the revenue from the *American Idol* series is dependent upon the number of hours of programming delivered. The US show was off the air in 2017 but switched networks and came back for a sixteenth season in 2018 on American Broadcasting Company ("ABC"). The Company's US subsidiary and Fremantle Media delivered 38 hours of programming to ABC in 2018. The show was already renewed and aired on ABC in 2019 and has been renewed by ABC for 2020.

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 fifteenth broadcast season, which aired during 2018, and the fourteenth broadcast season, which aired during 2017, the Company's US subsidiary delivered 20 hours and 23 hours, respectively, of *Dance* programming to Fox.

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 in a given year.
- 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 above for KPI detail.

Principal risks and uncertainties facing the Group

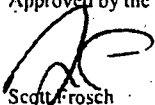
- The Group is dependent upon a limited number of brands which may, over time, decline in popularity.
- The Group relies heavily upon the continued appeal of the *Idol* and *Dance* brands. Our revenues and income derived from those television programs depend primarily upon the initial and continued acceptance of that programming by the public. We continue to develop new creative ideas, change judging panels and adjust the formats 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.

19 Entertainment Limited

Report and Consolidated Financial Statements 2018 Strategic report

- 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
29 August 2019

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 2018.

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. The directors intend to simplify the Group structure in the near future by transferring all of the Group's intellectual property under one entity, 19 Recordings Limited, and moving all of the other operations under another entity, 19 Entertainment Limited, and liquidating the other Group entities.

Dividends

The Directors do not recommend a dividend payment in the current year (2017: \$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

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

Scott Frosch
Dennis Miller

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 an indemnity 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

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's 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.

19 Entertainment Limited

Directors' report

Independent Auditors

PricewaterhouseCoopers LLP were appointed as the Group's independent auditors for the year ended 31 December 2018. 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



Scott Frosch
Director
29 August 2019

19 Entertainment Limited

Directors' responsibilities statement

The directors are responsible for preparing the 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 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.

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.

19 Entertainment Limited

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 company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 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 (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 2018; 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

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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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 2018 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 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.

19 Entertainment Limited

Independent auditors' report to the members of 19 Entertainment Limited

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 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 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 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.

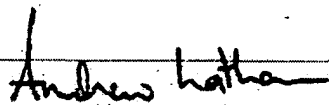
Other required reporting

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 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 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

4th September 2019

19 Entertainment Limited

Consolidated and Company statements of comprehensive income For the year ended 31 December 2018

		Group S 2018	Group S 2017	Company S 2018	Company S 2017
	Note				
Turnover	5	55,320,726	52,610,179	668,441	437,388
Cost of sales		(32,680,772)	(36,601,230)	(190,989)	(239,022)
Gross profit		22,639,954	16,008,949	477,452	198,366
Administrative expenses		(1,064,737)	(606,011)	(50,341)	(9,920)
Other operating (expenses)/income		(268,784)	(180,001)	(283,280)	166,954
Operating profit/(loss)	6	21,306,432	15,222,937	143,831	355,400
Loss on the sale of fixed assets		-	(382)	-	-
Profit before taxation		21,306,432	15,222,555	143,831	355,400
Tax on profit	8	(2,109,598)	(1,764,906)	(48,601)	(35,227)
Profit for the financial year		19,196,834	13,457,649	95,230	320,173
Total comprehensive income for the financial year		19,196,834	13,457,649	95,230	320,173

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

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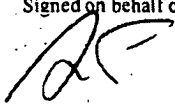
Consolidated and Company statements of financial position As at 31 December 2018

		Group \$ 2018	Group \$ 2017	Company \$ 2018	Company \$ 2017
Fixed assets					
Tangible assets	10	3,071	30,694	-	-
Investments	11	57,517	108,168	58,500	109,149
		<u>60,588</u>	<u>138,862</u>	<u>58,500</u>	<u>109,149</u>
Current assets					
Debtors - due within one year	12	46,929,874	24,685,009	698,324	509,269
- due after more than one year	12	-	428,886	-	-
Cash at bank and in hand		8,376,498	5,653,109	516,896	25,736
Total current assets		<u>55,306,372</u>	<u>30,767,004</u>	<u>1,215,220</u>	<u>535,005</u>
Creditors: amounts falling due within one year	13	<u>(33,801,002)</u>	<u>(15,694,238)</u>	<u>(186,830,778)</u>	<u>(186,296,442)</u>
Net current assets/(liabilities)		<u>21,505,370</u>	<u>15,072,766</u>	<u>(185,615,558)</u>	<u>(185,761,437)</u>
Total assets less current liabilities		<u>21,565,958</u>	<u>15,211,628</u>	<u>(185,557,058)</u>	<u>(185,652,288)</u>
Creditors : amounts falling due after more than one year	14	<u>-</u>	<u>(12,842,504)</u>	<u>-</u>	<u>-</u>
Net Assets/(Liabilities)		<u>21,565,958</u>	<u>2,369,124</u>	<u>(185,557,058)</u>	<u>(185,652,288)</u>
Capital and reserves					
Called up share capital	15	288	288	288	288
Share premium account		7,879,704	7,879,704	7,879,704	7,879,704
Profit and loss account		13,685,966	(5,510,868)	(193,437,050)	(193,532,280)
Total shareholders' funds / (deficit)		<u>21,565,958</u>	<u>2,369,124</u>	<u>(185,557,058)</u>	<u>(185,652,288)</u>

The notes on pages 12 to 23 form an integral part of the financial statements.

The financial statements on pages 8 to 23 of 19 Entertainment Limited, registered number 1886042, were approved by the Board of Directors on 29 August 2019.

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 2018

Group

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds/(deficit)
	\$	\$	\$	\$
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
Balance as at 1 January 2018	288	7,879,704	(5,510,868)	2,369,124
Profit for the financial year	-	-	19,196,834	19,196,834
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year	-	-	19,196,834	19,196,834
Balance as at 31 December 2018	288	7,879,704	13,685,966	21,565,958

Company

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' deficit
	\$	\$	\$	\$
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 expense 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)
Balance as at 1 January 2018	288	7,879,704	(193,532,280)	(185,652,288)
Loss for the financial year	-	-	95,230	95,230
Other comprehensive income for the financial year	-	-	-	-
Total comprehensive income for the financial year	-	-	95,230	95,230
Balance as at 31 December 2018	288	7,879,704	(193,437,050)	(185,557,058)

19 Entertainment Limited

Consolidated cash flow statement Year ended 31 December 2018

		Group S 2018	Group S 2017
	Note		
Net cash from operating activities	17	2,723,389	2,841,638
Taxation paid		-	-
Net cash generated from/(used in) operating activities		2,723,389	2,841,638
Net increase/(decrease) in cash and cash equivalents		2,723,389	2,841,638
Cash and cash equivalents at the beginning of the year		5,653,109	2,811,471
Exchange gains/(losses) on cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year		8,376,498	5,653,109

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

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.

The Company generated a profit for the financial year ended 31 December 2018 and has net current liabilities at 31 December 2018. 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 Industrial Media 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.

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.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

3. Accounting policies (continued)

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. 19 Management Ltd, 19 Merchandising Ltd, 19 Recordings Ltd, 19 TV Ltd, 19 Productions Ltd, 19 Touring Ltd, Double Vision Film Ltd, Native Management Ltd, and Native Songs Ltd have all utilized this audit exemption.

(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 1.273 (2017: 1.349) 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.

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.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

3. Accounting policies (continued)

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.

(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.

(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.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

3. Accounting policies (continued)

(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 2018

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 2018.

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 2018.

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
	\$	\$	\$	\$
	2018	2017	2018	2017
Royalties and licenses	49,608,911	44,723,606	668,441	437,388
Music and artist management	5,711,815	7,886,574	-	-
Digital	-	-	-	-
	<u>55,320,726</u>	<u>52,610,179</u>	<u>668,441</u>	<u>437,388</u>

6. Operating profit

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

	Group	Group	Company	Company
	\$	\$	\$	\$
	2018	2017	2018	2017
Depreciation of owned tangible fixed assets	27,622	78,111	-	-
Operating lease rentals	-	-	-	-
Impairment of receivables	-	-	-	-
Cost of reorganization	-	-	-	-
Foreign exchange losses/(gains)	268,784	(180,001)	283,280	(166,954)

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 another company group. The portion of fees paid by another company group 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 2018

6. Operating profit/(loss) (continued)

	Group	Group	Company	Company
	\$	\$	\$	\$
	2018	2017	2018	2017
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	222,300	242,770	-	-
Total fees	267,300	287,770	-	-

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

7. Directors and employees

The Company had no employees (excluding the directors) during the financial year and prior year. As such, no key management personnel remuneration was paid by the Company.

The directors did not receive any emoluments for his services to the company in the current financial year and prior year.

8. Tax on profit/(loss)

	Group	Group	Company	Company
	\$	\$	\$	\$
	2018	2017	2018	2017
Current taxation				
United Kingdom corporation tax on profits	2,132,706	1,691,023	46,104	33,165
Foreign tax suffered		13,199	-	-
Foreign exchange losses		60,684	-	2,062
Current tax charge for the year	2,132,706	1,764,906	46,104	35,227
Deferred taxation				
Origination and reversal of timing differences	-	-	-	-
Effect of changes in tax rates	-	-	-	-
Adjustments in respect of prior years	(23,108)	-	2,497	-
Tax charge for the year	2,109,598	1,764,906	48,601	35,227

Factors affecting the tax charge for the current year

The tax charge for the year differs (2017: differs) from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

The differences are explained below:

	Group \$ 2018	Group \$ 2017	Company \$ 2018	Company \$ 2017
Profit before taxation	21,306,432	15,222,555	143,831	355,400
Tax charge at 19.00% (2017: 19.25%)	4,048,223	2,930,033	27,328	68,402
Effects of:				
Foreign exchange	-	-	-	-
Expenses not deductible for tax purposes	(1,825,925)	(1,188,133)	9,623	1,748
Income not deductible for tax purposes	-	-	-	-
Group relief surrendered (claimed)	(437)	-	(1,018)	(718)
Adjust closing deferred tax to average rate of 19.00%	14,078	-	14,078	-
Adjust opening deferred tax to average rate of 19.00%	(17,168)	-	(17,168)	-
Deferred tax not recognised	(27,113)	(33,445)	(26,268)	(32,034)
Current tax (prior period) exchange	(49,582)	-	2,497	-
Current tax (current period) exchange	(75,073)	60,684	39,529	2,062
Effects of other tax rates/credits	-	(4,233)	-	(4,233)
Transfer pricing adjustment	16,120	-	-	-
Adjustment in respect of prior periods	26,475	-	-	-
Total tax charge for the year	2,109,598	1,764,906	48,601	35,227

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 19.00% (2017: 19.25%).

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.

9. Deferred taxation

There are no deferred tax assets or liabilities recognized in the current or prior year. As at 31 December 2018, total tax losses carried forward by the Group amount to nil (2017: nil). Tax losses carried forward by the Company amount to nil (2017: nil). Unrecognised accelerated capital allowances for the Company amount to \$119,664 (2017: \$145,932).

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

10. Tangible assets

Group	Leasehold Improvements \$	Furniture and Equipment \$	Plant and machinery \$	Total \$
Net book value at 31 December 2017	8,168	16,366	6,160	30,694
Cost				
At 1 January 2018	38,031	75,263	9,265	122,560
Additions	-	-	-	-
Disposals	(38,031)	(75,263)	(6,194)	(119,488)
At 31 December 2018	-	-	3,071	3,071
Accumulated Depreciation				
At 1 January 2018	(29,864)	(58,896)	(3,106)	(91,866)
Charge for the year	(8,167)	(16,367)	(3,088)	(27,622)
Disposals	38,031	75,263	6,194	119,488
At 31 December 2018	-	-	-	-
Net book value at 31 December 2018	-	-	3,071	3,071

11. Investments

	Group Jointly controlled entities \$	Group Other investments \$	Group Total \$	Company Shares in subsidiary undertakings \$	Company Total \$
Cost					
At 1 January 2018	-	108,168	108,168	109,150	109,150
Additions	-	-	-	-	-
At 31 December 2018	-	108,168	108,168	109,150	109,150
Provisions for impairment					
At 1 January 2018	-	-	-	-	-
Disposals	-	(50,651)	(50,651)	(50,651)	(50,651)
At 31 December 2018	-	(50,651)	(50,651)	(50,651)	(50,651)
Net book value at 1 January 2018	-	108,168	108,168	109,150	109,150
Net book value at 31 December 2018	-	57,517	57,517	58,500	58,500

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:

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

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 EX4V 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					
TLS Management Limited	UK	Music Artist Management	Ordinary		50%
19 Fashionair Limited	UK	Fashion Website	Ordinary	50%	

As detailed in the 'Basis of Consolidation' section of Note 3, by producing consolidated financial statements the UK subsidiaries of the Company are eligible to take advantage of the audit exemption available to them under s479A of the Companies Act 2006 relating to subsidiary companies. 19 Management Ltd, 19 Merchandising Ltd, 19 Recordings Ltd, 19 TV Ltd, 19 Productions Ltd, 19 Touring Ltd, Double Vision Film Ltd, Native Management Ltd, and Native Songs Ltd have all utilized this audit exemption.

12. Debtors

	Group \$	Group \$	Company \$	Company \$
	2018	2017	2018	2017
Amounts falling due within one year				
Trade Debtors	995,470	5,780,525	-	-
Amounts owed by group undertakings	384,326,216	345,441,813	171,024,147	170,761,175
Less: Provision for impairment of amounts owed by group undertakings	(345,287,062)	(345,287,062)	(170,352,516)	(170,352,516)
	39,039,154	154,751	671,630	408,659
Other Debtors	3,130,094	7,306,415	26,693	100,266
Prepayments and accrued income	3,765,156	11,443,318	-	343
	46,929,874	24,685,009	698,324	509,269

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 Industrial Media Group entities outside the 19 Entertainment Limited Group.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

13. Creditors: amounts falling due within one year

	Group	Group	Company	Company
	\$	\$	\$	\$
	2018	2017	2018	2017
Trade Creditors	274,867	10,332	7,778	10,332
Amounts owed to group undertakings	28,179,518	10,257,260	186,159,993	185,766,822
Other creditors (including taxation and social security)	4,959,904	457,126	426,323	205,630
Accruals and deferred income	386,712	4,969,520	236,684	313,658
	<u>33,801,002</u>	<u>15,694,238</u>	<u>186,830,778</u>	<u>186,296,442</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 Industrial Media Group entities outside the 19 Entertainment Limited Group.

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

	Group	Group	Company	Company
	\$	\$	\$	\$
	2018	2017	2018	2017
Amounts owed to group undertakings	-	12,842,504	-	-
Other creditors	-	-	-	-
	<u>-</u>	<u>12,842,504</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 Industrial Media Group entities outside the 19 Entertainment Limited Group.

15. Called up share capital

	Group	Group	Company	Company
	\$	\$	\$	\$
	2018	2017	2018	2017
Authorised ordinary share capital				
97,500 (2017: 97,500) voting shares of £0.01 each	1,553	1,553	1,553	1,553
2,500 (2017: 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 (2017: 15,619) voting shares of £0.01 each	248	248	248	248
2,500 (2017: 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.

19 Entertainment Limited

Notes to the financial statements Year ended 31 December 2018

16. Related party transactions

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

Related party transactions with jointly controlled entities are as follows:

	As at 31 December 2018 \$	As at 31 December 2017 \$
19 Fashionair Limited	8,890	8,890

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.

17. Notes to the consolidated cash flow statement

	Group \$	Group \$
	2018	2017
Profit for the financial year	19,196,834	13,457,649
Adjustments for:		
Tax on profit	2,109,598	1,764,906
Loss on sale of fixed assets	-	382
Operating profit	21,306,432	15,222,937
Depreciation charge (net of profit on disposals)	27,623	67,634
(Increase) in debtors	(21,815,979)	(12,944,561)
Increase in creditors	3,154,662	495,627
Other non-cash changes	50,651	1
Cash flow from operating activities	2,723,389	2,841,638

18. Ultimate parent company and controlling party

The Directors regard Industrial Media Parent LLC, a company incorporated in the United States, as the ultimate parent company and the ultimate controlling party. The immediate parent company is Industrial Media Inc., a company incorporated in the United States. Industrial Media Parent LLC is the smallest and largest group for which consolidated financial statements are prepared.

19. Subsequent events

On 4 April 2019 the HMRC closed an inquiry into the Group tax positions for 2011-2016 tax year. The closed inquiry eliminated certain prior assessments by the HMRC and resulted in a debtor balance due from the HMRC of £2.2M related to prior year overpayments. This debtor balance is recorded as a receivable on the Group Statement of Financial Position at 31 December 2018 and we expect the amounts to be refunded by the HMRC in 2019.