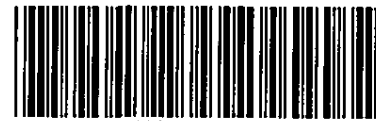


Shazam Entertainment Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2012

WEDNESDAY



A21MBFH5

A28

06/02/2013

#44

COMPANIES HOUSE

Company Registration No. 3998831

Shazam Entertainment Limited

DIRECTORS AND ADVISERS

DIRECTORS

A Fisher
K Lovell
N Marovac
M Murphy
AJ Pearson
C Smart
J Sykes

SECRETARY

B Kerle

REGISTERED OFFICE

Shazam Entertainment Limited
Second Floor, East Wing
26 - 28 Hammersmith Grove
London W6 7HA

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

BANKERS

Royal Bank of Scotland Group plc
London Knightsbridge Branch
175 - 177 Kensington High Street
London
W8 6SH

Shazam Entertainment Limited

DIRECTORS' REPORT

The directors submit their annual report and the audited consolidated financial statements of Shazam Entertainment Limited for the year ended 30 June 2012.

Business review and principal activities

Shazam's mission is to be the world's leading provider of media engagement services.

The principal activity of the Group and Company during the year was the world wide provision of audio recognition services via mobile phone for use with music and television. Shazam also continued to develop and improve methodology and systems for real time audio identification.

During the year the Group continued rapidly expanding the international distribution of its services with significant contracts with major networks, manufacturers, service providers and App Stores. The Group expects to continue to invest in the marketing of its services, support geographic expansion and undertake new product development.

The results for the Group show revenues of £21.81m (2011: £15.60m) and a loss before tax of £2.98m (2011: loss before tax: £0.28m).

The directors are unable to recommend a dividend in respect of the year ended 30 June 2012 (2011: £nil).

Research and future developments

Shazam continues to develop and improve methodology and systems for real time music and TV/advertising identification and interaction via smart client applications on mobile phones and is looking to further develop these applications.

On 21 November 2011, the group purchased certain core IP from Broadcasting Monitoring Inc, a company based in the USA, for total consideration of \$22.7m. The consideration comprised a mixture of cash and issued shares.

Future outlook

The commercial environment is likely to remain competitive, but the directors are confident that Shazam will successfully continue to operate and expand as a result of the skills and experience within the Group, an excellent product set and strong financial backing. All of these factors combined will enable Shazam to maintain its leadership position in the market.

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to be from existing and new competitors, availability of skilled resource and the global economy. These risks are all managed and mitigated through close executive management review and line management ownership. Major issues are covered by formal company policies which are approved at board level where of sufficient materiality.

Financial risk management

The key financial risk is represented by exchange rate fluctuation, the majority of which relates to USD. This is managed through a combination of natural hedging, by matching USD income with USD expenses. Interest rate fluctuation does not currently significantly affect the company.

Shazam Entertainment Limited

DIRECTORS' REPORT

Key Performance Indicators

Shazam continues to consistently add new users at the rate of circa 2 million per week and has more than 250 million users worldwide. The business is now generating an average 10 million requests per day. Revenue, as disclosed on page 7, is the main KPI of the business. Given the current size and straightforward nature of the business, the company's directors are of the opinion that further analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Directors

The following directors have held office throughout the year and up to the date of this report, unless otherwise stated

A Fisher
K Lovell
N Marovac
M Murphy
AJ Pearson
C Smart
J Sykes
B Hoberman

Liability Insurance

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 currently remains in place. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance of £20 million.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

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

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

Shazam Entertainment Limited

DIRECTORS' REPORT

assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

In accordance with Section 418, in the case of each director in office at the date the directors' report is approved:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he 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 company's auditors are aware of that information

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting.

On behalf of the board



B Kerle
Company Secretary

28 January 2013

Shazam Entertainment Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHAZAM ENTERTAINMENT LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Shazam Entertainment Limited for the year ended 30 June 2012 which comprise the Group profit and loss account, the Group and parent company balance sheets, the Group cash flow statement, the Accounting policies and the Notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of, whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2012 and of the group's loss and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Shazam Entertainment Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHAZAM ENTERTAINMENT LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Brian Henderson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 January 2013

Shazam Entertainment Limited

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2012

	Note	Year ended 30 June 2012 £	Year ended 30 June 2011 £
TURNOVER	1	21,806,832	15,600,410
Cost of sales		(2,349,259)	(932,218)
Gross profit		19,457,573	14,668,192
Recurring administrative expenses		(22,388,209)	(14,828,794)
Share based payment charge	17	(39,971)	(155,977)
Total administrative expenses		(22,428,180)	(14,984,771)
OPERATING LOSS	2	(2,970,607)	(316,579)
Interest receivable and similar income	3a	119,284	79,099
Interest payable and similar charges	3b	(126,605)	(41,087)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,977,928)	(278,567)
Tax on loss on ordinary activities	5	(347,487)	(340,793)
LOSS FOR THE FINANCIAL YEAR	14	(3,325,415)	(619,360)


All results derive from continuing operations

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statements of total recognised gains and losses have been presented

Shazam Entertainment Limited
GROUP AND PARENT COMPANY BALANCE SHEETS
For the year ended 30 June 2012

	Note	Group 30 June 2012 £	30 June 2011 £	Company 30 June 2012 £	30 June 2011 £
FIXED ASSETS					
Intangible assets	6a 6b	13,793,114	192,754	140,185	192,754
Tangible assets	7a 7b	2,445,232	2,597,885	2,370,787	2,589,168
Investments in subsidiaries	8	-	-	27,979	27,977
		<u>16,238,346</u>	<u>2,790,639</u>	<u>2,538,951</u>	<u>2,809,899</u>
CURRENT ASSETS					
Debtors	9	4,748,871	3,128,074	19,600,132	3,075,085
Cash at bank and in hand		12,804,701	18,708,903	11,402,462	18,597,296
		<u>17,553,572</u>	<u>21,836,977</u>	<u>31,002,594</u>	<u>21,672,381</u>
CREDITORS: Amounts falling due within one year	10	(5,121,427)	(6,623,146)	(4,024,774)	(6,505,441)
NET CURRENT ASSETS		12,432,145	15,213,831	26,977,820	15,166,940
CREDITORS: Amounts falling due within more than one year	10	(2,601,124)	-	(2,601,124)	-
TOTAL ASSETS LESS CURRENT LIABILITIES		28,670,491	18,004,470	29,516,771	17,976,839
NET ASSETS		26,069,367	18,004,470	26,915,647	17,976,839
CAPITAL AND RESERVES					
Called up share capital	11	5,296,012	5,295,459	5,296,012	5,295,459
Share premium account	12	33,100,050	21,750,262	33,100,050	21,750,262
Share based payment reserve	17	195,948	155,977	195,948	155,977
Warrant reserve	13	41,087	41,087	41,087	41,087
Profit and loss reserve	14	(12,563,730)	(9,238,315)	(11,717,450)	(9,265,946)
TOTAL SHAREHOLDERS' FUNDS	15	26,069,367	18,004,470	26,915,647	17,976,839

The financial statements on pages 7 to 22 were approved by the board of directors on 28 January 2013 and were signed on its behalf by


Keith Lovell
Director

Registered number: 3998831

Shazam Entertainment Limited

GROUP CASH FLOW STATEMENT

For the year ended 30 June 2012

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Reconciliation of operating loss to net cash inflow from operating activities		
Operating loss	(2,960,607)	(316,579)
Adjustments for:		
Depreciation of tangible fixed assets	1,562,641	1,047,585
Amortisation of intangible assets	1,027,779	52,569
Increase in debtors	(1,654,776)	(598,898)
(Decrease) / increase in creditors	(1,998,526)	966,586
Share based payment charge	39,971	155,977
Net cash (outflow) / inflow from operating activities	(3,983,518)	1,307,240
Returns on investments and servicing of finance		
Interest received	119,284	38,012
Net cash inflow from returns on investments and servicing of finance	119,284	38,012
Taxation	(372,600)	(305,110)
Capital expenditure		
Purchase of tangible fixed assets	(1,409,988)	(1,781,947)
Purchase of intangible fixed assets	(11,223,843)	-
Net cash outflow for capital expenditure	(12,633,831)	(1,781,947)
Financing		
Issue of share capital	8,014,554	12,536,022
Expenses of share issue	(68,509)	(254,648)
Increase in borrowings	3,131,910	-
Interest paid	(126,605)	-
Net cash inflow from financing	10,951,350	12,281,374
(Decrease) / increase in net cash	(5,919,315)	11,539,569
Reconciliation to net cash		
Net cash at 1 July	18,708,903	7,171,902
(Decrease) / increase in net cash	(5,919,315)	11,539,569
Exchange adjustment	15,113	(2,568)
Net cash at 30 June	12,804,701	18,708,903

Shazam Entertainment Limited

ACCOUNTING POLICIES

For the year ended 30 June 2012

BASIS OF ACCOUNTING

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently throughout the year.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 June 2012. The group applies uniform accounting policies unless otherwise stated, and any profits or losses arising on inter-group transactions have been eliminated. The parent company has taken the exemption available under section 408 of the Companies Act 2006 and does not present a parent company profit and loss account.

INTANGIBLE FIXED ASSETS

Intangible assets are stated at historical cost less amortisation. Intangible assets are amortised on a straight line basis over a period of between 5 years and 10 years. Intangible assets are made up of intellectual property.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows -

Fixtures, fittings and equipment	-	Straight line over 5 years
General hardware	-	Straight line over 3 years
Computer equipment	-	Straight line over 2 years

IMPAIRMENT REVIEWS

Where circumstances indicate that there may have been an impairment of the carrying value of an intangible or tangible fixed asset, an impairment review is performed.

TAXATION

Current tax for the current and prior periods is provided at the amount expected to be paid (or recorded) using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable against suitable taxable profits in the future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Shazam Entertainment Limited

ACCOUNTING POLICIES

For the year ended 30 June 2012

LEASED ASSETS

The annual rentals on 'operating leases' are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term

SHARE BASED PAYMENT

The group operates several employee share schemes, which entail the grant of restricted shares or share options to certain employees. In accordance with the accounting standard FRS20 the cost of the share awards is recognised at fair value determined at the grant date and is spread over the vesting period to which they relate. The charge is included operating expenses. All employee share schemes have been accounted for as equity settled.

FOREIGN CURRENCIES

The results of overseas subsidiary undertakings are translated into Sterling using the average rates of exchange during the year. Foreign currency monetary assets and liabilities are translated into Sterling at year-end closing exchange rates. Differences arising on translation of the opening balance sheets of subsidiary undertakings and associates and retained profit for the year at the closing rate of exchange are dealt with through reserves. All other exchange differences are included in the profit and loss account.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax where appropriate, of services provided to customers. Revenue is derived from six sources.

- (a) Usage income from music recognition services carried out in a year. Some agreements allow for advance payment of such fees and revenue is spread accordingly. Minimum period guarantees apply in some instances and revenue is spread over the explicit periods.
- (b) Exclusivity fees and fees for recurring contractual rights, relating to music recognition services. Some agreements allow for one-off upfront exclusivity fees in which case revenue is recognised at the point the contract starts. Upfront fees for recurring contractual rights are spread over the appropriate period.
- (c) Implementation and development income is recognised over the period from the delivery of the software to the point at which there are no significant vendor obligations remaining.
- (d) Maintenance fees and recurring licence fees are spread over the contract period.
- (e) Subscription income is spread over the period of subscription.
- (f) Advertising income is recognised evenly over a defined period in accordance with the contractual terms entered into.
- (g) All other income, including affiliate fees, is fully recognised in the period to which it relates.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2012

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and loss before taxation were all derived from the world wide provision of music recognition services via mobile phone. A breakdown of sales by geographical markets has not been disclosed since in the opinion of the directors, this information would be seriously prejudicial to the interests of the company

2	OPERATING LOSS	Group	
		Year ended 30 June 2012 £	Year ended 30 June 2011 £
	Operating loss is stated after charging:		
	Depreciation of tangible fixed assets:		
	- owned assets	1,562,641	1,047,585
	Amortisation of intangible fixed assets		
	-owned assets	1,027,779	52,569
	Operating lease rentals.		
	Buildings	631,017	296,021
	Other	3,342	526
	Services provided by the company's auditor		
	Fees payable to company auditor for the audit of parent company, subsidiary entities and consolidated financial statements	45,000	36,000
	Fees payable to the company's auditor and its associates for other services		
	- Other services	140,837	150,700
		<u> </u>	<u> </u>

3		Group	
		Year ended 30 June 2012 £	Year ended 30 June 2011 £
	a) INTEREST RECEIVABLE AND SIMILAR INCOME		
	Bank interest receivable	119,284	79,099
	b) INTEREST PAYABLE AND SIMILAR CHARGES		
	Other interest payable	(126,605)	(41,087)

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2012

4	EMPLOYEES	Group	
		Year ended 30 June 2012 No.	Year ended 30 June 2011 No
	The average monthly number of persons (including directors) employed by the group during the year was		
	Management and administration	143	92
		£	£
	Staff costs for above persons		
	Wages and salaries	9,102,158	5,837,152
	Social security costs	1,080,249	664,912
	Share based payment charge (see note 17)	39,971	155,977
		10,222,378	6,658,041
		£	£
	DIRECTORS' EMOLUMENTS		
	Aggregate emoluments and benefits under long-term incentive schemes (excluding share option schemes)	535,141	790,389
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Emoluments and benefits under long-term incentive schemes	283,549	292,973
	Compensation for loss of office	-	36,283
		283,549	329,256

Four (2011: four) statutory directors are entitled to benefits under share schemes.

None of the directors are accruing any benefits under either money purchase or defined contribution pension schemes (2011: none).

5	TAXATION	Group	
		Year ended 30 June 2012 £	Year ended 30 June 2011 £
	Current tax:		
	UK corporation tax on results of the period	-	-
	Foreign tax	347,487	340,793
	Total current tax	347,487	340,793

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2012

5 TAXATION (CONTINUED)

	Year ended 30 June 2012 £	Year ended 30 June 2011 £
Factors affecting tax charge for period:		
Loss on ordinary activities before tax	(2,977,928)	(278,567)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2011 26%)	(714,703)	(72,427)
Effects of:		
Expenses not deductible for tax purposes	180,789	72,390
Capital allowances less than depreciation and other timing differences	662,421	127,203
Foreign tax deduction claimed	(128,507)	(127,166)
Foreign tax suffered	347,487	340,793
Tax current tax	347,487	340,793

The group has trading losses of approximately £8.4m (2011 £6.6m) which, subject to agreement with HM Revenue and Customs, are available to carry forward and offset future profits of the same trade.

A deferred tax asset of £2.0m (2011 £1.6m) has not been recognised in the financial statements in respect of these losses as there is insufficient certainty as to the timing of future profits available to offset them.

Factors that may affect future tax charges

During the year, as a result of the changes in the UK main corporation tax rate to 24% that was substantively enacted on 26 March 2012 and that is effective from 1 April 2012, and to 23% that was substantively enacted on 3 July 2012 and that will be effective from 1 April 2013, the relevant deferred tax balances have been remeasured.

A further reduction to the UK corporation tax rate has been announced. The change proposes to reduce the rate to 21% from 1 April 2014. The changes had not been substantively enacted at the balance sheet date, and, therefore, are not recognised in these financial statements.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2012

6a	INTANGIBLE FIXED ASSETS - GROUP	Intellectual Property Rights £
	Cost	
	At 1 July 2011	262,846
	Additions	14,628,139
	At 30 June 2012	14,890,985
	Amortisation	
	At 1 July 2011	70,092
	Charged in the year	1,027,779
	Accumulated amortisation at 30 June 2012	1,097,871
	Net book value	
	At 30 June 2012	13,793,114
	At 30 June 2011	192,754

On 21 November 2011, the group purchased certain core intellectual property rights from Broadcasting Monitoring Inc, a company based in the USA. This asset is amortised on a straight-line basis over a period of ten years, which represents the director's best estimate of the assets useful economic life.

6b	INTANGIBLE FIXED ASSETS - COMPANY	Intellectual Property Rights £
	Cost at 1 July 2011 and at 30 June 2012	262,846
	Amortisation	
	At 1 July 2011	70,092
	Charged in the year	52,569
	Accumulated amortisation at 30 June 2012	122,661
	Net book value	
	At 30 June 2012	140,185
	At 30 June 2011	192,754

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS for the year ended 30 June 2012

7a	TANGIBLE FIXED ASSETS - GROUP	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Fixed assets £
	Cost				
	At 1 July 2011	52,514	4,308,161	89,285	4,449,960
	Reclassification	824,254	(824,254)	-	-
	Additions	68,595	1,268,226	73,167	1,409,988
	At 30 June 2012	945,363	4,752,133	162,452	5,859,948
	Accumulated depreciation				
	At 1 July 2011	6,605	1,823,523	21,947	1,852,075
	Reclassification	206,064	(206,064)	-	-
	Charged in the year	186,397	1,306,169	70,075	1,562,641
	At 30 June 2012	399,066	2,923,628	92,022	3,414,716
	Net book value				
	At 30 June 2012	546,297	1,828,505	70,430	2,445,232
	At 30 June 2011	45,909	2,484,638	67,338	2,597,885
7b	TANGIBLE FIXED ASSETS - COMPANY	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Fixed assets £
	Cost				
	At 1 July 2011	49,988	4,302,571	88,684	4,441,243
	Reclassification	797,254	(797,254)	-	-
	Additions	20,472	1,220,184	72,594	1,313,250
	At 30 June 2012	867,714	4,725,501	161,278	5,754,493
	Accumulated depreciation				
	At 1 July 2011	6,605	1,823,523	21,947	1,852,075
	Reclassification	206,064	(206,064)	-	-
	Charged in the year	177,279	1,284,665	69,687	1,531,631
	At 30 June 2012	389,948	2,902,124	91,634	3,383,706
	Net book value				
	At 30 June 2012	477,766	1,823,377	69,644	2,370,787
	At 30 June 2011	43,383	2,479,048	66,737	2,589,168

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS for the year ended 30 June 2012

8	INVESTMENTS IN SUBSIDIARIES	Company
		£
	Shares in group undertakings	
	At 1 July 2011	27,977
	Additions	2
		<hr/>
	At 30 June 2012	27,979
		<hr/> <hr/>

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

The company holds the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Shazam Support Services Inc. (Trading)	USA	Ordinary	100
Shazam Support Services Korea (Trading)	South Korea	Ordinary	100
Shazam Media Services Inc (Trading)	USA	Ordinary	100
Shazam Entertainment Trustees Limited (Non-trading)	UK	Ordinary	100
Shazam Investments Limited (Intellectual property holding company)*	UK	Ordinary	100
Shazam Entertainment Inc (Dormant)	USA	Ordinary	100
*Additions during the year			

9	DEBTORS	Group		Company	
		30 June	30 June	30 June	30 June
		2012	2011	2012	2011
		£	£	£	£
	Due within one year				
	Trade debtors	2,851,264	1,751,915	1,753,774	1,729,591
	Other debtors	38,367	257,691	38,367	257,390
	Prepayments and accrued income	1,859,240	1,118,468	1,801,917	1,088,104
	Loan due from group undertakings	-	-	14,628,139	-
	Amounts due from group undertakings	-	-	1,377,935	-
		<hr/>	<hr/>	<hr/>	<hr/>
		4,748,871	3,128,074	19,600,132	3,075,085
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Loan and amounts due from group undertakings are unsecured, interest free and repayable on demand

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS for the year ended 30 June 2012

10 CREDITORS: Amounts falling due within one year	Group		Company	
	30 June 2012 £	30 June 2011 £	30 June 2012 £	30 June 2011 £
Due within one year				
Bank loan	530,786	-	530,786	-
Trade creditors	1,863,931	1,458,461	1,259,491	1,427,976
Taxes and social security costs	232,432	303,376	231,032	303,950
Accruals and deferred income	2,483,429	4,825,626	2,003,465	4,771,309
Corporation tax payable	10,849	35,683	-	-
Amounts due to group undertakings	-	-	-	2,206
	<u>5,121,427</u>	<u>6,623,146</u>	<u>4,024,774</u>	<u>6,505,441</u>
Due within more than one year				
Bank loan	2,601,124	-	2,601,124	-
	<u>2,601,124</u>	<u>-</u>	<u>2,601,124</u>	<u>-</u>

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

The bank loan is denominated in US dollars, is unsecured and bears interest at a fixed rate of 7.0%. Repayment is made in 36 equal monthly instalments from December 2012.

11 CALLED-UP SHARE CAPITAL

	Group & Company	
	30 June 2012 £	30 June 2011 £
Allotted, issued and fully paid		
565,326,861 (2011: 473,927,147) ordinary shares of £0.000004 each	2,261	1,896
21,527,784 (2011: 21,527,784) Preferred "A" shares of £0.20 each	4,305,556	4,305,556
85,709,455 (2011: 85,709,455) Preferred "B" shares of £0.01 each	857,095	857,095
1,066,889,647 (2011: 1,066,889,647) Preferred "C" shares of £0.0001 each	106,689	106,689
231,810,173 (2011: 231,810,173) Preferred "C1" shares of £0.0001 each	23,181	23,181
465,117,290 (2011: 276,965,578) Preferred "C2" shares of £0.000001 each	465	277
140,000,000 (2011: 140,000,000) Founder shares of £0.000004 each	560	560
Nil (2011: Nil) Management Incentive shares of £0.000001 each	-	-
2,046,879,329,317 (2011: 2,046,879,329,317) Deferred shares of £0.0000000001 each	205	205
	<u>5,296,012</u>	<u>5,295,459</u>

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2012

11 CALLED-UP SHARE CAPITAL (CONTINUED)

Throughout the year 91,399,714 ordinary shares were issued for cash. The total nominal value of these shares was £365,60 and total consideration received was £8,954.

In November 2011, the business reacquired certain core IP (see note 6, additions). As part of the consideration for this transaction, 185,499,663 C2 shares were issued with an aggregate value of £11,248,908. The nominal value of these shares was £185.50.

A further 2,652,048 C2 shares were issued throughout the year to other investors at an aggregate value of £163,971. The nominal value of these shares was £2.65.

All shares rank pari passu except

- i) The Preferred "A" shares carry voting rights only in relation to resolutions proposed to holders of each share.
- ii) The Preferred "A" shares, Preferred "B" shares, Preferred "C" shares, Preferred "C1" shares, Preferred "C2" shares and Founders Shares can all be converted into Ordinary shares based on various ratios and conditions as indicated in the company's Articles.
- iii) The Preferred "A" shares, Preferred "B" shares, Preferred "C", Preferred "C1" shares and Preferred "C2" shares are entitled to dividends declared in relation to the Ordinary shares.
- iv) The Founder Shares and Deferred shares have no voting or dividend rights.
- v) The Company has the right at any time to repurchase all Deferred shares at nominal value (£205).

12 SHARE PREMIUM ACCOUNT

	Group and Company	
	30 June 2012	30 June 2011
	£	£
At 1 July	21,750,262	9,474,976
Premium on shares issued during the year	11,418,297	12,529,934
Expenses of share issue	(68,509)	(254,648)
At 30 June	<u>33,100,050</u>	<u>21,750,262</u>

13 WARRANT RESERVE

There are 64,379,449 (2011: 64,379,449) warrants in issue that can be exercised over Preferred "C" shares at an exercise price of £0.0031625 and 8,217,290 (2011: 8,217,290) warrants in issue that can be exercised over Preferred "C1" shares at an exercise price of 0.013971.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2012

14	PROFIT AND LOSS ACCOUNT	Group		Company	
		30 June 2012 £	30 June 2011 £	30 June 2012 £	30 June 2011 £
	At 1 July	(9,238,315)	(8,618,955)	(9,265,946)	(8,618,855)
	Loss for the financial year	(3,325,415)	(619,360)	(2,451,504)	(647,091)
	At 30 June	<u>(12,563,730)</u>	<u>(9,238,315)</u>	<u>(11,717,450)</u>	<u>(9,265,946)</u>

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	30 June 2012 £	30 June 2011 £	30 June 2012 £	30 June 2011 £
Loss for the financial year	(3,325,415)	(619,360)	(2,451,504)	(647,091)
Net proceeds from issue of shares	11,350,341	12,276,836	11,350,341	12,276,836
Increase in FRS 20 reserve	39,971	155,977	39,971	155,977
Net increase in shareholders' funds	<u>8,064,897</u>	<u>11,813,453</u>	<u>8,938,808</u>	<u>11,785,722</u>
Opening shareholders' funds	18,004,470	6,191,017	17,976,839	6,191,117
Closing shareholders' funds	<u>26,069,367</u>	<u>18,004,470</u>	<u>26,915,647</u>	<u>17,976,839</u>

16 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2012 the company had annual commitments under non-cancellable operating leases as follows

	Group and Company	
	30 June 2012 £	30 June 2011 £
Land and buildings within 2- 5 years	281,792	148,582
Within 1 year	211,643	217,280

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2012

17 SHARE BASED PAYMENTS

Restricted stock share scheme

The company operates a restricted stock share scheme. Selected employees of the Company have been offered the rights to purchase restricted shares in the Company at £0.000004.

Restrictions include a four year vesting period, continuous employment and an uncertain future exit event. There are no performance criteria for the stock vesting. The restricted stock vests over a four year period with the first 25% vesting on the first anniversary of issuance and the remaining 75% vesting evenly across the following three years (unless a release event occurs).

The following table sets out the details of the restricted stock shares issued during the year:

Period issued	Vesting period	Subscription price	Number of employees	Number of shares subscribed to
1 July 2011 to 30 June 2012	4 years	£0.000004	2	72,120,970

The fair value of the cost to the company has been calculated by taking into account the price offered from investors at the previous funding rounds together with the historic and future expected performance of the company. The company charges this cost over the vesting life of the related stock instruments. The impact of recognising the fair value of the restricted stock under the restricted stock share scheme as an expense under FRS20 is £28,433.

Restricted stock units activity

The following table summarises activity for restricted stock units during the year:

	Shares	Weighted average exercise price £
Outstanding at beginning of the year	84,793,333	£0.000004
Granted	72,120,970	£0.000004
Outstanding at the end of the year	156,914,303	£0.000004

Of the restricted stock units outstanding at the end of the year 73,447,427 shares had vested.

Share options scheme

The company has established an Enterprise Management Incentive Scheme ("EMI") and an Unapproved Share Option Scheme ("Unapproved"). All options vest over a forty-eight month period and expire on the tenth anniversary from date of grant. All options are granted with a fixed exercise price of £0.000004. The company grants shares throughout the year on an ad-hoc basis. All options granted become exercisable on the following basis:

1/48th of the share options granted on the date falling one month after the grant date and each subsequent month on the same basis thereafter subject to the employee remaining in employment.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2012

17 SHARE BASED PAYMENTS (CONTINUED)

The following table sets out the details of the share options granted during the year

Period issued	Vesting period	Exercise price	Number of employees	Number of options granted
1 July 2011 to 30 June 2012	4 years	£0.000004	91	26,652,000

The fair value of the cost to the company has been calculated by taking into account the price offered from investors at the previous funding rounds together with the historic and future expected performance of the company. The company charges this cost over the vesting life of the related stock instruments. The impact of recognising the fair value of the share options under the 'EMI' and 'Unapproved' schemes as an expense under FRS20 is £11,538

Share options activity

The following table summarises activity for share options during the year

	Shares	Weighted average exercise price £
Outstanding at beginning of the year	62,435,535	£0.000004
Granted	26,652,000	£0.000004
Exercised	(19,278,744)	£0.000004
Forfeited	(819,792)	£0.000004
Outstanding at the end of the year	68,988,999	£0.000004

Of the outstanding share options at the end of the year 38,391,608 shares had vested.

18 RELATED-PARTY TRANSACTIONS

Pilot Group Limited, a company in which John Sykes has a controlling interest, invoiced the company for £158,614 (2011: 12,940) during the year.

Other than the directors emoluments as described in note 4 there were no further related party transactions in the year.

19 PARENT COMPANY RESULTS

Of the loss for the year, a loss of £2,451,504 (2011: £647,091) is dealt with in the accounts of Shazam Entertainment Limited.

20 ULTIMATE CONTROLLING PARTY

The directors do not consider there to be an ultimate controlling party.