

# Shazam Entertainment Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2013

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COMPANIES HOUSE

Company Registration No. 3998831

# Shazam Entertainment Limited

## DIRECTORS AND ADVISERS

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### DIRECTORS

A Fisher  
R Riley (Appointed 22 April 2013)  
K Lovell  
B Hoberman (Appointed 13 Dec 2012)  
N Marovac  
M Murphy  
AJ Pearson (Retired 31 December 2013)  
C Smart  
J Sykes  
C Barton (Appointed 5 December 2013)

### 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

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The directors submit their annual report and the audited consolidated financial statements of Shazam Entertainment Limited for the year ended 30 June 2013

### 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 and tablets 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 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 £31.0m (2012: £21.8m) and a loss before tax of £1.3m (2012 loss before tax £3.0m).

The directors are unable to recommend a dividend in respect of the year ended 30 June 2013 (2012: £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 tablets and is looking to further develop these applications.

In June 2013, the company completed a fund raise. The main investor in this round was America Movil which invested \$20.0m into new shares issued by Shazam and also bought secondary shares from existing shareholders.

In March 2014, the company completed a further fund raise. The main investor in this round was Clifton Capital LP, which together with another subscriber, invested \$10.0 million into new shares issued by Shazam and also led a group of co investors in buying secondary shares from existing shareholders.

The company and group will be changing the financial year end date to 31 December effective 31 December 2013. Consequently a short accounting period from 1 July 2013 to 31 December 2013 will be prepared.

### 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

# Shazam Entertainment Limited

## DIRECTORS' REPORT

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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 and fx transactions to reduce or eliminate downside risk from exchange rate movements. Interest rate fluctuation does not currently significantly affect the company.

### Key performance indicators

Shazam continues to grow consistently and has more than 375 million users worldwide. The business is now generating an average 15 million requests per day. Revenue, as disclosed on page 7, is the main financial 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  
R Riley (Appointed 22 April 2013)  
K Lovell  
B Hoberman (Appointed 13 Dec 2012)  
N Marovac  
M Murphy  
AJ Pearson (Retired 31 December 2013)  
C Smart  
J Sykes  
C Barton (Appointed 5 December 2013)

### 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 £20.0m.

### Statement of directors' responsibilities

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

# Shazam Entertainment Limited

## DIRECTORS' REPORT

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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

24 March 2014

# Shazam Entertainment Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHAZAM ENTERTAINMENT LIMITED

### Report on the financial statements

#### *Our Opinion*

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2013 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.

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

#### *What we have audited*

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

- the group and parent company balance sheet as at 30 June 2013;
- the group profit and loss account for the year then ended;
- the group cash flow statement for the year then ended;
- the accounting policies, and
- the notes to the financial statements, which include other explanatory information.

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

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

#### *What an audit of financial statements involves*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the group's and the 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 and Financial Statements (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.

# Shazam Entertainment Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHAZAM ENTERTAINMENT LIMITED

### 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.

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the 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.

We have no exceptions to report arising from this responsibility.

#### *Directors' remuneration*

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

### Responsibilities for the financial statements and the audit

#### *Our responsibilities and those of the directors*

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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



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

24 March 2014

# Shazam Entertainment Limited

## GROUP PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2013

	Note	Year ended 30 June 2013 £	Year ended 30 June 2012 £
<b>REVENUE</b>	1	<b>31,017,466</b>	<b>21,806,832</b>
Cost of sales		(2,758,058)	(2,349,259)
<b>Gross profit</b>		<b>28,259,408</b>	<b>19,457,573</b>
Recurring administrative expenses		(28,985,803)	(22,388,209)
Share based payment charge	17	(394,831)	(39,971)
Total administrative expenses		(29,380,634)	(22,428,180)
<b>OPERATING LOSS</b>	2	<b>(1,121,226)</b>	<b>(2,970,607)</b>
Interest receivable and similar income	3a	58,162	119,284
Interest payable and similar charges	3b	(214,898)	(126,605)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(1,277,962)</b>	<b>(2,977,928)</b>
Tax on loss on ordinary activities	5	(701,263)	(347,487)
<b>LOSS FOR THE FINANCIAL YEAR</b>	14	<b>(1,979,225)</b>	<b>(3,325,415)</b>

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 2013

	Note	Group 30 June 2013 £	30 June 2012 £	Company 30 June 2013 £	30 June 2012 £
<b>FIXED ASSETS</b>					
Intangible assets	6a 6b	12,277,731	13,793,114	87,616	140,185
Tangible assets	7a 7b	1,305,740	2,445,232	1,199,353	2,370,787
Investments in subsidiaries	8	-	-	27,980	27,979
		<u>13,583,471</u>	<u>16,238,346</u>	<u>1,314,949</u>	<u>2,538,951</u>
<b>CURRENT ASSETS</b>					
Debtors	9	8,885,019	4,748,871	25,281,395	19,600,132
Cash at bank and in hand		23,192,684	12,804,701	18,986,836	11,402,462
		<u>32,077,703</u>	<u>17,553,572</u>	<u>44,268,231</u>	<u>31,002,594</u>
<b>CREDITORS: Amounts falling due within one year</b>	10	<b>(6,621,449)</b>	<b>(5,121,427)</b>	<b>(4,633,701)</b>	<b>(4,024,774)</b>
<b>NET CURRENT ASSETS</b>		<b>25,456,254</b>	<b>12,432,145</b>	<b>39,634,530</b>	<b>26,977,820</b>
<b>CREDITORS: Amounts falling due within more than one year</b>	10	<b>(1,644,737)</b>	<b>(2,601,124)</b>	<b>(1,644,737)</b>	<b>(2,601,124)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>39,039,725</b>	<b>28,670,491</b>	<b>40,949,479</b>	<b>29,516,771</b>
<b>NET ASSETS</b>		<b>37,394,988</b>	<b>26,069,367</b>	<b>39,304,742</b>	<b>26,915,647</b>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	11	3,245,281	5,296,012	3,245,281	5,296,012
Share premium account	12	46,008,939	33,100,050	46,008,939	33,100,050
Capital redemption reserve	12	2,051,857	-	2,051,857	-
Share based payment reserve	17	590,779	195,948	590,779	195,948
Warrant reserve	13	41,087	41,087	41,087	41,087
Profit and loss reserve	14	(14,542,955)	(12,563,730)	(12,633,201)	(11,717,450)
<b>TOTAL SHAREHOLDERS' FUNDS</b>	15	<b>37,394,988</b>	<b>26,069,367</b>	<b>39,304,742</b>	<b>26,915,647</b>

The financial statements on pages 7 to 23 were approved by the board of directors on 24 March 2014 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 2013

	Year ended 30 June 2013 £	Year ended 30 June 2012 £
<b>Reconciliation of operating loss to net cash outflow from operating activities</b>		
Operating loss	(1,121,226)	(2,960,607)
Adjustments for		
Depreciation of tangible fixed assets	1,513,734	1,562,641
Amortisation of intangible assets	1,515,383	1,027,779
Increase in debtors	(4,136,148)	(1,654,776)
Increase/(decrease) in creditors	1,020,122	(1,998,526)
Share based payment charge	394,831	39,971
<b>Net cash outflow from operating activities</b>	<b>(813,304)</b>	<b>(3,983,518)</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	58,162	119,284
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>58,162</b>	<b>119,284</b>
<b>Taxation</b>	<b>(712,112)</b>	<b>(372,600)</b>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(374,243)	(1,409,988)
Purchase of intangible fixed assets	-	(11,223,843)
<b>Net cash outflow for capital expenditure</b>	<b>(374,243)</b>	<b>(12,633,831)</b>
<b>Financing</b>		
Issue of share capital	13,196,506	8,014,554
Expenses of share issue	(285,801)	(68,509)
(Decrease)/increase in borrowings	(476,487)	3,131,910
Interest paid	(214,898)	(126,605)
<b>Net cash inflow from financing</b>	<b>12,219,320</b>	<b>10,951,350</b>
<b>Increase/(decrease) in net cash</b>	<b>10,377,823</b>	<b>(5,919,315)</b>
<b>Reconciliation to net cash</b>		
Net cash at 1 July	12,804,701	18,708,903
Increase/(decrease) in net cash	10,377,823	(5,919,315)
Exchange adjustment	10,160	15,113
<b>Net cash at 30 June</b>	<b>23,192,684</b>	<b>12,804,701</b>

# Shazam Entertainment Limited

## ACCOUNTING POLICIES

For the year ended 30 June 2013

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### 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 2013. 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 2013

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### 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.

### REVENUE

Revenue 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 audio 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.
- (f) Advertising income is recognised evenly over a defined period in accordance with the contractual terms entered into.
- (g) All other income, including subscription & 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 2013

### 1 REVENUE AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's revenue and loss before taxation were all derived from the world wide provision of audio 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 2013 £	Year ended 30 June 2012 £
	<b>Operating loss is stated after charging:</b>		
	Depreciation of tangible fixed assets		
	- owned assets	1,513,734	1,562,641
	Amortisation of intangible fixed assets:		
	- owned assets	1,515,383	1,027,779
	Operating lease rentals.		
	Buildings	1,167,598	631,017
	Other	7,103	3,342
	<b>Services provided by the company's auditor</b>		
	Fees payable to company auditor for the audit of parent company, subsidiary entities and consolidated financial statements	47,000	45,000
	Fees payable to the company's auditor and its associates for other services		
	- Other services	199,692	140,837
		<u>                    </u>	<u>                    </u>

3		Group	
		Year ended 30 June 2013 £	Year ended 30 June 2012 £
	<b>a) INTEREST RECEIVABLE AND SIMILAR INCOME</b>		
	Bank interest receivable	58,162	119,284
	<b>b) INTEREST PAYABLE AND SIMILAR CHARGES</b>		
	Loan interest payable	(214,898)	(126,605)

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

4	EMPLOYEES	Group	
		Year ended 30 June 2013 No.	Year ended 30 June 2012 No.
	The average monthly number of persons (including directors) employed by the group during the year was		
	Management and administration	167	143
		£	£
	Staff costs for above persons:		
	Wages and salaries	11,987,856	9,102,158
	Social security costs	1,298,764	1,080,249
	Share based payment charge (see note 17)	394,831	39,971
	Pension scheme costs	9,159	-
		13,690,610	10,222,378
		£	£
	<b>DIRECTORS' EMOLUMENTS</b>		
	Aggregate emoluments and benefits under long-term incentive schemes (excluding share option schemes)	668,118	535,141
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Emoluments and benefits under long-term incentive schemes	326,076	283,549
		326,076	283,549

Six (2012: 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 (2012: none)

5	TAXATION	Group	
		Year ended 30 June 2013 £	Year ended 30 June 2012 £
	Current tax:		
	UK corporation tax on results of the period	-	-
	Foreign tax	701,263	347,487
	Total current tax	701,263	347,487

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

### 5 TAXATION (CONTINUED)

Factors affecting tax charge for period:	Year ended 30 June 2013 £	Year ended 30 June 2012 £
Loss on ordinary activities before tax	(1,277,962)	(2,977,928)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.75% (2012: 24%)	(303,516)	(714,703)
Effects of:		
Expenses not deductible for tax purposes	111,670	180,789
Capital allowances less than depreciation and other timing differences	319,012	662,421
Foreign tax deduction claimed	(127,166)	(128,507)
Foreign tax suffered	701,263	347,487
<b>Tax on loss on ordinary activities</b>	<b>701,263</b>	<b>347,487</b>

The group has trading losses of approximately £10.7m (2012: £8.4m) 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 £2.5m (2012: £2.0m) 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, on 1 April 2013, the UK corporation tax rate was reduced from 24% to 23%. This change has been substantively enacted at the balance sheet date and, therefore, is included in these financial statements.

On 2 July 2013, the government has enacted a further reduction in the main rate of UK corporation tax to 21% by 1 April 2014 and to 20% by 1 April 2015. This future annual corporation tax reduction is expected to affect the Consolidated Financial Statements.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

<b>6a</b>	<b>INTANGIBLE FIXED ASSETS - GROUP</b>	<b>Intellectual Property Rights £</b>
	<b>Cost at 1 July 2012 and at 30 June 2013</b>	<b>14,890,985</b>
	<b>Amortisation</b>	
	At 1 July 2012	1,097,871
	Charged in the year	1,515,383
	<b>Accumulated amortisation at 30 June 2013</b>	<b>2,613,254</b>
	<b>Net book value</b>	
	At 30 June 2013	<b>12,277,731</b>
	At 30 June 2012	<b>13,793,114</b>

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.

<b>6b</b>	<b>INTANGIBLE FIXED ASSETS - COMPANY</b>	<b>Intellectual Property Rights £</b>
	<b>Cost at 1 July 2012 and at 30 June 2013</b>	<b>262,846</b>
	<b>Amortisation</b>	
	At 1 July 2012	122,661
	Charged in the year	52,569
	<b>Accumulated amortisation at 30 June 2013</b>	<b>175,230</b>
	<b>Net book value</b>	
	At 30 June 2013	<b>87,616</b>
	At 30 June 2012	<b>140,185</b>



# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

7a	TANGIBLE FIXED ASSETS - GROUP	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Fixed assets £
	<b>Cost</b>				
	At 1 July 2012	945,363	4,752,133	162,452	5,859,948
	Additions	80,720	216,557	76,965	374,242
	<b>At 30 June 2013</b>	<b>1,026,083</b>	<b>4,968,690</b>	<b>239,417</b>	<b>6,234,190</b>
	<b>Accumulated depreciation</b>				
	At 1 July 2012	399,066	2,923,628	92,022	3,414,716
	Charged in the year	253,271	1,153,893	106,570	1,513,734
	<b>At 30 June 2013</b>	<b>652,337</b>	<b>4,077,521</b>	<b>198,592</b>	<b>4,928,450</b>
	<b>Net book value</b>				
	At 30 June 2013	<u>373,746</u>	<u>891,169</u>	<u>40,825</u>	<u>1,305,740</u>
	At 30 June 2012	<u>546,297</u>	<u>1,828,505</u>	<u>70,430</u>	<u>2,445,232</u>
7b	TANGIBLE FIXED ASSETS - COMPANY	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Fixed assets £
	<b>Cost</b>				
	At 1 July 2012	867,714	4,725,501	161,278	5,754,493
	Additions	80,720	155,961	39,529	276,210
	<b>At 30 June 2013</b>	<b>948,434</b>	<b>4,881,462</b>	<b>200,807</b>	<b>6,030,703</b>
	<b>Accumulated depreciation</b>				
	At 1 July 2012	389,948	2,902,124	91,634	3,383,706
	Charged in the year	252,937	1,123,497	71,210	1,447,644
	<b>At 30 June 2013</b>	<b>642,885</b>	<b>4,025,621</b>	<b>162,844</b>	<b>4,831,350</b>
	<b>Net book value</b>				
	At 30 June 2013	<u>305,549</u>	<u>855,841</u>	<u>37,963</u>	<u>1,199,353</u>
	At 30 June 2012	<u>477,766</u>	<u>1,823,377</u>	<u>69,644</u>	<u>2,370,787</u>

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

<b>8</b>	<b>INVESTMENTS IN SUBSIDIARIES</b>	<b>Company £</b>
	Shares in group undertakings	
	At 1 July 2012	27,979
	Additions	1
	<b>At 30 June 2013</b>	<b>27,980</b>

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 Media Services (Australia) Pty Ltd*	Australia	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

<b>9</b>	<b>DEBTORS</b>	<b>Group</b>	<b>Company</b>
		30 June 2013	30 June 2012
		£	£
	Due within one year.		
	Trade debtors	4,692,210	2,851,264
	Other debtors	516,676	38,367
	Prepayments and accrued income	3,676,133	1,859,240
	Loan due from group undertakings	-	-
	Amounts due from group undertakings	-	-
		<b>8,885,019</b>	<b>4,748,871</b>
		<b>25,281,395</b>	<b>19,600,132</b>

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 2013

10 CREDITORS: Amounts falling due within one year	Group		Company	
	30 June 2013 £	30 June 2012 £	30 June 2013 £	30 June 2012 £
Due within one year:				
Bank loan	1,010,686	530,786	1,010,686	530,786
Trade creditors	2,750,767	1,863,931	1,937,821	1,259,491
Taxes and social security costs	344,270	232,432	236,522	231,032
Accruals and deferred income	2,515,726	2,483,429	1,448,672	2,003,465
Corporation tax payable	-	10,849	-	-
	<u>6,621,449</u>	<u>5,121,427</u>	<u>4,633,701</u>	<u>4,024,774</u>
Due within more than one year:				
Bank loan	1,644,737	2,601,124	1,644,737	2,601,124
	<u>1,644,737</u>	<u>2,601,124</u>	<u>1,644,737</u>	<u>2,601,124</u>

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

The bank loan is denominated in US dollars, is secured against the assets and undertakings of the company 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 2013 £	30 June 2012 £
Allotted, issued and fully paid:		
683,986,172 (2012: 565,326,861) ordinary shares of £0.000004 each	2,735	2,261
13,138,536 (2012: 21,527,784) Preferred "A" shares of £0.20 each	2,627,707	4,305,556
49,044,362 (2012: 85,709,455) Preferred "B" shares of £0.01 each	490,443	857,095
986,431,623 (2012: 1,066,889,647) Preferred "C" shares of £0.0001 each	98,643	106,689
231,810,173 (2012: 231,810,173) Preferred "C1" shares of £0.0001 each	23,181	23,181
465,117,290 (2012: 465,117,290) Preferred "C2" shares of £0.000001 each	465	465
167,827,889 (2012: Nil) Preferred "C3" shares of £0.000004 each	671	-
167,827,889 (2012: Nil) Preferred "C4" shares of £0.000004 each	671	-
140,000,000 (2012: 140,000,000) Founder shares of £0.000004 each	560	560
Nil (2012: Nil) Management Incentive shares of £0.000001 each	-	-
2,046,879,329,317 (2012: 2,046,879,329,317) Deferred shares of £0.0000000001 each	205	205
	<u>3,245,281</u>	<u>5,296,012</u>

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

### 11 CALLED-UP SHARE CAPITAL (CONTINUED)

Throughout the year 113,673,139 ordinary shares and 167,827,889 preferred ordinary "C3" shares were issued for cash. The nominal value of these shares was £1,126 and the consideration received was £12,910,015.

By ordinary resolution on 21 June 2013 33,597,259 ordinary shares, 8,389,248 preferred ordinary "A", 36,665,093 preferred ordinary "B" and 80,458,024 preferred ordinary "C" shares which were converted into preferred ordinary "C4" shares. As part of this share restructure the company re-purchased 20,520,094,138,700,000 deferred shares for consideration of £0.01 resulting in a capital redemption reserve of £2,051,857 (see note 12).

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, Preferred "C2" share, Preferred "C3" and Preferred "C4" 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 AND CAPITAL REDEMPTION RESERVE

	CRR		Share Premium	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	£	£	£	£
At 1 July	-	-	33,100,050	21,750,262
Premium on shares issued during the year	-	-	13,194,690	11,418,297
Expenses of share issue	-	-	(285,801)	(68,509)
Share re-purchase (see note 11)	2,051,857	-	-	-
<b>At 30 June</b>	<b><u>2,051,857</u></b>	<b><u>-</u></b>	<b><u>46,008,939</u></b>	<b><u>33,100,050</u></b>

### 13 WARRANT RESERVE

There are 64,379,449 (2012: 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 (2012: 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 2013

14	PROFIT AND LOSS ACCOUNT	Group		Company	
		30 June 2013 £	30 June 2012 £	30 June 2013 £	30 June 2012 £
	At 1 July	(12,563,730)	(9,238,315)	(11,717,450)	(9,265,946)
	Loss for the financial year	(1,979,225)	(3,325,415)	(915,751)	(2,451,504)
	At 30 June	<u>(14,542,955)</u>	<u>(12,563,730)</u>	<u>(12,633,201)</u>	<u>(11,717,450)</u>

## 15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	30 June 2013 £	30 June 2012 £	30 June 2013 £	30 June 2012 £
Loss for the financial year	(1,979,225)	(3,325,415)	(915,751)	(2,451,504)
Net proceeds from issue of shares	12,910,015	11,350,341	12,910,015	11,350,341
Increase in FRS 20 reserve	394,831	39,971	394,831	39,971
Net increase in shareholders' funds	<u>11,325,621</u>	<u>8,064,897</u>	<u>12,389,095</u>	<u>8,938,808</u>
Opening shareholders' funds	26,069,367	18,004,470	26,915,647	17,976,839
Closing shareholders' funds	<u>37,394,988</u>	<u>26,069,367</u>	<u>39,304,742</u>	<u>26,915,647</u>

## 16 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2013 the company had annual commitments under non-cancellable operating leases as follows

	Group and Company	
	30 June 2013 £	30 June 2012 £
Land and buildings within 2- 5 years	683,058	281,792
Within 1 year	<u>123,411</u>	<u>211,643</u>

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

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### 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 2012 to 30 June 2013	4 years	£0.000004	4	135,744,582

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 FR520 is £349,442

#### *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	156,914,303	£0.000004
Granted/Lapsed	135,744,582	£0.000004
Outstanding at the end of the year	292,658,885	£0.000004

Of the restricted stock units outstanding at the end of the year 110,073,708 shares had vested

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

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### 17 SHARE BASED PAYMENTS (CONTINUED)

#### 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.

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 2012 to 30 June 2013	4 years	£0.000004	39	5,800,000

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 £45,389.

#### 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	68,988,999	£0.000004
Granted	5,800,000	£0.000004
Exercised	(16,512,988)	£0.000004
Forfeited	(313,541)	£0.000004
Outstanding at the end of the year	57,962,464	£0.000004

Of the outstanding share options at the end of the year 51,864,066 shares had vested

### 18 RELATED-PARTY TRANSACTIONS

There are no related party transactions in the year

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2013

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### 19 PARENT COMPANY RESULTS

Of the loss for the year, a loss of £915,751 (2012: £2,451,504) is dealt with in the profit and loss account of Shazam Entertainment Limited

### 20 ULTIMATE CONTROLLING PARTY

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

### 21 SUBSEQUENT EVENTS

On 3 March 2014, 66,737,140 of ordinary shares were issued for \$10 0m (c£6.0m).