

Shazam Entertainment Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the period ended 31 December 2013

Company Registration No. 3998831

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COMPANIES HOUSE

Shazam Entertainment Limited

DIRECTORS AND ADVISERS

DIRECTORS

A Fisher
R Riley
K Lovell
B Hoberman
N Marovac
M Murphy
C Smart
J Sykes
C Barton (Appointed 20 September 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

The directors submit their annual report and the audited consolidated financial statements of Shazam Entertainment Limited for the 6 month period ended 31 December 2013.

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 period was the worldwide 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.

Results and dividends

The results for the Group show turnover for the six month period ended 31 December 2013 of £16.9m (year ended 30 June 2013: £31.0m) and a loss on ordinary activities before taxation of £5.3m (year ended 30 June 2013: loss before tax: £1.3m).

The directors are unable to recommend a dividend in respect of the period ended 31 December 2013 (year ended 30 June 2013: £nil).

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.

Directors

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

A Fisher
R Riley
K Lovell
B Hoberman
N Marovac
M Murphy
AJ Pearson (Retired 5 December 2013)
C Smart
J Sykes
C Barton (Appointed 20 September 2013)
L Zalaznick (Appointed 9 April 2014)

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 period Directors' and Officers' liability insurance of £20.0m.

Shazam Entertainment Limited

DIRECTORS' REPORT

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 and the group 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 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:

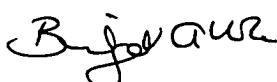
(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(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

16 September 2014

Shazam Entertainment Limited

STRATEGIC REPORT

Business review

During the period 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 turnover for the six month period ended 31 December 2013 of £16.9m (year ended 30 June 2013: £31.0m) and a loss on ordinary activities before taxation of £5.3m (year ended 30 June 2013: loss before tax: £1.3m).

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.

Subsequent to the period end, 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 have changed the financial year end date from 30 June to 31 December effective 31 December 2013. Consequently a short accounting period from 1 July 2013 to 31 December 2013 has been prepared.

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

Shazam Entertainment Limited

STRATEGIC REPORT

Key performance indicators

Shazam continues to grow consistently and has more than 500 million users worldwide. The business is now generating an average 19 million requests per day, and has recently surpassed 100 million monthly active users. Turnover, 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.

On behalf of the board



B. Kerle
Company Secretary

16 September 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 31 December 2013 and of the group's loss and cash flows for the period 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 sheets as at 31 December 2013;
- the group profit and loss account for the period then ended;
- the group cash flow statement for the period 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 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period 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

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 Statement of directors' responsibilities, 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
16 September 2014

Shazam Entertainment Limited

GROUP PROFIT AND LOSS ACCOUNT

For the period ended 31 December 2013

	Note	Six months Period ended 31 December 2013 £	Year ended 30 June 2013 £
TURNOVER	1	16,889,630	31,017,466
Cost of sales		(1,145,054)	(2,758,058)
Gross profit		<u>15,744,576</u>	<u>28,259,408</u>
Recurring administrative expenses		(18,904,492)	(28,985,803)
Share based payment charge	19	(1,978,790)	(394,831)
Administrative expenses		<u>(20,883,282)</u>	<u>(29,380,634)</u>
OPERATING LOSS	2	<u>(5,138,706)</u>	<u>(1,121,226)</u>
Interest receivable and similar income	3a	22,020	58,162
Interest payable and similar charges	3b	(185,557)	(214,898)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(5,302,243)</u>	<u>(1,277,962)</u>
Tax on loss on ordinary activities	5	(457,613)	(701,263)
LOSS FOR THE FINANCIAL PERIOD/YEAR	14	<u><u>(5,759,856)</u></u>	<u><u>(1,979,225)</u></u>

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.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial period/year stated above and their historical costs equivalents.

Shazam Entertainment Limited
GROUP AND PARENT COMPANY BALANCE SHEETS
For the period ended 31 December 2013

	Note	Group 31 December 2013 £	30 June 2013 £	Company 31 December 2013 £	30 June 2013 £
FIXED ASSETS					
Intangible assets	6a 6b	11,520,039	12,277,731	61,331	87,616
Tangible assets	7a 7b	1,692,814	1,305,740	1,321,075	1,199,353
Investments	8	-	-	27,980	27,980
		<u>13,212,853</u>	<u>13,583,471</u>	<u>1,410,386</u>	<u>1,314,949</u>
CURRENT ASSETS					
Debtors	9	9,059,881	8,885,019	39,450,098	25,281,395
Cash at bank and in hand		19,343,772	23,192,684	15,954,278	18,986,836
		<u>28,403,653</u>	<u>32,077,703</u>	<u>55,404,376</u>	<u>44,268,231</u>
CREDITORS: Amounts falling due within one year	10	<u>(6,764,961)</u>	<u>(6,621,449)</u>	<u>(18,147,527)</u>	<u>(4,633,701)</u>
NET CURRENT ASSETS		<u>21,638,692</u>	<u>25,456,254</u>	<u>37,256,849</u>	<u>39,634,530</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>34,851,545</u>	<u>39,039,725</u>	<u>38,667,235</u>	<u>40,949,479</u>
CREDITORS: Amounts falling due after more than one year	10	<u>(996,901)</u>	<u>(1,644,737)</u>	<u>(996,901)</u>	<u>(1,644,737)</u>
NET ASSETS		<u>33,854,644</u>	<u>37,394,988</u>	<u>37,670,334</u>	<u>39,304,742</u>
CAPITAL AND RESERVES					
Called up share capital	11	3,245,229	3,245,281	3,245,229	3,245,281
Share premium account	12	46,270,447	46,008,939	46,270,447	46,008,939
Capital redemption reserve	12	2,051,857	2,051,857	2,051,857	2,051,857
Share based payments		2,548,835	590,779	2,548,835	590,779
Warrant reserve	13	41,087	41,087	41,087	41,087
Profit and loss account	14	(20,302,811)	(14,542,955)	(16,487,121)	(12,633,201)
TOTAL SHAREHOLDERS' FUNDS	15	<u>33,854,644</u>	<u>37,394,988</u>	<u>37,670,334</u>	<u>39,304,742</u>

The financial statements on pages 8 to 25 were approved by the board of directors on 16 September 2014 and were signed on its behalf by:


Keith Lovell
Director

Registered number: 3998831

Shazam Entertainment Limited

GROUP CASH FLOW STATEMENT

For the period ended 31 December 2013

	Note	Six months Period ended 31 December 2013 £	Year ended 30 June 2013 £
Net cash outflow from operating activities	16	(1,799,359)	(813,304)
Returns on investments and servicing of finance			
Interest received		22,020	58,162
Net cash inflow from returns on investments and servicing of finance		22,020	58,162
Taxation		(457,613)	(712,112)
Capital expenditure			
Purchase of tangible fixed assets		(1,007,503)	(374,243)
Net cash outflow for capital expenditure		(1,007,503)	(374,243)
Financing			
Issue of share capital		249,789	13,196,506
Expenses of share issue		-	(285,801)
Decrease in borrowings		(661,622)	(476,487)
Interest paid		(185,557)	(214,898)
Net cash (outflow)/inflow from financing		(597,390)	12,219,320
(Decrease)/Increase in net cash	17	(3,839,845)	10,377,823
Net cash at 1 July / at 1 January		23,192,684	12,804,701
Increase in net cash		(3,839,845)	10,377,823
Exchange adjustment		(9,067)	10,160
Net cash at 31 December/30 June		19,343,772	23,192,684

Shazam Entertainment Limited

ACCOUNTING POLICIES

For the period ended 31 December 2013

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 period.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 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 period ended 31 December 2013

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 in 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 period. 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 audio recognition services carried out in a period. 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 period ended 31 December 2013

4	EMPLOYEES	Group Six months Period ended 31 December 2013 No.	Year ended 30 June 2013 No.
	The average monthly number of persons (including directors) employed by the group during the period was:		
	Management and administration	197	167
		£	£
	Staff costs for above persons:		
	Wages and salaries	6,656,007	11,987,856
	Social security costs	770,810	1,298,764
	Share based payment charge (see note 17)	1,978,790	394,831
	Other pension costs	85,590	9,159
		<u>9,491,197</u>	<u>13,690,610</u>
		£	£
	DIRECTORS' EMOLUMENTS		
	Aggregate emoluments and benefits under long-term incentive schemes (excluding share option schemes)	573,753	668,118
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Emoluments and benefits under long-term incentive schemes	262,598	326,076
		<u>262,598</u>	<u>326,076</u>

Six (year ended 30 June 2013: six) statutory directors are entitled to benefits under share schemes. The highest paid director did not exercise any share options in the period.

Two of the directors are accruing benefits under a defined contribution pension scheme (year ended 30 June 2013: none).

5	TAXATION	Group Six months Period ended 31 December 2013 £	Year ended 30 June 2013 £
	Current tax:		
	UK corporation tax on results of the period	-	-
	Foreign tax	457,613	701,263
	Total current tax	<u>457,613</u>	<u>701,263</u>

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the period ended 31 December 2013

5 TAXATION (CONTINUED)

The tax assessed for the period is higher (30 June 2013: higher) than the standard rate of corporation tax in the UK (23%).

Factors affecting tax charge for period:	Six months Period ended 31 December 2013 £	Year ended 30 June 2013 £
Loss on ordinary activities before tax	(5,302,243)	(1,277,962)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (year ended 30 June 2013: 23.75%)	(1,219,516)	(303,516)
Effects of:		
Expenses not deductible for tax purposes	509,194	111,670
Tax loss not utilised	611,346	-
Capital allowances less than depreciation and other timing differences	142,699	319,012
Foreign tax deduction claimed	(43,723)	(127,166)
Foreign tax suffered	457,613	701,263
Tax on loss on ordinary activities	457,613	701,263

The group has trading losses of approximately £7.4m (year ended 30 June 2013: £4.7m) 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 £1.7m (year ended 30 June 2013: £1.1m) 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

On 17 July 2013, the government enacted a 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 period ended 31 December 2013

6a	INTANGIBLE FIXED ASSETS - GROUP	Intellectual Property Rights £
	Cost at 1 July 2013 and at 31 December 2013	14,890,985
	Amortisation	
	At 1 July 2013	2,613,254
	Charged in the period	757,692
	Accumulated amortisation at 31 December 2013	3,370,946
	Net book value	
	At 31 December 2013	11,520,039
	At 30 June 2013	12,277,731

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 2013 and at 31 December 2013	262,846
	Amortisation	
	At 1 July 2013	175,230
	Charged in the period	26,285
	Accumulated amortisation at 31 December 2013	201,515
	Net book value	
	At 31 December 2013	61,331
	At 30 June 2013	87,616

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the period ended 31 December 2013

7a	TANGIBLE FIXED ASSETS - GROUP	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Fixed assets £
	Cost				
	At 1 July 2013	1,026,083	4,968,690	239,417	6,234,190
	Additions	<u>766,935</u>	<u>98,530</u>	<u>142,038</u>	<u>1,007,503</u>
	At 31 December 2013	<u>1,793,018</u>	<u>5,067,220</u>	<u>381,455</u>	<u>7,241,693</u>
	Accumulated depreciation				
	At 1 July 2013	652,337	4,077,521	198,592	4,928,450
	Charged in the period	<u>110,757</u>	<u>456,651</u>	<u>53,021</u>	<u>620,429</u>
	At 31 December 2013	<u>763,094</u>	<u>4,534,172</u>	<u>251,613</u>	<u>5,548,879</u>
	Net book value				
	At 31 December 2013	<u>1,029,924</u>	<u>533,048</u>	<u>129,842</u>	<u>1,692,814</u>
	At 30 June 2013	<u>373,746</u>	<u>891,169</u>	<u>40,825</u>	<u>1,305,740</u>
7b	TANGIBLE FIXED ASSETS - COMPANY	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Fixed assets £
	Cost				
	At 1 July 2013	948,434	4,881,462	200,807	6,030,703
	Additions	<u>535,525</u>	<u>83,686</u>	<u>74,576</u>	<u>693,787</u>
	At 31 December 2013	<u>1,483,959</u>	<u>4,965,148</u>	<u>275,383</u>	<u>6,724,490</u>
	Accumulated depreciation				
	At 1 July 2013	642,885	4,025,621	162,844	4,831,350
	Charged in the period	<u>106,209</u>	<u>437,016</u>	<u>28,840</u>	<u>572,065</u>
	At 31 December 2013	<u>749,094</u>	<u>4,462,637</u>	<u>191,684</u>	<u>5,403,415</u>
	Net book value				
	At 31 December 2013	<u>734,865</u>	<u>502,511</u>	<u>83,699</u>	<u>1,321,075</u>
	At 30 June 2013	<u>305,549</u>	<u>855,841</u>	<u>37,963</u>	<u>1,199,353</u>

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS
for the period ended 31 December 2013

8	INVESTMENTS IN SUBSIDIARIES	Company £
	Shares in group undertakings	
	At 1 July 2013	27,980
	Additions	-
		<hr/>
	At 31 December 2013	27,980
		<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 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

9	DEBTORS	Group	Company	
	31 December	30 June	31 December	30 June
	2013	2013	2013	2013
	£	£	£	£
	Due within one year:			
	Trade debtors	4,692,210	1,360,976	2,774,559
	Amounts owed by group undertakings	-	-	99,560
	Other debtors	516,676	270,185	147,666
	Prepayments and accrued income	3,676,133	4,293,369	3,559,546
	Loan due from group undertakings	-	33,525,568	18,700,064
	<hr/>	<hr/>	<hr/>	<hr/>
	9,059,881	8,885,019	39,450,098	25,281,395
	<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 period ended 31 December 2013

10	CREDITORS: Amounts falling due within one year	Group		Company	
		31 December 2013	30 June 2013	31 December 2013	30 June 2013
		£	£	£	£
	Due within one year:				
	Bank loans and overdrafts	996,901	1,010,686	996,901	1,010,686
	Trade creditors	1,651,423	2,750,767	1,309,914	1,937,821
	Amounts owed to group undertakings	-	-	12,876,694	-
	Other taxation and social security	335,109	344,270	305,980	236,522
	Accruals and deferred income	3,781,528	2,515,726	2,658,038	1,448,672
	Corporation tax payable	-	-	-	-
		<u>6,764,961</u>	<u>6,621,449</u>	<u>18,147,527</u>	<u>4,633,701</u>
	CREDITORS: Amounts falling due after more than one year				
	Due within more than one year:				
	Bank loans and overdrafts	996,901	1,644,737	996,901	1,644,737
		<u>996,901</u>	<u>1,644,737</u>	<u>996,901</u>	<u>1,644,737</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.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the period ended 31 December 2013

11 CALLED-UP SHARE CAPITAL

	Group & Company	
	31 December 2013 £	30 June 2013 £
Allotted, issued and fully paid:		
667,526,172 (30 June 2013: 683,986,172) ordinary shares of £0.000004 each	2,670	2,735
13,138,536 (30 June 2013: 13,138,536) Preferred "A" shares of £0.20 each	2,627,707	2,627,707
49,044,362 (30 June 2013: 49,044,362) Preferred "B" shares of £0.01 each	490,443	490,443
986,431,623 (30 June 2013: 986,431,623) Preferred "C" shares of £0.0001 each	98,643	98,643
231,810,173 (30 June 2013: 231,810,173) Preferred "C1" shares of £0.0001 each	23,181	23,181
465,117,290 (30 June 2013: 465,117,290) Preferred "C2" shares of £0.000001 each	465	465
171,026,077 (30 June 2013: 167,827,889) Preferred "C3" shares of £0.000004 each	684	671
167,827,889 (30 June 2013: 167,827,889) Preferred "C4" shares of £0.000004 each	671	671
140,000,000 (30 June 2013: 140,000,000) Founder shares of £0.000004 each	560	560
2,046,879,329,317 (30 June 2013: 2,046,879,329,317) Deferred shares of £0.0000000001 each	205	205
	3,245,229	3,245,281
	3,245,229	3,245,281

During the period 3,198,188 preferred ordinary "C3" shares were issued for cash. The nominal value of these shares was £13 and the consideration received was £249,789.

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).

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS
for the period ended 31 December 2013

12 SHARE PREMIUM ACCOUNT AND CAPITAL REDEMPTION RESERVE

	Group & Company			
	CRR		Share Premium	
	31	30 June	31	30 June
	December	2013	December	2013
	2013	2013	2013	2013
	£	£	£	£
At 1 July/1 January	2,051,857	-	46,008,939	33,100,050
Premium on shares issued during the period	-	-	240,774	13,194,690
Expenses of share issue	-	-	-	(285,801)
Transfer from FRS20 reserve	-	-	20,734	-
Share re-purchase	-	2,051,857	-	-
At 31 December/30 June	<u>2,051,857</u>	<u>2,051,857</u>	<u>46,270,447</u>	<u>46,008,939</u>

13 WARRANT RESERVE

There are 64,379,449 (year ended 30 June 2013: 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 (year ended 30 June 2013: 8,217,290) warrants in issue that can be exercised over Preferred "C1" shares at an exercise of 0.013971.

14 PROFIT AND LOSS ACCOUNT

	Group		Company	
	31 December	30 June	31 December	30 June
	2013	2013	2013	2013
	£	£	£	£
At 1 July/1 January	(14,542,955)	(12,563,730)	(12,633,201)	(11,717,450)
Loss for the financial period/year	(5,759,856)	(1,979,225)	(3,853,920)	(915,751)
At 31 December/30 June	<u>(20,302,811)</u>	<u>(14,542,955)</u>	<u>(16,487,121)</u>	<u>(12,633,201)</u>

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the period ended 31 December 2013

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	31 December 2013 £	30 June 2013 £	31 December 2013 £	30 June 2013 £
Loss for the financial period/year	(5,759,856)	(1,979,225)	(3,853,920)	(915,751)
Net proceeds from issue of shares	261,456	12,910,015	261,456	12,910,015
Increase in FRS 20 reserve	1,958,056	394,831	1,958,056	394,831
Net (decrease)/increase in shareholders' funds	(3,540,344)	11,325,621	(1,634,408)	12,389,095
Opening total shareholders' funds	37,394,988	26,069,367	39,304,742	26,915,647
Closing total shareholders' funds	33,854,644	37,394,988	37,670,334	39,304,742

16 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Period ended 31 December 2013 £	Year ended 30 June 2013 £
Operating loss	(5,138,706)	(1,121,226)
Adjustments for:		
Depreciation of tangible fixed assets	620,429	1,513,734
Amortisation of intangible assets	757,692	1,515,383
Increase in debtors	(174,862)	(4,136,148)
Increase in creditors	157,298	1,020,122
Share based payment charge	1,978,790	394,831
Net cash outflow from operating activities	(1,799,359)	(813,304)

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the period ended 31 December 2013

17 ANALYSIS OF NET DEBT

	1 July 2013	Cash flow	Exchange movements	31 December 2013
	£	£	£	£
Cash in hand and at bank	23,192,684	(3,839,845)	(9,067)	19,343,772
Bank loans:				
Debt due after 1 year	(1,644,737)	647,836	-	(996,901)
Debt due within 1 year	(1,010,686)	13,785	-	(996,901)
Net debt	<u>20,537,261</u>	<u>(3,178,224)</u>	<u>(9,067)</u>	<u>17,349,970</u>

18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Group and Company	
	31 December 2013	30 June 2013
	£	£
Other		
within 2- 5 years	937,850	683,058
Within 1 year	185,075	123,411

19 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).

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS
for the period ended 31 December 2013

19 SHARE BASED PAYMENTS (CONTINUED)

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

Period issued	Vesting period	Subscription price	Number of employees	Number of shares subscribed to
1 July 2013 to 31 December 2013	4 years	£0.000004	nil	nil

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 £1,556,415 in the period.

Restricted stock units activity

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

	Shares	Weighted average exercise price £
Outstanding at beginning of the period	292,658,885	£0.000004
Leavers	(61,660,000)	£0.000004
Outstanding at the end of the period	230,998,885	£0.000004

Of the restricted stock units outstanding at the end of the period 93,195,961 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 granted prior to 1 April 2013 have a fixed exercise price of £0.000004; those granted after 1 April 2013 have a fixed exercise price of £0.02/\$0.03. One executive has been granted options with a fixed exercise price of £0.106. The company grants shares throughout the period 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 period ended 31 December 2013

19 SHARE BASED PAYMENTS (CONTINUED)

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

Period issued	Vesting period	Exercise price	Number of employees	Number of options granted
1 July 2013 to 31 December 2013	4 years	£0.000004	8	1,850,000
1 July 2013 to 31 December 2013	4 years	£0.02/\$0.03	76	53,350,000
1 July 2013 to 31 December 2013	4 years	£0.106	1	44,054,821

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 £422,375.

Share options activity

The following table summarises activity for share options during the period:

	Shares	Weighted average exercise price £
Outstanding at beginning of the period	57,962,464	£0.000004
Granted	99,254,821	£0.0578
Exercised	(3,176,101)	£0.000004
Lapsed	(224,574)	£0.000004
Outstanding at the end of the period	153,816,610	£0.03730

Of the outstanding share options at the end of the period 44,708,862 shares had vested.

20 RELATED-PARTY TRANSACTIONS

There are no related party transactions in the year.

21 PARENT COMPANY RESULTS

Of the loss for the period, a loss of £3,853,920 (year ended 30 June 2013: £915,751) is dealt with in the profit and loss account of Shazam Entertainment Limited.

22 ULTIMATE CONTROLLING PARTY

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

23 SUBSEQUENT EVENTS

On 3 March 2014, 66,737,140 ordinary shares were issued for \$10.0m (c£6.0m).