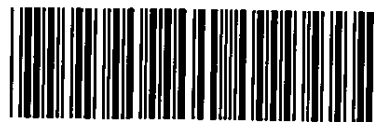


Shazam Entertainment Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2011

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COMPANIES HOUSE

Company Registration No. 3998831

Shazam Entertainment Limited

DIRECTORS AND ADVISERS

DIRECTORS

A Fisher

K Lovell

N Marovac

P Parodi

(Resigned 28 February 2011)

AJ Pearson

C Smart

CS Wong

(Resigned 31 May 2011)

J Sykes

(Appointed 1 February 2011)

M Murphy

(Appointed 12 May 2011)

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 2011

Business review and principal activities

The principal activity of the Group and Company during the period was the world wide provision of music recognition services via mobile phone. Shazam also continued to develop and improve methodology and systems for real time music identification via smart client applications on mobile phones and also has an integrated web presence.

Shazam's mission is to be the world's leading media discovery company connecting people with everyday content and brands.

During the year the Group continued rapidly expanding the international distribution of its services with significant contracts with major networks, manufacturers and 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 £15.60m (2010: £10.59m) and a loss before tax of £0.28m (2010 loss before tax: £0.35m). The Group is debt free.

A funding round was completed during the year co-led by leading USA venture capital firms Kleiner Perkins Caulfield & Byers and Institutional Venture Partners.

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

Research and future developments

Shazam continues to develop and improve methodology and systems for real time music and TV/advertising identification 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, issued shares and issued loan stock.

Future outlook

The commercial environment is likely to remain competitive, but the directors are confident that Shazam will continue to successfully 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.

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

Shazam Entertainment Limited

DIRECTORS' REPORT

expenses. Interest rate fluctuation does not currently affect the company as there are no borrowings, and the interest income on deposits is not material to the financial results.

Donations

The Group made total contributions to various charitable causes, including The Alliance for Climate Protection, of £8,821 (2010: nil) during the year

Key Performance Indicators

Shazam continues to consistently add new users at the rate of more than 1 million per week and announced in April 2011 that total users were approaching 150 million worldwide. The business is generating over 120 million requests every month. 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 this report, unless otherwise stated:

A Fisher	
K Lovell	
N Marovac	
P Parodi	(Resigned 28 February 2011)
AJ Pearson	
C Smart	
CS Wong	(Resigned 31 May 2011)
J Sykes	(Appointed 1 February 2011)
M Murphy	(Appointed 12 May 2011)

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:

Shazam Entertainment Limited

DIRECTORS' REPORT

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

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
13 February 2012

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 2011 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 Directors' Responsibilities Statement set out on pages 3 and 4 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 2011 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
13 February 2012

Shazam Entertainment Limited

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2011

	Note	Year ended 30 June 2011 £	Year ended 30 June 2010 £
TURNOVER	1	15,600,410	10,587,713
Cost of sales		(932,218)	(516,914)
Gross profit		<u>14,668,192</u>	<u>10,070,799</u>
Recurring administrative expenses:		(14,828,794)	(10,498,690)
Share based payment charge	18	(155,977)	-
Total administrative expenses		<u>(14,984,771)</u>	<u>(10,498,690)</u>
OPERATING LOSS	2	<u>(316,579)</u>	<u>(427,891)</u>
Profit on disposal of fixed assets	3	-	34,000
Interest receivable	4a	79,099	38,745
Interest payable	4b	(41,087)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(278,567)</u>	<u>(355,146)</u>
Tax on loss on ordinary activities	6	(340,793)	(280,220)
LOSS FOR THE FINANCIAL YEAR	15	<u>(619,360)</u>	<u>(635,366)</u>

All results derive from continuing operations

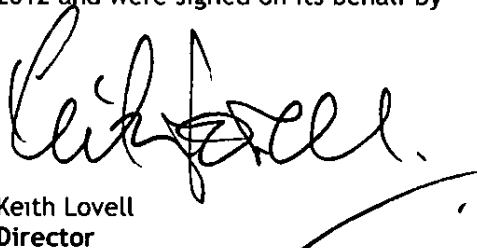
The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

Shazam Entertainment Limited
GROUP AND PARENT COMPANY BALANCE SHEETS
At 30 June 2011

Company Registration No. 3998831

	Note	Group		Company	
		30 June 2011 £	30 June 2010 £	30 June 2011 £	30 June 2010 £
FIXED ASSETS					
Intangible assets	7	192,754	245,323	192,754	245,323
Tangible assets	8a 8b	2,597,885	1,863,523	2,589,168	1,863,523
Investments in subsidiaries	9	-	-	27,977	100
		<u>2,790,639</u>	<u>2,108,846</u>	<u>2,809,899</u>	<u>2,108,946</u>
CURRENT ASSETS					
Debtors	10	3,128,074	2,528,359	3,075,085	2,528,359
Cash at bank and in hand		18,708,903	7,171,902	18,597,296	7,171,902
		<u>21,836,977</u>	<u>9,700,261</u>	<u>21,672,381</u>	<u>9,700,261</u>
CREDITORS: Amounts falling due within one year	11	(6,623,146)	(5,618,090)	(6,505,441)	(5,618,090)
NET CURRENT ASSETS		<u>15,213,831</u>	<u>4,082,171</u>	<u>15,166,940</u>	<u>4,082,171</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>18,004,470</u>	<u>6,191,017</u>	<u>17,976,839</u>	<u>6,191,117</u>
CAPITAL AND RESERVES					
Called up share capital	12	5,322,878	5,293,909	5,322,878	5,293,909
Share premium account	13	21,722,843	9,474,976	21,722,843	9,474,976
Share based payment reserve	18	155,977	-	155,977	-
Warrant reserve	14	41,087	41,087	41,087	41,087
Profit and loss reserve	15	(9,238,315)	(8,618,955)	(9,265,946)	(8,618,855)
TOTAL SHAREHOLDERS' FUNDS	16	<u>18,004,470</u>	<u>6,191,017</u>	<u>17,976,839</u>	<u>6,191,117</u>

The financial statements on pages 7 to 21 were approved by the board of directors on 13 February 2012 and were signed on its behalf by


 Keith Lovell
 Director

Shazam Entertainment Limited

GROUP CASH FLOW STATEMENT

For the year ended 30 June 2011

	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Reconciliation of operating loss to net cash inflow from operating activities		
Operating loss	(316,579)	(427,891)
Adjustments for		
Depreciation of tangible fixed assets	1,047,585	550,866
Amortisation of intangible assets	52,569	17,523
(Increase) / decrease in debtors	(598,898)	738,987
Increase in creditors	966,586	2,409,936
Share based payment charge	155,977	-
Net cash inflow from operating activities	1,307,240	3,289,421
Returns on investments and servicing of finance		
Interest received	38,012	38,745
Net cash inflow from returns on investments and servicing of finance	38,012	38,745
Taxation	(305,110)	(280,220)
Capital expenditure		
Purchase of tangible fixed assets	(1,781,947)	(1,827,849)
Purchase of intangible fixed assets	-	(262,846)
Sale of fixed assets	-	34,000
Net cash outflow for capital expenditure	(1,781,947)	(2,056,695)
Financing		
Issue of share capital	12,536,022	3,215,228
Expenses of share issue	(254,648)	(125,577)
Net cash inflow from financing	12,281,374	3,089,651
Increase in net cash	11,539,569	4,080,902
Reconciliation to net cash		
Net cash at 1 July	7,171,902	3,091,000
Increase in net cash	11,539,569	4,080,902
Exchange adjustment	2,652	-
Net cash at 30 June	18,714,123	7,171,902

Shazam Entertainment Limited

ACCOUNTING POLICIES

For the year ended 30 June 2011

BASIS OF ACCOUNTING

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain tangible fixed assets 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 accounts include the accounts of the company and its subsidiary undertakings made up to 30 June 2011 under the acquisition method of accounting. 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 5 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 2011

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 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.
- (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. 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 2011

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	Year ended 30 June 2011 £	Group Year ended 30 June 2010 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets - owned assets	1,047,585	550,866
Amortisation of intangible fixed assets - owned assets	52,569	17,523
Operating lease rentals		
Buildings	296,021	160,589
Other	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	36,000	30,000
Fees payable to the company's auditor and its associates for other services:		
- Other services	150,700	24,900
	<u> </u>	<u> </u>

3 PROFIT ON DISPOSAL OF FIXED ASSETS	Year ended 30 June 2011 £	Group Year ended 30 June 2010 £
Net profit on disposal of intellectual property and contracts	-	34,000
	<u> </u>	<u> </u>

4	Year ended 30 June 2011 £	Group Year ended 30 June 2010 £
a) INTEREST RECEIVABLE		
Bank interest receivable	79,099	38,745
b) INTEREST PAYABLE		
Other interest payable	(41,087)	-

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2011

5	EMPLOYEES	Group Year ended 30 June 2011 No.	Year ended 30 June 2010 No.
	The average monthly number of persons (including directors) employed by the company during the year was		
	Management and administration	92	57
		£	£
	Staff costs for above persons:		
	Wages and salaries	5,837,152	3,631,774
	Social security costs	664,912	409,733
	Share based payment charge (see note 18)	155,977	-
		<u>6,658,041</u>	<u>4,041,507</u>
		Year ended 30 June 2011 £	Year ended 30 June 2010 £
	DIRECTORS' EMOLUMENTS		
	Aggregate emoluments and benefits under long-term incentive schemes	<u>971,369</u>	<u>780,490</u>
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Emoluments and benefits under long-term incentive schemes	324,243	283,576
	Compensation for loss of office	36,283	-
		<u>360,526</u>	<u>283,576</u>

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

6	TAXATION	Group Year ended 30 June 2011 £	Year ended 30 June 2010 £
	Current tax:		
	UK corporation tax on results of the period	-	-
	Foreign tax	340,793	280,220
	Total current tax	<u>340,793</u>	<u>280,220</u>

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2011

6 TAXATION (CONTINUED)

Factors affecting tax charge for period:	Year ended 30 June 2011 £	Year ended 30 June 2010 £
Loss on ordinary activities before tax	(278,567)	(355,146)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010: 28%)	(72,427)	(99,441)
Effects of		
Expenses not deductible for tax purposes	72,390	25,530
Capital allowances less than depreciation and other timing differences	127,203	(127,234)
Other timing differences	-	232,894
Foreign tax deduction claimed	(127,166)	(31,749)
Foreign tax suffered	340,793	280,220
Tax current tax	340,793	280,220

The company has trading losses of approximately £8.7m (2010: £7.3m) 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 £2.3m (2010: £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

On the 23 March 2011 it was announced that a corporation tax rate decrease of 26% would be effective from 1 April 2011. This will affect future recognition of deferred assets & liabilities.

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are expected to be enacted separately each year and propose to reduce the rate by 1% per annum to 23% by 1 April 2014. These further 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 2011

7	INTANGIBLE FIXED ASSETS - Group and Company			Intellectual Property Rights £	
	Cost at 1 July 2010 and at 30 June 2011			262,846	
	Amortisation				
	At 1 July 2010			17,523	
	Charged in the year			52,569	
	Accumulated amortisation at 30 June 2011			70,092	
	Net book value				
	At 30 June 2011			192,754	
	At 30 June 2010			245,323	
8a	TANGIBLE FIXED ASSETS - GROUP	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Group Fixed assets £
	Cost				
		-	3,346,285	-	3,346,285
		52,514	1,640,148	89,285	1,781,947
		-	(678,272)	-	(678,272)
		52,514	4,308,161	89,285	4,449,960
	Accumulated depreciation				
		-	1,482,762	-	1,482,762
		6,605	1,019,033	21,947	1,047,585
		-	(678,272)	-	(678,272)
		6,605	1,823,523	21,947	1,852,075
	Net book value				
		<u>45,909</u>	<u>2,484,638</u>	<u>67,338</u>	<u>2,597,885</u>
		-	1,863,523	-	1,863,523

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2011

8b	TANGIBLE FIXED ASSETS - COMPANY	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Company Fixed assets £
	Cost				
	At 1 July 2010	-	3,346,285	-	3,346,285
	Additions	49,988	1,634,558	88,684	1,773,230
	Disposals	-	(678,272)	-	(678,272)
	At 30 June 2011	49,988	4,302,571	88,684	4,441,243
	Accumulated depreciation				
	At 1 July 2010	-	1,482,762	-	1,482,762
	Charged in the year	6,605	1,019,033	21,947	1,047,585
	Disposals	-	(678,272)	-	(678,272)
	At 30 June 2011	6,605	1,823,523	21,947	1,852,075
	Net book value				
	At 30 June 2011	<u>43,383</u>	<u>2,479,048</u>	<u>66,737</u>	<u>2,589,168</u>
	At 30 June 2010	-	1,863,523	-	1,863,523

9	INVESTMENTS IN SUBSIDIARIES	Company £
	Shares in group undertakings	
	At 1 July 2010	100
	Additions	27,877
	At 30 June 2011	<u>27,977</u>

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 (Non-trading)*	USA	Ordinary	100
Shazam Entertainment Trustees Limited (Non-trading)*	UK	Ordinary	100
Shazam Entertainment Inc (Dormant)	USA	Ordinary	100
*Additions during the year			

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2011

10 DEBTORS	Group		Company	
	30 June 2011 £	30 June 2010 £	30 June 2011 £	30 June 2010 £
Due within one year:				
Trade debtors	1,751,915	1,699,644	1,729,591	1,699,644
Other debtors	257,691	81,670	257,390	81,670
Prepayments and accrued income	1,118,468	747,045	1,088,104	747,045
	<u>3,128,074</u>	<u>2,528,359</u>	<u>3,075,085</u>	<u>2,528,359</u>

11 CREDITORS: Amounts falling due within one year	Group		Company	
	30 June 2011 £	30 June 2010 £	30 June 2011 £	30 June 2010 £
Due within one year:				
Trade creditors	1,458,461	1,003,663	1,427,976	1,003,663
Taxes and social security costs	303,376	109,774	303,950	109,774
Accruals and deferred income	4,825,626	4,504,653	4,771,309	4,504,653
Corporation tax payable	35,683	-	-	-
Amounts due to group undertakings	-	-	2,206	-
	<u>6,623,146</u>	<u>5,618,090</u>	<u>6,505,441</u>	<u>5,618,090</u>

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

12 CALLED-UP SHARE CAPITAL

	Group and Company	
	30 June 2011 £	30 June 2010 £
Allotted, issued and fully paid		
473,927,147 (2010: 144,426,222) ordinary shares of £0.000004 each	1,896	578
21,527,781 Preferred "A" shares of £0 20 each	4,305,556	4,305,556
85,709,455 Preferred "B" shares of £0 01 each	857,095	857,095
1,066,889,647 Preferred "C" shares of £0.0001 each	106,689	106,689
231,810,173 Preferred "C1" shares of £0.0001 each	23,181	23,181
276,965,578 (2010: nil) Preferred "C2" shares of £0.0001 each	27,696	-
140,000,000 Founder shares of £0 000004 each	560	560
Nil (2010: 250,000,000) Management Incentive shares of £0.000001 each	-	250
2,046,879,329,317 (2010: nil) Deferred shares of £0 0000000001 each	205	-
	<u>5,322,878</u>	<u>5,293,909</u>

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2011

12 CALLED-UP SHARE CAPITAL (CONTINUED)

Throughout the year 329,500,925 ordinary shares were issued for cash. The nominal value of these shares was £1,318 and the consideration received was £72,519

On 19 April 2011 all issued management incentive shares were converted to 2,046,879,329,317 Deferred shares and 45,312,071 Preferred "C2" shares. On the same day a further 231,653,507 Preferred "C2" shares were issued for cash. The nominal value of all Preferred "C2" shares issued was £27,696 and the consideration received was £12,208,855 after deducting expenses of £254,648

All shares rank par 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)

13 SHARE PREMIUM ACCOUNT

	Group and Company	
	30 June 2011	30 June 2010
	£	£
At 1 July	9,474,976	6,409,255
Premium on shares issued during the year	12,502,515	3,215,228
Expenses of share issue	(254,648)	(125,577)
At 30 June	<u>21,722,843</u>	<u>9,474,976</u>

14 WARRANT RESERVE

There are 64,379,449 (2010: 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 (2010: 8,217,290) warrants in issue that can be exercised over Preferred "C1" shares at an exercise price of 0.013971

The discounted value of the liability portion of the loan has been determined using an effective interest rate for an equivalent loan with a non-convertible warrant option. This amount has been recorded as a liability on an amortised cost basis until it is extinguished on conversion or maturity. The remainder of the proceeds have been allocated to the conversion option. This amount was written off in the current year and charged to other interest payable.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2011

15	PROFIT AND LOSS ACCOUNT	Group		Company	
		30 June 2011 £	30 June 2010 £	30 June 2011 £	30 June 2010 £
	At 1 July	(8,618,955)	(7,983,589)	(8,618,855)	(7,983,489)
	Loss for the financial year	(619,360)	(635,366)	(647,091)	(635,366)
	At 30 June	(9,238,315)	(8,618,955)	(9,265,946)	(8,618,855)

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	30 June 2011 £	30 June 2010 £	30 June 2011 £	30 June 2010 £
Loss for the financial year	(619,360)	(635,366)	(647,091)	(635,366)
Net proceeds from issue of shares	12,276,836	3,089,651	12,276,836	3,089,651
Increase in FRS 20 reserve	155,977	-	155,977	-
Warrants issued in the year	-	41,087	-	41,087
Net increase in shareholders' funds	11,813,453	2,495,372	11,785,722	2,495,372
Opening shareholders' funds	6,191,017	3,695,645	6,191,117	3,695,745
Closing shareholders' funds	18,004,470	6,191,017	17,976,839	6,191,117

17 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2011 the company had annual commitments under non-cancellable operating leases as follows:

	Group and Company	
	30 June 2011 £	30 June 2010 £
Buildings and other within 2- 5 years	148,582	136,829
Within 1 year	217,280	-

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS for the year ended 30 June 2011

18 SHARE BASED PAYMENTS

Restricted stock share scheme

The company set up a restricted stock share scheme during the year. 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 release 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 February 2011 to 31 March 2011	4 years	£0.000004	5	84,793,333

The fair value of the cost to the company has been calculated by taking into account the price offered from investors at the last two 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 £15,635.

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 period	-	-
Granted	84,793,333	£0.000004
Outstanding at the end of the period	84,793,333	£0.000004

Of the restricted stock units outstanding at the end of the period 19,694,114 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 2011

18 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 2010 to 30 June 2011	4 years	£0 000004	41	16,795,792

The fair value of the cost to the company has been calculated by taking into account the price offered from investors at the last two 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 £140,342.

Share options activity

The following table summarises activity for share options during the year

	Shares	Weighted average exercise price £
Outstanding at beginning of the period	263,383,779	£0.000004
Granted	16,795,792	£0 000004
Exercised	(231,817,821)	£0.000004
Outstanding at the end of the period	48,361,750	£0.000004

Of the outstanding share options at the end of the period 29,090,496 shares had vested

19 RELATED-PARTY TRANSACTIONS

Pilot Group Limited, a company in which John Sykes has a controlling interest, invoiced the company for £12,940 (2010 nil) during the year.

Other than the directors emoluments as described in note 5 there were no further related party transactions in the year.

20 POST BALANCE SHEET EVENTS

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, issued shares and issued loan stock.

21 PARENT COMPANY RESULTS

Of the loss for the year, a loss of £647,091 (2010 635,366) is dealt with in the accounts of Shazam Entertainment Limited

22 ULTIMATE CONTROLLING PARTY

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