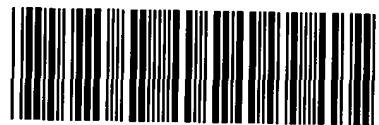


**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
PLEDGEMUSIC.COM LTD**

SATURDAY



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for the Year Ended 31 December 2013**

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COMPANY INFORMATION
for the Year Ended 31 December 2013

DIRECTORS:

B Rogers
J H Varden
M Dunbar
A Donaldson
W McIntosh
D Hackett
M Skeet

SECRETARY:

R S Selby

REGISTERED OFFICE:

22 Endell Street
London
WC2H 9AD

REGISTERED NUMBER:

06712061 (England and Wales)

AUDITORS:

Oury Clark Chartered Accountants
Statutory Auditors
Herschel House
58 Herschel Street
Slough
Berkshire
SL1 1PG

PLEDGEMUSIC.COM LTD (REGISTERED NUMBER: 06712061)

**REPORT OF THE DIRECTORS
for the Year Ended 31 December 2013**

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

A handwritten signature in black ink, appearing to be 'D Hackett', written over the text 'ON BEHALF OF THE BOARD:'.

D Hackett - Director

15 January 2015

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PLEDGE MUSIC.COM LTD

We have audited the financial statements of Pledgemusic.com Ltd for the year ended 31 December 2013 on pages six to thirteen. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page two, 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.

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 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 Report of the Directors 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 15 of the financial statements. This note describes that the financial statements have been prepared on the going concern basis despite a current shortfall in the cash required for the Company to continue to operate for the foreseeable future.

As indicated by the Directors, a large funding round is expected to close in the next few months which should it be successful will bring in the cash resources necessary for the Company to continue to operate for the foreseeable future.

Should the funding round fail then the Company will be required to adjust its budget and could potentially face liquidation. This indicates the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
PLEDGEMUSIC.COM LTD**

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Oury Clark

Emma Crowley (Senior Statutory Auditor)
for and on behalf of Oury Clark Chartered Accountants
Statutory Auditors
Herschel House
58 Herschel Street
Slough
Berkshire
SL1 1PG

19 January 2015

PROFIT AND LOSS ACCOUNT
for the Year Ended 31 December 2013

		Year Ended 31.12.13 £	Period 1.11.11 to 31.12.12 £
	Notes		
TURNOVER		853,052	619,822
Cost of sales		70,377	30,322
GROSS PROFIT		782,675	589,500
Administrative expenses		3,149,565	1,400,490
		(2,366,890)	(810,990)
Other operating income		5,319	275,011
OPERATING LOSS	2	(2,361,571)	(535,979)
Interest receivable and similar income		993	396
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,360,578)	(535,583)
Tax on loss on ordinary activities	3	-	-
LOSS FOR THE FINANCIAL YEAR		(2,360,578)	(535,583)

The notes form part of these financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the Year Ended 31 December 2013

	Year Ended 31.12.13 £	Period 1.11.11 to 31.12.12 £
LOSS FOR THE FINANCIAL YEAR	(2,360,578)	(535,583)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>(2,360,578)</u>	<u>(535,583)</u>
Prior year adjustment		<u>11,786</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<u>(523,797)</u>

The notes form part of these financial statements

BALANCE SHEET
31 December 2013

	Notes	31.12.13 £	31.12.12 £
FIXED ASSETS			
Tangible assets	4	32,702	-
Investments	5	304	304
		<u>33,006</u>	<u>304</u>
CURRENT ASSETS			
Debtors	6	316,279	379,438
Cash at bank		1,457,858	1,357,203
		<u>1,774,137</u>	<u>1,736,641</u>
CREDITORS			
Amounts falling due within one year	7	2,447,036	1,342,520
		<u>(672,899)</u>	<u>394,121</u>
NET CURRENT (LIABILITIES)/ASSETS			
		<u>(639,893)</u>	<u>394,425</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>(639,893)</u>	<u>394,425</u>
CAPITAL AND RESERVES			
Called up share capital	9	3,598	3,089
Share premium	10	4,139,779	2,814,028
Profit and loss account	10	(4,783,270)	(2,422,692)
		<u>(639,893)</u>	<u>394,425</u>
SHAREHOLDERS' FUNDS			
		<u>(639,893)</u>	<u>394,425</u>

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 15 January 2015 and were signed on its behalf by:



D Hackett - Director

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 December 2013

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared on the going concern basis despite the fact that the company is loss making. The Company is expecting to close a large funding round in the next few months which will provide the necessary cash reserves for the company to continue to operate for the foreseeable future, which is considered to be no less than one year and one day after the signing of these financial statements. On this basis, the Directors are confident that the going concern basis is appropriate for these financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Preparation of consolidated financial statements

The financial statements contain information about Pledgemusic.com Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken the option under Section 398 of the Companies Act 2006 not to prepare consolidated financial statements.

Turnover

Turnover represents commission net of value added tax due to the company once pledges are fully funded.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Plant and machinery etc - Straight line over 3 years

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Research and development

Expenditure on research and development is written off in the year in which it is incurred in accordance with SSAP 13.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

2. OPERATING LOSS

The operating loss is stated after charging:

	Year Ended 31.12.13 £	Period 1.11.11 to 31.12.12 £
Auditors' remuneration	10,000	11,750
Foreign exchange differences	20,984	10,591
	<u> </u>	<u> </u>
Directors' remuneration and other benefits etc	<u>352,815</u>	<u>32,846</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2013

3. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2013 nor for the period ended 31 December 2012.

4. TANGIBLE FIXED ASSETS

	Plant and machinery etc £
COST	
Additions	32,702
At 31 December 2013	32,702
NET BOOK VALUE	
At 31 December 2013	32,702

5. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
COST	
At 1 January 2013 and 31 December 2013	304
NET BOOK VALUE	
At 31 December 2013	304
At 31 December 2012	304

The company's investments at the balance sheet date in the share capital of companies include the following:

Pledgemusic Publishing Ltd

Nature of business: Publishing company

	% holding	31.12.13	31.12.12
Class of shares:			
Ordinary	95.00	£	£
Aggregate capital and reserves		(53,142)	(52,551)
Loss for the year/period		(590)	(18,660)

Pledgemusic Retail Ltd

Nature of business: Retail company

	% holding	31.12.13	31.12.12
Class of shares:			
Ordinary	100.00	£	£
Aggregate capital and reserves		(1,333)	(1,333)
Loss for the year/period		-	(901)

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2013

5. **FIXED ASSET INVESTMENTS - continued**

Pledgemusic Recordings Ltd

Nature of business: Recording company

	% holding	31.12.13	31.12.12
Class of shares:		£	£
Ordinary	90.00		
Aggregate capital and reserves		(43,635)	(42,778)
Loss for the year/period		(857)	(12,664)
		<u></u>	<u></u>

Pledgemusic.com USA, Inc.

Country of incorporation: United States of America

Nature of business: Music company

	% holding
Class of shares:	
Ordinary	100.00

The company was formed in 2012 but remained dormant in the year to 31 December 2013.

6. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.13	31.12.12
	£	£
Amounts owed by group undertakings	104,726	102,661
Other debtors	211,553	276,777
	<u>316,279</u>	<u>379,438</u>

7. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.13	31.12.12
	£	£
Trade creditors	126,878	45,358
Amounts owed to group undertakings	19	19
Taxation and social security	10,236	8,017
Other creditors & accruals	2,309,903	1,289,126
	<u>2,447,036</u>	<u>1,342,520</u>

8. **OPERATING LEASE COMMITMENTS**

The following operating lease payments are committed to be paid within one year:

	31.12.13	31.12.12
	£	£
Expiring:		
Within one year	<u>25,011</u>	<u>-</u>

9. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.13	31.12.12
			£	£
308,848	Ordinary	£0.01	<u>3,598</u>	<u>3,089</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2013

9. CALLED UP SHARE CAPITAL - continued

50,909 Ordinary shares of £0.01 each were allotted as fully paid at a premium of 25.97 per share during the year.

10. RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2013	(2,422,692)	2,814,028	391,336
Deficit for the year	(2,360,578)		(2,360,578)
Cash share issue	-	1,325,751	1,325,751
	<u>(4,783,270)</u>	<u>4,139,779</u>	<u>(643,491)</u>
At 31 December 2013	<u>(4,783,270)</u>	<u>4,139,779</u>	<u>(643,491)</u>

11. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following loan to directors subsisted during the year ended 31 December 2013 and the period ended 31 October 2011:

	31.12.13 £	31.12.12 £
B Rogers		
Balance owed (by)/ to the Company at start of period	3,776	(275,000)
Amounts advanced and loan written off	1,525	295,312
Amounts repaid	-	(16,546)
Balance owed (by)/ to Company at end of period	<u>5,301</u>	<u>3,776</u>

12. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemptions available in FRS 8 not to disclose transactions with wholly owned subsidiaries. Other related party transactions with non-wholly owned subsidiaries are as follows:

Pledgemusic Retail Limited (a subsidiary of the company) - During the year, Pledgemusic.com Limited incurred expenses on behalf of Pledgemusic Retail Limited to the value of £200. The amount due from Pledgemusic Retail Limited to Pledgemusic.com Limited as at 31 December 2013 was £1,187 (2012: £987).

Pledgemusic Publishing Limited (a subsidiary of the company) - During the year, Pledgemusic.com Limited incurred expenses on behalf of Pledgemusic Publishing Limited to the value of £1,250. The amount due from Pledgemusic Publishing Limited to Pledgemusic.com Limited as at 31 December 2013 was £56,155 (2012: £54,905).

Pledgemusic Recording Limited (a subsidiary of the company) - During the year, Pledgemusic.com Limited incurred expenses on behalf of Pledgemusic Recording Limited to the value of £615. The amount due from Pledgemusic Recording Limited to Pledgemusic.com Limited as at 31 December 2013 was £47,384 (2012: £46,769).

All of the year end balances mentioned above are shown in the "Due from group undertakings" heading in Debtors.

13. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors, there is no ultimate controlling party.

NOTES TO THE FINANCIAL STATEMENTS - continued
for the Year Ended 31 December 2013

14. SHARE-BASED PAYMENT TRANSACTIONS

The company has reserved shares of stock for issuance as stock options.

On 5th October 2010, 22,500 equity-settled share options were granted to an employee of the company in consideration of payment of £1.00.

The options may be exercised at any time after 9th June 2011. The option shall lapse and cease to be exercisable if the company lawfully terminates the employees' employment prior to exercise.

The amount payable per share option on the exercise of the option is £0.01 being the nominal value of the option shares.

As at the 31st December 2013 period end, 22,500 equity-settled share options are exercisable with none being exercised.

15. UNCERTAINTY OVER GOING CONCERN

The Directors recognise that there is currently a shortfall in the cash required to operate as projected in the next 12 months. This funding gap is expected to be filled by the closing of a significant funding round in the next few months.

Should the funding round fail to be successful, the Directors accept that adjustments will need to be made to the Company's budget and that there is a possibility that the Company may need to enter into liquidation.

The Directors expect the funding round to close in the next couple of months which will provide sufficient capital to allow for the Company to continue to operate for the foreseeable future.