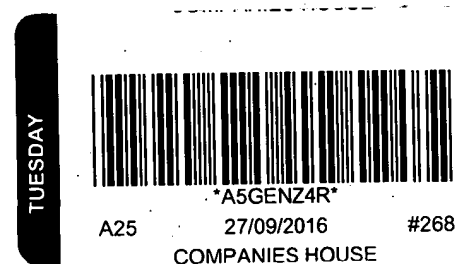


# Shazam Entertainment Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015



Company Registration No. 3998831

# Shazam Entertainment Limited

## DIRECTORS AND ADVISERS

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### DIRECTORS

A Fisher  
R Riley  
C Barton  
N Marovac  
M Murphy  
L Zalaznick  
R Krolik

### SECRETARY

B Kerle

### REGISTERED OFFICE

Shazam Entertainment Limited  
26 – 28 Hammersmith Grove  
London W6 7HA

### INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6RH

### BANKERS

Barclays Bank plc  
Level 27, 1 Churchill Place  
London  
E14 5HP

# Shazam Entertainment Limited

## STRATEGIC REPORT

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The directors present their strategic report on the Group for the year ended 31 December 2015.

### **Business review**

During the year the Group continued expanding the international distribution of its services with significant contracts with major brands and blue chip companies. 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 year ended 31 December 2015 of £35.2m (period ended 31 December 2014: £36.0m) and a loss on ordinary activities before taxation of £16.6m (period ended 31 December 2014: loss on ordinary activities before taxation: £13.9m) as the company invested in a number of strategic growth initiatives. Advertising sales turnover continues to be the primary commercial focus for Shazam which experienced strong year over year growth. As at 31 December 2015, the Group had net assets of £46.8m (2014: £28.4m).

### **Research and future developments**

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

In January 2015, the company completed a fund raise. A group of six subscribers invested a total of \$48.9m (c£32.6m) into new shares issued by Shazam.

### **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.

### **Credit risk management**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Group policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and/or satisfy credit worthiness procedures. Details of the Group's debtors are shown in note 13 to the financial statements.

# Shazam Entertainment Limited

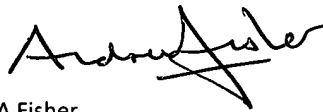
## STRATEGIC REPORT

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### Key performance indicators

Shazam continues to grow with monthly active users generating circa 20 million daily requests. Turnover, as disclosed on page 8, 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.

By order of the board



A Fisher  
Chairman

26 July 2016

# Shazam Entertainment Limited

## DIRECTORS' REPORT

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The directors present their report and the audited consolidated financial statements of the Shazam Entertainment Limited Group for the year ended 31 December 2015. Future developments and financial risk management are discussed within the Strategic report and are therefore not included here.

### 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 financial year was the worldwide provision of audio and visual recognition services via mobile phone and tablets for use with music, television and printed media. 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 year ended 31 December 2015 of £35.2m (period ended 31 December 2014: £36.0m) and a loss on ordinary activities before taxation of £16.6m (period ended 31 December 2014: loss on ordinary activities before taxation: £13.9m) as the company invested in a number of strategic growth initiatives. Advertising sales turnover continues to be the primary commercial focus for Shazam which experienced strong year over year growth.

The directors are unable to recommend a dividend in respect of the year ended 31 December 2015 (period ended 31 December 2014: £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. The Strategic Report includes further information on the future developments of the business.

### Directors

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

A Fisher  
R Riley  
K Lovell (resigned 31 August 2015)  
C Barton  
B Hoberman (resigned 31 December 2015)  
N Marovac  
M Murphy  
C Smart (resigned 24 June 2015)  
J Sykes (resigned 30 June 2016)  
L Zalaznick  
R Krolik (appointed 1 June 2015)

### Liability insurance

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and currently remains in place. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance of £20.0m.

# Shazam Entertainment Limited

## DIRECTORS' REPORT

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### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### Disclosure of information to auditors

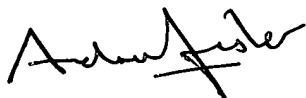
In accordance with Section 418, in the case of each director in office at the date the directors' report is approved, so far as each director is aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- He/she has taken all steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the annual general meeting

By order of the board



A Fisher  
Chairman

26 July 2016

# Shazam Entertainment Limited

## Independent auditors' report to the members of Shazam Entertainment Limited

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### Report on the financial statements

#### Our opinion

In our opinion, Shazam Entertainment Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 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.

#### What we have audited

The financial statements, included within the Annual Report, comprise:

- the Consolidated Balance Sheet as at 31 December 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (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.

### 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 year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

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

# Shazam Entertainment Limited

## Independent auditors' report to the members of Shazam Entertainment Limited

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### 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 set out on page 5, 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) ("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 parent 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.

#### What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



Brian Henderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 July 2016



**Shazam Entertainment Limited**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £	Year ended 31 December 2014 £
<b>TURNOVER</b>	5	35,172,120	36,012,168
Cost of sales		(2,246,443)	(2,824,527)
<b>Gross profit</b>		<b>32,925,677</b>	<b>33,187,641</b>
Recurring administrative expenses		(46,985,937)	(43,522,908)
Share based payment charge	21	(2,591,606)	(3,475,608)
Administrative expenses		(49,577,543)	(46,998,516)
<b>OPERATING LOSS</b>	6	<b>(16,651,866)</b>	<b>(13,810,875)</b>
Interest receivable and similar income	8a	90,344	35,266
Interest payable and similar charges	8b	(11,711)	(104,250)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(16,573,233)</b>	<b>(13,879,859)</b>
Tax on loss on ordinary activities	9	(167,593)	(963,137)
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(16,740,826)</b>	<b>(14,842,996)</b>
<b>Other comprehensive income:</b>			
Currency translation differences		200,162	165
<b>TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<b>(16,518,664)</b>	<b>(14,842,831)</b>

All results derive from continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company profit and Loss account. The loss for the Company for the year was £7,187,402 (period ended 31 December 2014: £12,926,368).

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

**Shazam Entertainment Limited**  
**CONSOLIDATED AND COMPANY BALANCE SHEETS**  
**As at 31 December 2015**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>FIXED ASSETS</b>					
Intangible assets	10	8,533,081	10,004,656	-	8,761
Tangible assets	11	1,388,055	1,629,746	640,819	940,430
Investments	12	-	-	10	27,975
		<u>9,921,136</u>	<u>11,634,402</u>	<u>640,829</u>	<u>977,166</u>
<b>CURRENT ASSETS</b>					
Debtors	13	15,690,951	13,693,362	52,385,410	37,842,502
Cash at bank and in hand		27,639,829	11,147,619	25,845,380	9,195,783
		<u>43,330,780</u>	<u>24,840,981</u>	<u>78,230,790</u>	<u>47,038,285</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	(6,453,463)	(8,069,350)	(16,987,751)	(13,877,265)
<b>NET CURRENT ASSETS</b>		<u>36,877,317</u>	<u>16,771,631</u>	<u>61,243,039</u>	<u>33,161,020</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>46,798,453</u>	<u>28,406,033</u>	<u>61,883,868</u>	<u>34,138,186</u>
<b>NET ASSETS</b>		<u><u>46,798,453</u></u>	<u><u>28,406,033</u></u>	<u><u>61,883,868</u></u>	<u><u>34,138,186</u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	3,238,964	3,248,682	3,238,964	3,248,682
Share premium account		84,523,143	52,185,606	84,523,143	52,185,606
Other reserves		9,073,932	7,420,993	9,073,932	7,420,993
Accumulated losses		(50,037,586)	(34,449,248)	(34,952,171)	(28,717,095)
<b>TOTAL EQUITY</b>		<u><u>46,798,453</u></u>	<u><u>28,406,033</u></u>	<u><u>61,883,868</u></u>	<u><u>34,138,186</u></u>

The notes on pages 13 to 32 are an integral part of these financial statements. The financial statements on pages 8 to 32 were authorised for issue by the board of directors on 26 July 2016 and were signed on its behalf by:

  
R Riley  
Director

**Shazam Entertainment Ltd**  
Registered number 3998831

**Shazam Entertainment Limited**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2015

	Note	Called up share capital	Share premium account	Other reserves (note 18)	Accumulated losses	Total equity
		£	£	£	£	£
Balance as at 1 January 2014		3,245,229	46,270,447	4,641,779	(20,302,811)	33,854,644
Loss for the financial year		-	-	-	(14,842,996)	(14,842,996)
Foreign exchange translation		-	-	-	165	165
Settlement of employee share options		6	-	-	-	6
Warrant exercises		3,219	-	-	-	3,219
Share issue		228	5,975,642	-	-	5,975,870
Expenses of share issue		-	(60,483)	-	-	(60,483)
Share based payment charge	21	-	-	3,475,608	-	3,475,608
Exercised and lapsed options		-	-	(696,394)	696,394	-
Balance as at 31 December 2014 and 1 January 2015		<b>3,248,682</b>	<b>52,185,606</b>	<b>7,420,993</b>	<b>(34,449,248)</b>	<b>28,406,033</b>
Loss for the financial year		-	-	-	(16,740,826)	(16,740,826)
Foreign exchange translation		-	-	-	200,162	200,162
Settlement of employee share options		70	317,550	-	-	317,620
Warrant exercises		3,219	98,581	-	-	101,800
Share issue		652	32,330,990	-	-	32,331,642
Repurchase of deferred shares		(13,659)	-	13,659	-	-
Expenses of share issue		-	(409,584)	-	-	(409,584)
Share based payment charge	21	-	-	2,591,606	-	2,591,606
Exercised and lapsed options		-	-	(952,326)	952,326	-
Balance as at 31 December 2015		<b>3,238,964</b>	<b>84,523,143</b>	<b>9,073,932</b>	<b>(50,037,586)</b>	<b>46,798,453</b>

**Shazam Entertainment Limited**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2015**

	Note	Called up share capital £	Share premium account £	Other reserves £	Accumulated losses £	Total equity £
Balance as at 1 January 2014		3,245,229	46,270,447	4,641,779	(16,487,121)	37,670,334
Loss for the financial year		-	-	-	(12,926,368)	(12,926,368)
Settlement of employee share options		6	-	-	-	6
Warrant exercises		3,219	-	-	-	3,219
Share issue		228	5,975,642	-	-	5,975,870
Expenses of share issue		-	(60,483)	-	-	(60,483)
Share based payment charge	21	-	-	3,475,608	-	3,475,608
Exercised and lapsed options		-	-	(696,394)	696,394	-
Balance as at 31 December 2014 and 1 January 2015		<b>3,248,682</b>	<b>52,185,606</b>	<b>7,420,993</b>	<b>(28,717,095)</b>	<b>34,138,186</b>
Loss for the financial year		-	-	-	(7,187,402)	(7,187,402)
Settlement of employee share options		70	317,550	-	-	317,620
Warrant exercises		3,219	98,581	-	-	101,800
Share issue		652	32,330,990	-	-	32,331,642
Repurchase of deferred shares		(13,659)	-	13,659	-	-
Expenses of share issue		-	(409,584)	-	-	(409,584)
Share based payment charge	21	-	-	2,591,606	-	2,591,606
Exercised and lapsed options		-	-	(952,326)	952,326	-
Balance as at 31 December 2015		<b>3,238,964</b>	<b>84,523,143</b>	<b>9,073,932</b>	<b>(34,952,171)</b>	<b>61,883,868</b>

**Shazam Entertainment Limited**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2015

	Note	Year ended 31 December 2015 £	Year ended 31 December 2014 £
<b>Net cash from operating activities</b>	<b>19</b>	<b>(14,455,908)</b>	<b>(11,218,867)</b>
Taxation paid		(167,593)	(963,137)
<b>Net cash generated from operating activities</b>		<b>(14,623,501)</b>	<b>(12,182,004)</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(313,403)	(921,420)
Interest received		90,344	35,266
<b>Net cash used in investing activities</b>		<b>(223,059)</b>	<b>(886,154)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital (net of costs of issue)		32,341,477	5,918,612
Repayment of loan		(1,054,628)	(939,173)
Interest paid		(11,711)	(104,250)
<b>Net cash generated from financing activities</b>		<b>31,275,138</b>	<b>4,875,189</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>16,428,578</b>	<b>(8,192,969)</b>
Cash and cash equivalents at the beginning of the year		11,147,619	19,343,772
Exchange gains/(losses) on cash and cash equivalents		63,632	(3,184)
<b>Cash and cash equivalents at the end of the year</b>		<b>27,639,829</b>	<b>11,147,619</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		27,639,829	11,147,619
<b>Cash and cash equivalents</b>		<b>27,639,829</b>	<b>11,147,619</b>

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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### 1. GENERAL INFORMATION

Shazam Entertainment Limited and its subsidiaries (together "the Group") provide audio and visual recognition services via mobile phone and tablets for use with music, television and printed media worldwide. The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 26-28 Hammersmith Grove, London W6 7HA.

### 2. STATEMENT OF COMPLIANCE

The Group and individual financial statements of Shazam Entertainment Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted FRS 102 in these financial statements. Details of the transition to FRS 102 are disclosed in note 24.

#### **Basis of preparation**

These consolidated and separate financial statements are prepared on a going concern basis, under the historical convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and company accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

#### **Going concern**

The Group meets its day-to-day working capital requirements through its cash on hand and access to bank facilities. The Group's forecasts and projections show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

#### **Exemptions for qualifying entities under FRS102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- From the financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statement disclosures;

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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- From disclosing share based payment arrangements, required under FRS 102 paragraphs 26.18(c), 26.19 to 26.21 and 26.23, concerning its own equity instruments. The Company financial statements are presented with the consolidated financial statements and the relevant disclosures are included therein;
- From disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7.

### **Basis of consolidation**

The Group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 December 2015.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where the Group has established employee benefit trusts ("EBT") and is the sponsoring entity, notwithstanding the legal duties of the trustees, the Group considers that it has "de facto" control of such entities. Such arrangements are accounted for as assets and liabilities of the sponsoring company and included in the consolidated financial statements as appropriate. The Company's equity instruments held by the EBT are accounted for as if they were the Company's own equity and are treated as treasury shares. No gain or loss is recognised in profit or loss or other comprehensive income on the purchase, sale or cancellation of the Company's own equity held by the EBT.

All intra-Group transaction, balances, income and expenses are eliminated on consolidation.

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.

### **Foreign currency**

The Group financial statements are presented in pound sterling and are rounded to the nearest pound.

The Company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when the fair value was determined.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

The trading results of Group undertakings are translated into sterling at the average exchange rates for the year. The assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year end. Exchange adjustments arising from the retranslation of opening net investments and from the translation of the profits or losses at average rates are recognised in Other Comprehensive Income and allocated to non-controlling interests as appropriate.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of discounts and rebates allowed by the Group and value added taxes.

The Group recognises revenue when a) the amount of revenue can be measured reliably; b) it is probable that future economic benefits will flow to the entity and c) when the specific criteria related to each of the Group's sales channels have been met, as described below.

- (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.
- (e) Advertising income is recognised evenly over a defined period in accordance with the contractual terms entered into.
- (f) All other income, including subscription & affiliate fees, is fully recognised in the period to which it relates.

### **Employee benefits**

The Group provides a range of benefits to employees, including annual bonus or quarterly commission arrangements, paid holiday arrangements and defined contribution pension plans.

#### *Defined contribution pension plans*

The Group operates a number of country-specific defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.



# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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### *Annual bonus plan and quarterly commission plan*

The Group operates a number of annual bonus and quarterly commission plans for employees. An expense is recognised in the profit and loss account when the Group has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

### *Share-based payments*

The Group provides share-based payment arrangements to all employees.

Equity-settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of grant. The fair value is expensed over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the income statement.

The Group has no cash-settled arrangements.

### **Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

### *Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### *Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

### **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows:

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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Intellectual property

5 to 10 years

Amortisation is charged to Administrative expenses in the profit and loss account. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

### **Tangible assets**

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bring the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation on assets is calculated, using the straight-line method, to allocate the depreciable amount to their residual values over their estimated useful lives as follows:

Fixtures, fittings and equipment	5 years
General hardware	3 years
Computer equipment	2 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit and loss account.

### **Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Leased assets**

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

#### *Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

### **Investments – Company**

Investment in a subsidiary company is held at cost less accumulated impairment losses.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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### **Provisions and contingencies**

#### *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognised as a finance cost.

#### *Contingencies*

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when a) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or b) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

### **Financial instruments**

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### *Financial assets*

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease to the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not been previously recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when a) the contractual rights to the cash flows from the asset expire or are settled, or b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or c) despite having retained some significant risk and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### *Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

### *Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Related party transactions**

The Group discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Group financial statements.

## **4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The directors do not believe that there are any significant estimates in the preparation of financial statements for the Group or the Company.

## **5. TURNOVER**

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

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

6 OPERATING LOSS	Group	
	Year ended 31 December 2015 £	Year ended 31 December 2014 £
<b>Operating loss is stated after charging:</b>		
Wages and salaries	21,339,497	19,928,379
Social security costs	2,005,563	1,971,041
Other pension costs	402,643	378,798
Share based payments	2,591,606	3,475,608
<b>Total staff costs</b>	<b>26,339,309</b>	<b>25,753,826</b>
(Profit)/loss on disposal of tangible assets	(7,335)	1,332
Impairment of trade receivables	2,025,884	28,589
Depreciation of tangible assets	691,625	987,837
Amortisation of intangible assets	1,471,575	1,515,383
Operating lease charges	2,065,001	1,522,384
Foreign exchange gains	(569,482)	(249,237)
Fees payable to Company's auditor and its associates for the audit of parent Company, subsidiary entities and the Group's consolidated financial statements	55,400	47,000
Fees payable to the company's auditors and its associates for other services:		
- Tax compliance services	145,923	145,833
- Non audit services	13,263	-
<b>Total amount payable to the Company's auditor and its associates</b>	<b>214,586</b>	<b>192,833</b>
<b>7 EMPLOYEES AND DIRECTORS</b>		
	Year ended 31 December 2015 No.	Year ended 31 December 2014 No.
<b>Employees</b>		
The average monthly number of persons (including executive directors) employed by the Group during the year was:		
Management and administration	251	243
	£	£
<b>Directors</b>		
The directors' emoluments were as follows:		
Aggregate emoluments	1,083,162	987,922
Sums paid to third parties for directors' services	30,000	30,000

Two of the directors are accruing benefits under a defined contribution pension scheme (year ended 31 December 2014: two). The Group made pension contributions of £7,878 (2014: £12,713) on their behalf.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

Six statutory directors are entitled to benefits under share schemes (period ended 31 December 2014: six). One director (2014: one) exercised share options during the year. The highest paid director exercised zero share options in the year (2014: zero).

	Year ended 31 December 2015	Year ended 31 December 2014
<b>Highest paid director</b>	£	£
The highest paid director's emoluments were as follows:		
Emoluments and benefits under long-term incentive schemes	487,697	422,015
Contributions to defined contribution pension scheme	3,633	4,332
	<b>491,330</b>	<b>426,347</b>

### Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is as follows:

Aggregate emoluments	<b>1,164,638</b>	<b>1,129,858</b>
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## 8 NET INTEREST EXPENSE

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
<b>8a) INTEREST RECEIVABLE AND SIMILAR INCOME</b>		
Bank interest received	90,344	35,266
<b>8b) INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Loan interest paid	(11,711)	(104,250)

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 9 TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
<b>Tax expense included in profit or loss</b>		
Current tax:		
UK corporation tax on results of the year	-	-
Foreign tax	167,593	963,137
<b>Total current tax</b>	<b>167,593</b>	<b>963,137</b>

### Reconciliation of tax charge

The tax assessed for the year is higher (31 December 2014: higher) than the standard rate of corporation tax in the UK (20.25%) (2014: 21.5%). The differences are explained below:

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
<b>Loss on ordinary activities before taxation</b>	<b>(16,573,233)</b>	<b>(13,879,859)</b>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (period ended 31 December 2014: 21.5%)	(3,356,080)	(2,984,170)
Effects of:		
Expenses not deductible for tax purposes	583,616	811,538
Tax loss not utilised	2,663,882	2,052,611
Capital allowances less than depreciation and other timing differences	140,054	212,385
Foreign tax deduction claimed	(31,472)	(92,364)
Foreign tax suffered	167,593	963,137
<b>Tax on loss on ordinary activities</b>	<b>167,593</b>	<b>963,137</b>

The group has trading losses of approximately £27.6m (period ended 31 December 2014: £13.9m) 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 £5.0m (period ended 31 December 2014: £3.0m) 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.

### Tax rate changes

On 8 July 2015, the government enacted a reduction in the main rate of UK corporation tax to 20% by 1 April 2016, to 19% by 1 April 2017 and to 18% by 1 April 2020. Deferred tax balances at 31 December 2015 and 31 December 2014 are measured at the revised rate of 18%.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 10a INTANGIBLE ASSETS – GROUP

	Intellectual Property Rights £
<b>Cost at 1 January 2015 and at 31 December 2015</b>	<b>14,890,985</b>
<b>Accumulated amortisation</b>	
At 1 January 2015	4,886,329
Charged in the year	1,471,575
<b>Accumulated amortisation at 31 December 2015</b>	<b>6,357,904</b>
<b>Net book value</b>	
<b>At 31 December 2015</b>	<b>8,533,081</b>
At 31 December 2014	10,004,656

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 directors' best estimate of the asset's useful economic life.

### 10b INTANGIBLE ASSETS – COMPANY

	Intellectual Property Rights £
<b>Cost at 1 January 2015 and at 31 December 2015</b>	<b>262,846</b>
<b>Amortisation</b>	
At 1 January 2015	254,085
Charged in the year	8,761
<b>Accumulated amortisation at 31 December 2015</b>	<b>262,846</b>
<b>Net book value</b>	
<b>At 31 December 2015</b>	<b>-</b>
At 31 December 2014	8,761



# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

11a	TANGIBLE ASSETS – GROUP	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Total £
	<b>Cost</b>				
	At 1 January 2015	2,029,176	2,971,003	433,004	5,433,183
	Additions	216,105	57,530	133,994	407,629
	Disposals	-	-	(48,322)	(48,322)
	Foreign exchange translation	46,670	10,173	9,030	65,873
	<b>At 31 December 2015</b>	<b>2,291,951</b>	<b>3,038,706</b>	<b>527,706</b>	<b>5,858,363</b>
	<b>Accumulated depreciation</b>				
	At 1 January 2015	894,363	2,657,807	251,267	3,803,437
	Charged in the year	329,419	177,539	184,667	691,625
	Disposals	-	-	(46,195)	(46,195)
	Foreign exchange translation	5,042	14,984	1,415	21,441
	<b>At 31 December 2015</b>	<b>1,228,824</b>	<b>2,850,330</b>	<b>391,154</b>	<b>4,470,308</b>
	<b>Net book value</b>				
	<b>At 31 December 2015</b>	<b>1,063,127</b>	<b>188,376</b>	<b>136,552</b>	<b>1,388,055</b>
	At 31 December 2014	1,134,813	313,196	181,737	1,629,746
11b	TANGIBLE ASSETS - COMPANY	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Total £
	<b>Cost</b>				
	At 1 January 2015	1,416,613	2,792,444	233,480	4,442,537
	Additions	15,847	26,630	82,091	124,568
	Disposals	-	-	(30,770)	(30,770)
	<b>At 31 December 2015</b>	<b>1,432,460</b>	<b>2,819,074</b>	<b>284,801</b>	<b>4,536,335</b>
	<b>Accumulated depreciation</b>				
	At 1 January 2015	802,979	2,562,190	136,938	3,502,107
	Charged in the year	188,015	139,019	96,500	423,534
	Disposals	-	-	(30,125)	(30,215)
	<b>At 31 December 2015</b>	<b>990,994</b>	<b>2,701,209</b>	<b>203,313</b>	<b>3,895,516</b>
	<b>Net book value</b>				
	<b>At 31 December 2015</b>	<b>441,466</b>	<b>117,865</b>	<b>81,488</b>	<b>640,819</b>
	At 31 December 2014	613,634	230,254	96,542	940,430

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

12	SUBSIDIARY UNDERTAKINGS	Company £
	<b>Shares in group undertakings</b>	
	At 1 January 2015	27,975
	Additions	-
	Disposals	(27,965)
		<hr/>
	<b>At 31 December 2015</b>	<b>10</b>
		<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.

On 7 May 2015, Shazam Support Services Korea was formally liquidated, having been non-trading since May 2014.

The company holds the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Shazam Media Services Inc. (trading)	USA	Ordinary	100
Shazam Media Services (Australia) Pty Ltd (trading)	Australia	Ordinary	100
Shazam Support Services Korea (dissolved May 2015)	South Korea	Ordinary	100
Shazam Entertainment Trustees Limited (Non-trading)	UK	Ordinary	100
Shazam Investments Limited (Intellectual property holding company)	UK	Ordinary	100

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

13	DEBTORS	Group		Company	
		31 December 2015 £	31 December 2014 £	31 December 2015 £	31 December 2014 £
	Due within one year:				
	Trade debtors	6,742,221	5,107,020	3,854,309	1,855,375
	Amounts owed by group undertakings	-	-	40,623,602	28,175,907
	Other debtors	384,235	303,867	25,340	14,321
	Prepayments and accrued income	4,346,936	4,278,118	3,664,600	3,792,542
	Due after more than one year:				
	Amounts owed by related party (see note 22)	4,217,559	4,004,357	4,217,559	4,004,357
		<u>15,690,951</u>	<u>13,693,362</u>	<u>52,385,410</u>	<u>37,842,502</u>

Trade debtors are stated after provisions for impairment of £2,025,884 (2014: £28,589).

Amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14	CREDITORS: Amounts falling due within one year	Group		Company	
		31 December 2015 £	31 December 2014 £	31 December 2015 £	31 December 2014 £
	Due within one year:				
	Bank loans and overdrafts	-	1,054,628	-	1,054,628
	Trade creditors	1,138,172	1,715,165	1,105,734	1,391,280
	Amounts owed to group undertakings	-	-	12,318,162	7,445,958
	Other taxation and social security	685,978	539,456	625,769	501,896
	Corporation tax	-	-	-	-
	Other creditors	45,658	-	43,556	-
	Accruals and deferred income	4,583,655	4,760,101	2,894,530	3,483,503
		<u>6,453,463</u>	<u>8,069,350</u>	<u>16,987,751</u>	<u>13,877,265</u>

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The bank loan was denominated in US dollars, secured against the assets and undertakings of the company and bore interest at a fixed rate of 7.0%. In January 2015 the remaining loan balance was repaid.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 15 POST EMPLOYMENT BENEFITS

#### Defined contribution scheme

The Group operates a number of country-specific defined contribution plans for its employees. The amount recognised as an expense for the defined contribution schemes was £2,591,606 (2014: 3,475,608).

### 16 FINANCIAL INSTRUMENTS

Year ended 31 December 2015 £	Year ended 31 December 2014 £
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#### Group

The Group has the following financial instruments:

Financial assets that are debt instruments measured at amortised cost

- Trade receivables	6,742,221	5,107,020
- Other receivables	384,235	303,867
	<u>7,126,456</u>	<u>5,410,887</u>

Financial liabilities measured at amortised cost

- Bank loan	-	(1,054,628)
- Trade creditors	(1,138,172)	(1,715,165)
- Accruals and deferred income	(4,583,655)	(4,760,101)
- Other creditors	(45,658)	-
	<u>(5,767,485)</u>	<u>(7,529,894)</u>

#### Company

The Company has the following financial instruments:

Financial assets that are debt instruments measured at amortised cost

- Trade receivables	3,854,309	1,855,375
- Other receivables	25,340	14,321
- Amounts owed by group undertakings	40,623,602	28,175,907
- Investment in subsidiaries	10	27,975
	<u>44,503,261</u>	<u>30,073,578</u>

Financial liabilities measured at amortised cost

- Bank loan	-	(1,054,628)
- Trade creditors	(1,105,734)	(1,391,280)
- Amounts owed to group undertakings	(12,318,162)	(7,445,958)
- Accruals and deferred income	(2,894,530)	(3,483,503)
- Other creditors	(43,556)	-
	<u>(16,361,982)</u>	<u>(13,375,369)</u>

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 17 CALLED UP SHARE CAPITAL AND OTHER RESERVES

#### Called up share capital

	Group & Company	
	31 December 2015	31 December 2014
	£	£
Allotted, issued and fully paid:		
912,973,535 (31 December 2014: 895,699,153) ordinary shares of £0.000004 each	3,653	3,583
12,665,394 (31 December 2014: 12,665,394) Preferred "A" shares of £0.20 each	2,533,079	2,533,079
46,977,819 (31 December 2014: 46,977,819) Preferred "B" shares of £0.01 each	469,778	469,778
884,388,863 (31 December 2014: 852,199,137) Preferred "C" shares of £0.0001 each	88,439	85,220
231,324,405 (31 December 2014: 231,324,406) Preferred "C1" shares of £0.0001 each	23,132	23,132
465,117,290 (31 December 2014: 465,117,290) Preferred "C2" shares of £0.000001 each	465	465
171,026,077 (31 December 2014: 171,026,077) Preferred "C3" shares of £0.000004 each	684	684
167,827,889 (31 December 2014: 167,827,889) Preferred "C4" shares of £0.000004 each	671	671
163,109,106 (31 December 2014: nil) Preferred "C5" shares of £0.000004 each	652	-
140,000,000 (31 December 2014: 140,000,000) Founder shares of £0.000004 each	560	560
1,178,506,981,040,000 (31 December 2014: 1,315,095,584,209,320) Deferred shares of £0.0000000001 each	117,851	131,510
	<b>3,238,964</b>	<b>3,248,682</b>

During the year 17,274,382 (2014: 66,737,140) ordinary shares were issued for cash. The nominal value of these shares was £70 (2014: £267) and the consideration received was £318k (2014: \$10.0m (c£6m)). Also during the year 163,109,106 preferred C5 shares were issued for cash. The nominal value of these shares was £652 and the consideration received was \$48.9m (c£32.3m). At this time 136,588,603,169,320 were repurchased by the company for a consideration of £0.01.

All shares rank pari passu except:

- The Preferred "A" shares, Preferred "B" shares, Preferred "C" shares, Preferred "C1" shares, Preferred "C2" shares, Preferred "C5" shares and Founders Shares can all be converted into Ordinary shares based on various ratios and conditions as indicated in the company's Articles.
- The Preferred "A" shares, Preferred "B" shares, Preferred "C", Preferred "C1" shares, Preferred "C2" share, Preferred "C3", Preferred "C4" and Preferred "C5" shares are entitled to dividends declared in relation to the Ordinary shares.
- The Founder Shares and Deferred shares have no voting or dividend rights. The Deferred shares have no participation rights.
- The Company has the right to repurchase all holdings of Deferred shares at £0.01.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 18 OTHER RESERVES

Group and Company	Capital redemption reserve £	Share based payment reserve £	Warrant reserve £	Total £
Balance as at 1 January 2015	2,051,857	5,328,049	41,087	7,420,993
Repurchase of deferred shares	13,659	-	-	13,659
Share based payment charge	-	2,591,606	-	2,591,606
Exercised and lapsed options	-	(952,326)	-	(952,326)
Balance as at 31 December 2015	2,065,516	6,967,329	41,087	9,073,932

#### Warrant reserve

There are nil (period ended 31 December 2014: 32,189,726) warrants in issue that can be exercised over Preferred "C" shares at an exercise price of £0.0031625 and 8,217,290 (period ended 31 December 2014: 8,217,290) warrants in issue that can be exercised over Preferred "C1" shares at an exercise price of £0.013971, and 2,669,479 warrants in issue that can be exercised over ordinary shares at an exercise price of \$0.149847 (period ended 31 December 2014: 2,669,479).

### 19 NOTES TO THE CASHFLOW STATEMENT

	Year ended 31 December 2015 £	Year ended 31 December 2014 £
Operating loss for the financial year	(16,651,866)	(13,810,875)
Adjustments for:		
Depreciation of tangible fixed assets	691,625	987,837
Amortisation of intangible assets	1,471,575	1,515,383
Increase in debtors	(1,997,589)	(4,633,481)
(Decrease)/increase in creditors	(561,259)	1,246,661
Share based payment charge	2,591,606	3,475,608
<b>Net cash outflow from operating activities</b>	<b>(14,455,908)</b>	<b>(11,218,867)</b>

#### Analysis of changes in net debt

	1 January 2015 £	Cash flow £	Exchange movements £	31 December 2015 £
Cash in hand and at bank	11,147,619	16,428,578	63,632	27,639,829
Debt due within 1 year	(1,054,628)	1,054,628	-	-
<b>Net funds</b>	<b>10,092,991</b>	<b>17,483,206</b>	<b>63,632</b>	<b>27,639,829</b>

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 20 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2015 £	2014 £
Payments due:		
Not later than one year	1,827,411	1,578,822
Later than one year and not later than five years	4,422,046	4,564,900
Later than five years	45,659	429,048
	<u>6,295,116</u>	<u>6,572,770</u>

The Group had no other off-balance sheet arrangements.

### 21 SHARE BASED PAYMENTS

#### Restricted stock share scheme

The company operates a restricted stock share scheme. Selected employees and non executive directors of the Company have been offered the rights to purchase restricted shares in the Company at £0.000004 and \$0.07 per share.

Restrictions include a three to four year vesting period, continuous employment or appointment and an uncertain future exit event. There are no performance criteria for the stock vesting. The restricted stock vests evenly over the three to four year period with a one year cliff (unless a release event occurs).

No restricted stock shares were issued during the financial year.

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 FRS102 is £863,072 in the financial year (2014: £1,811,561).

#### Restricted stock units activity

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

	Shares	Weighted average exercise price £
Outstanding at beginning of the year	172,122,695	£0.000377
Exercised	(53,520,970)	£0.000004
Granted	-	-
Outstanding at the end of the year	<u>118,601,725</u>	£0.000546

Of the restricted stock units outstanding at the end of the year 78,297,594 (2014: 99,040,711) shares had vested.

# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

### Share options scheme

The company has established an Enterprise Management Incentive Scheme ("EMI") and an Unapproved Share Option Scheme ("Unapproved"). Generally options vest over a forty-eight month period, with a one year cliff, and expire on the tenth anniversary from date of grant, although the vesting period can be varied at the discretion of the directors. All options granted prior to 1 April 2013 have a fixed exercise price of £0.000004; those granted between 1 April 2013 and 28 February 2014 have a fixed exercise price of £0.02/\$0.03; those granted between 28 February 2014 and 31 January 2015 have a fixed exercise price of £0.04/\$0.07; those granted after 31 January 2015 have a fixed exercise price of £0.056/\$0.084. One executive has been granted options with a fixed exercise price of £0.106. The company grants shares throughout the year on an ad-hoc basis. All options granted become exercisable on vesting subject to the employee remaining in employment.

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

Financial year issued	Vesting period	Exercise price	Number of employees	Number of options granted
1 January 2015 to 31 December 2015	4 years	£0.000004	Nil	nil
1 January 2015 to 31 December 2015	4 years	£0.02/\$0.03	nil	nil
1 January 2015 to 31 December 2015	4 years	£0.106	nil	nil
1 January 2015 to 31 December 2015	4 years	£0.04/\$0.07	5	1,300,000
1 January 2015 to 31 December 2015	4 years	£0.056/\$0.084	205	113,091,501

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 FRS102 is £1,728,534 (2014: £1,664,047).

### Share options activity

The following table summarises activity for share options during the financial year:

	Shares	Weighted average exercise price £
Outstanding at beginning of the year	243,641,915	£0.042914
Granted	114,391,501	£0.055818
Exercised	(17,196,882)	£0.018176
Lapsed	(37,588,939)	£0.030805
Outstanding at the end of the year	<u>303,247,595</u>	£0.050686

Of the outstanding share options at the end of the financial year 78,589,404 (2014: 85,827,840) shares had vested.



# Shazam Entertainment Limited

## NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2015

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### 22 RELATED-PARTY TRANSACTIONS

In 2014, funds were extended to Broadcast Music Inc, an entity which holds an investment in the company. This loan is denominated in USD, bears no interest and is recoverable upon the sale of BMI's interest in the company. The closing balance sheet position for the company was £4,217,559 (2014: £4,004,357) (see note 13) which is deemed to be non-current given management's expectation of this event.

There are no other related party transactions in the year.

### 23 CONTROLLING PARTY

The Company is owned by a number of private shareholders and companies, none of whom own more than 20% of the issued share capital of the Company. Accordingly there is no parent entity nor ultimate controlling party.

### 24 TRANSITION TO FRS 102

This is the first year that the Group has presented its results under FRS 102. FRS 102 has been adopted by the Group for year ended 31 December 2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and December 2014 between UK GAAP as previously reported and FRS 102. The Group has also early adopted the Amendments to FRS 102 (issued in July 2015).

The Group has presented a statement of other comprehensive income for the first time this year, as required by FRS102, with a comparative disclosure for the prior year.

#### *Transition exemptions*

The Group has taken the transition exemption under paragraph 35.10(p) of FRS 102 to continue to recognise the existing lease incentives at the transition date on the same basis as previous UK GAAP. Under previous UK GAAP operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period.

#### *Reconciliations*

There were no adjustments required under FRS 102 and therefore no reconciliations of profit or equity presented.