

Shazam Entertainment Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2014

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COMPANIES HOUSE

Company Registration No. 3998831

Shazam Entertainment Limited

DIRECTORS AND ADVISERS

DIRECTORS

A Fisher
R Riley
K Lovell
C Barton
B Hoberman
N Marovac
M Murphy
C Smart
J Sykes
L Zalaznick (Appointed 9 April 2014)

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 31 December 2014.

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 recognition services via mobile phone and tablets for use with music and television. Shazam also continued to develop and improve methodology and systems for real time audio identification.

Results and dividends

The results for the Group show turnover for the year ended 31 December 2014 of £36.0m (six months ended 31 December 2013: £16.9m) and a loss on ordinary activities before taxation of £13.9m (six months ended 31 December 2013: loss before tax: £5.3m).

The directors are unable to recommend a dividend in respect of the year ended 31 December 2014 (six months ended 31 December 2013: £nil).

Future outlook

The commercial environment is likely to remain competitive, but the directors are confident that Shazam will successfully continue to operate and expand as a result of the skills and experience within the Group, an excellent product set and strong financial backing. All of these factors combined will enable Shazam to maintain its leadership position in the market. 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
C Barton
B Hoberman
N Marovac
M Murphy
C Smart
J Sykes
L Zalaznick (Appointed 9 April 2014)

Liability insurance

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

Shazam Entertainment Limited

DIRECTORS' REPORT

Statement of directors' responsibilities

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

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

Statement of disclosure of information to auditors

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

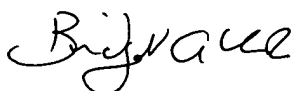
(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the annual general meeting

By order of the board



B. Kerle
Company Secretary

24 June 2015

Shazam Entertainment Limited

STRATEGIC REPORT

Business review

During the year the Group continued rapidly 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 2014 of £36.0m (six month period ended 31 December 2013: £16.9m) and a loss on ordinary activities before taxation of £13.9m (six months ended 31 December 2013: loss before tax: £5.3m).

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

Subsequent to the year end, in January 2015, the company completed a further fund raise. The main investor in this round was ZCP Holdings LP which, together with 5 other subscribers, invested \$48.9m into new shares issued by Shazam.

The company and group changed the financial year end date from 30 June to 31 December effective 31 December 2013. Consequently a short accounting period from 1 July 2013 to 31 December 2013 is shown for the prior period.

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the company are considered to be from existing and new competitors, availability of skilled resource and the global economy. These risks are all managed and mitigated through close executive management review and line management ownership. Major issues are covered by formal company policies which are approved at board level where of sufficient materiality.

Financial risk management

The key financial risk is represented by exchange rate fluctuation, the majority of which relates to USD. This is managed through a combination of natural hedging, by matching USD income with USD expenses and foreign exchange transactions to reduce or eliminate downside risk from exchange rate movements. Interest rate fluctuation does not currently significantly affect the company.

Shazam Entertainment Limited

STRATEGIC REPORT

Key performance indicators

Shazam continues to grow consistently with monthly active users approaching 120 million, 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



B. Kerle
Company Secretary

24 June 2015

Shazam Entertainment Limited

Independent auditors' report to the members of Shazam Entertainment Limited

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 2014 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

Shazam Entertainment Limited's financial statements comprise:

- Group and Parent Company Balance Sheets as at 31 December 2014;
- Group Profit and Loss Account for the year then ended;
- Group Cash Flow Statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

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

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

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

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 3, 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 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 and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Brian Henderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 June 2015

Shazam Entertainment Limited

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £	Six months ended 31 December 2013 £
TURNOVER	1	36,012,168	16,889,630
Cost of sales		(2,824,527)	(1,145,054)
Gross profit		33,187,641	15,744,576
Recurring administrative expenses		(43,522,908)	(18,904,492)
Share based payment charge	20	(3,475,608)	(1,978,790)
Administrative expenses		(46,998,516)	(20,883,282)
OPERATING LOSS	2	(13,810,875)	(5,138,706)
Interest receivable and similar income	3a	35,266	22,020
Interest payable and similar charges	3b	(104,250)	(185,557)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1	(13,879,859)	(5,302,243)
Tax on loss on ordinary activities	5	(963,137)	(457,613)
LOSS FOR THE FINANCIAL YEAR/PERIOD	15	(14,842,996)	(5,759,856)

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.

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

GROUP AND PARENT COMPANY BALANCE SHEETS

For the year ended 31 December 2014

	Note	Group		Company	
		31 December 2014 £	31 December 2013 £	31 December 2014 £	31 December 2014 £
FIXED ASSETS					
Intangible assets	6a 6b	10,004,656	11,520,039	8,761	61,331
Tangible assets	7a 7b	1,629,746	1,692,814	940,430	1,321,075
Investments	8	-	-	27,975	27,980
		<u>11,634,402</u>	<u>13,212,853</u>	<u>977,166</u>	<u>1,410,386</u>
CURRENT ASSETS					
Debtors	9	13,693,362	9,059,881	37,842,502	39,450,098
Cash at bank and in hand		11,147,619	19,343,772	9,195,783	15,954,278
		<u>24,840,981</u>	<u>28,403,653</u>	<u>47,038,285</u>	<u>55,404,376</u>
CREDITORS: Amounts falling due within one year	10	(8,069,350)	(6,764,961)	(13,877,265)	(18,147,527)
NET CURRENT ASSETS		16,771,631	21,638,692	33,161,020	37,256,849
TOTAL ASSETS LESS CURRENT LIABILITIES		28,406,033	34,851,545	34,138,186	38,667,235
CREDITORS: Amounts falling due after more than one year	10	-	(996,901)	-	(996,901)
NET ASSETS		28,406,033	33,854,644	34,138,186	37,670,334
CAPITAL AND RESERVES					
Called up share capital	11	3,248,682	3,245,229	3,248,682	3,245,229
Share premium account	12	52,185,606	46,270,447	52,185,606	46,270,447
Capital redemption reserve	12	2,051,857	2,051,857	2,051,857	2,051,857
Share based payment reserve	14	5,328,049	2,548,835	5,328,049	2,548,835
Warrant reserve	13	41,087	41,087	41,087	41,087
Profit and loss account	15	(34,449,248)	(20,302,811)	(28,717,095)	(16,487,121)
TOTAL SHAREHOLDERS' FUNDS	16	28,406,033	33,854,644	34,138,186	37,670,334

The financial statements on pages 8 to 26 were approved by the board of directors on 24 June 2015 and were signed on its behalf by:


Keith Lovell
Director

Registered number: 3998831

Shazam Entertainment Limited

GROUP CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	Year ended 31 December 2014 £	Six months ended 31 December 2013 £
Net cash outflow from operating activities	17	(11,218,867)	(1,799,359)
Returns on investments and servicing of finance			
Interest received		35,266	22,020
Net cash inflow from returns on investments and servicing of finance		35,266	22,020
Taxation		(963,137)	(457,613)
Capital expenditure			
Purchase of tangible fixed assets		(921,420)	(1,007,503)
Net cash outflow for capital expenditure		(921,420)	(1,007,503)
Financing			
Issue of share capital		5,979,095	249,789
Expenses of share issue		(60,483)	-
Decrease in borrowings		(939,173)	(661,622)
Interest paid		(104,250)	(185,557)
Net cash inflow/(outflow) from financing		4,875,189	(597,390)
Decrease in cash	18	(8,192,969)	(3,839,845)
Reconciliation to net (funds)/cash			
Net cash at 1 January		17,349,970	20,537,261
Decrease in net funds		(8,192,969)	(3,839,845)
Movement in borrowings		996,901	661,621
Exchange adjustment		(60,911)	(9,067)
Net funds at 31 December		10,092,991	17,349,970

Shazam Entertainment Limited

ACCOUNTING POLICIES

For the year ended 31 December 2014

BASIS OF ACCOUNTING

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies are set out below and have been applied consistently throughout the period.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2014. The group applies uniform accounting policies unless otherwise stated, and any profits or losses arising on inter-group transactions have been eliminated. The parent company has taken the exemption available under section 408 of the Companies Act 2006 and does not present a parent company profit and loss account.

INTANGIBLE FIXED ASSETS

Intangible assets are stated at historical cost less amortisation. Intangible assets are amortised on a straight line basis over a period of between 5 years and 10 years. Intangible assets are made up of intellectual property.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Fixtures, fittings and equipment	-	Straight line over 5 years
General hardware	-	Straight line over 3 years
Computer equipment	-	Straight line over 2 years

IMPAIRMENT REVIEWS

Where circumstances indicate that there may have been an impairment of the carrying value of an intangible or tangible fixed asset, an impairment review is performed.

TAXATION

Current tax for the current and prior periods is provided at the amount expected to be paid (or recorded) using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable against suitable taxable profits in the future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

Shazam Entertainment Limited

ACCOUNTING POLICIES

For the year ended 31 December 2014

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 using the Black-Scholes valuation model and is spread over the vesting period to which they relate. The charge is included in operating expenses. All employee share schemes have been accounted for as equity settled.

FOREIGN CURRENCIES

The results of overseas subsidiary undertakings are translated into Sterling using the average rates of exchange during the period. Foreign currency monetary assets and liabilities are translated into Sterling at year-end closing exchange rates. Differences arising on translation of the opening balance sheets of subsidiary undertakings and associates and retained profit for the year at the closing rate of exchange are dealt with through reserves. All other exchange differences are included in the profit and loss account.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax where appropriate, of services provided to customers. Revenue is derived from six sources:

- (a) Usage income from audio recognition services carried out in a period. Some agreements allow for advance payment of such fees and revenue is spread accordingly. Minimum period guarantees apply in some instances and revenue is spread over the explicit periods.
- (b) Exclusivity fees and fees for recurring contractual rights, relating to music recognition services. Some agreements allow for one-off upfront exclusivity fees in which case revenue is recognised at the point the contract starts. Upfront fees for recurring contractual rights are spread over the appropriate period.
- (c) Implementation and development income is recognised over the period from the delivery of the software to the point at which there are no significant vendor obligations remaining.
- (d) Maintenance fees and recurring licence fees are spread over the contract period.
- (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.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

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

2 OPERATING LOSS	Group	
	Year ended 31 December 2014 £	Six months ended 31 December 2013 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets:		
- owned assets	987,837	620,429
Amortisation of intangible fixed assets:		
- owned assets	1,515,383	757,692
Operating lease rentals:		
Plant and machinery	-	-
Other	1,522,384	705,489
Services provided by the company's auditors		
Fees payable to company auditors for the audit of parent company, subsidiary entities and consolidated financial statements	47,000	40,000
Fees payable to the company's auditors and its associates for other services:	145,833	91,717
	<u> </u>	<u> </u>

3a) INTEREST RECEIVABLE AND SIMILAR INCOME	Group	
	Year ended 31 December 2014 £	Six months ended 31 December 2013 £
Bank interest receivable	35,266	22,020
3b) INTEREST PAYABLE AND SIMILAR CHARGES		
Loan interest payable	(104,250)	(185,557)

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

4	EMPLOYEES	Group	
		Year ended 31 December 2014	Six months ended 31 December 2013
		No.	No.
	The average monthly number of persons (including directors) employed by the group during the financial year/period was:		
	Management and administration	243	197
		<u>£</u>	<u>£</u>
	Staff costs for above persons:		
	Wages and salaries	19,928,379	7,800,633
	Social security costs	1,971,041	770,810
	Share based payment charge (see note 20)	3,475,608	1,978,790
	Other pension costs	378,798	85,590
		<u>25,753,826</u>	<u>10,635,823</u>
		<u>£</u>	<u>£</u>
	DIRECTORS' EMOLUMENTS		
	Aggregate emoluments and benefits under long-term incentive schemes (excluding share option schemes)	987,922	573,753
		<u>£</u>	<u>£</u>
	Emoluments disclosed above include the following amounts paid to the highest paid director:		
	Emoluments and benefits under long-term incentive schemes	422,015	260,768
	Contributions to pension scheme	4,332	1,830
		<u>426,347</u>	<u>262,598</u>

Six statutory directors are entitled to benefits under share schemes (period ended 31 December 2013: six). The highest paid director exercised zero share options in the year.

Two of the directors are accruing benefits under a defined contribution pension scheme (period ended 31 December 2013: two).

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

5	CURRENT TAX CHARGE	Group	
		Year ended 31 December 2014 £	Six months ended 31 December 2013 £
	Current tax:		
	UK corporation tax on results of the year/period	-	-
	Foreign tax	963,137	457,613
	Total current tax	963,137	457,613

The tax assessed for the year is higher (31 December 2013: higher) than the standard rate of corporation tax in the UK (21.5%) (2013: 23%).

	Year ended 31 December 2014 £	Six months ended 31 December 2013 £
Factors affecting tax charge for financial year/period:		
Loss on ordinary activities before tax	(13,879,859)	(5,302,243)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (period ended 31 December 2013: 23%)	(2,984,170)	(1,219,516)
Effects of:		
Expenses not deductible for tax purposes	811,538	509,194
Tax loss not utilised	2,052,611	611,346
Capital allowances less than depreciation and other timing differences	212,385	142,699
Foreign tax deduction claimed	(92,364)	(43,723)
Foreign tax suffered	963,137	457,613
Tax on loss on ordinary activities	963,137	457,613

The group has trading losses of approximately £13.9m (period ended 31 December 2013: £7.4m) which, subject to agreement with HM Revenue and Customs, are available to carry forward and offset future profits of the same trade.

A deferred tax asset of £3.0m (period ended 31 December 2013: £1.7m) has not been recognised in the financial statements in respect of these losses as there is insufficient certainty as to the timing of future profits available to offset them.

Factors that may affect future tax charges

On 17 July 2013, the government enacted a reduction in the main rate of UK corporation tax to 21% by 1 April 2014 and to 20% by 1 April 2015. This future annual corporation tax reduction is expected to affect the Consolidated Financial Statements.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

6a	INTANGIBLE ASSETS – GROUP	Intellectual Property Rights £
	Cost at 1 January 2014 and at 31 December 2014	14,890,985
	Amortisation	
	At 1 January 2014	3,370,946
	Charged in the year	1,515,383
	Accumulated amortisation at 31 December 2014	4,886,329
	Net book value	
	At 31 December 2014	10,004,656
	At 31 December 2013	11,520,039

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.

6b	INTANGIBLE ASSETS – COMPANY	Intellectual Property Rights £
	Cost at 1 January 2014 and at 31 December 2014	262,846
	Amortisation	
	At 1 January 2014	201,515
	Charged in the year	52,570
	Accumulated amortisation at 31 December 2014	254,085
	Net book value	
	At 31 December 2014	8,761
	At 31 December 2013	61,331

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

7a	TANGIBLE ASSETS – GROUP	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Total £
	Cost				
	At 1 January 2014	1,793,018	5,067,220	381,455	7,241,693
	Additions	528,063	212,999	180,358	921,420
	Disposals	(264,337)	(2,300,111)	(119,873)	(2,684,321)
	Foreign exchange translation	(27,568)	(9,105)	(8,936)	(45,609)
	At 31 December 2014	2,029,176	2,971,003	433,004	5,433,183
	Accumulated depreciation				
	At 1 January 2014	763,094	4,534,172	251,613	5,548,879
	Charged in the year	370,298	454,163	163,376	987,837
	Disposals	(240,861)	(2,326,653)	(183,397)	(2,750,911)
	Foreign exchange translation	1,832	(3,875)	19,675	17,632
	At 31 December 2014	894,363	2,657,807	251,267	3,803,437
	Net book value				
	At 31 December 2014	1,134,813	313,196	181,737	1,629,746
	At 31 December 2013	1,029,924	533,048	129,842	1,692,814

Within disposals, historical assets with cost of £2,224,446 were retired at net book value of £nil.

7b	TANGIBLE ASSETS - COMPANY	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Total £
	Cost				
	At 1 January 2014	1,483,959	4,965,148	275,383	6,724,490
	Additions	180,250	146,719	94,317	421,286
	Disposals	(247,596)	(2,319,423)	(136,220)	(2,703,239)
	At 31 December 2014	1,416,613	2,792,444	233,480	4,442,537
	Accumulated depreciation				
	At 1 January 2014	749,094	4,462,637	191,684	5,403,415
	Charged in the year	309,631	406,236	82,244	798,111
	Disposals	(255,746)	(2,306,683)	(136,990)	(2,699,419)
	At 31 December 2014	802,979	2,562,190	136,938	3,502,107
	Net book value				
	At 31 December 2014	613,634	230,254	96,542	940,430
	At 31 December 2013	734,865	502,511	83,699	1,321,075

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

8 INVESTMENTS	Company £
Shares in group undertakings	
At 1 January 2014	27,980
Additions	-
Disposals	(5)
	<hr/>
At 31 December 2014	27,975
	<hr/> <hr/>

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

On 30 December 2014, Shazam Entertainment Ltd transferred its shareholding in Shazam Support Services Inc to Shazam Media Services Inc at cost. Subsequently, on 31 December 2014 Shazam Support Services Inc merged into Shazam Media Services Inc.

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	Australia	Ordinary	100
Shazam Support Services Korea (Trading)	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 Inc. (Dissolved 3 January 2013)	USA	Ordinary	100

In May 2014, Shazam Support Services Korea ceased trading and will be liquidated in 2015.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

9	DEBTORS	Group		Company	
		31 December 2014 £	31 December 2013 £	31 December 2014 £	31 December 2013 £
	Due within one year:				
	Trade debtors	5,107,020	4,083,918	1,855,375	1,360,976
	Other debtors	303,867	326,257	14,321	17,715
	Amounts owed by group undertakings	-	-	28,175,907	33,525,568
	Prepayments and accrued income	4,278,118	4,397,236	3,792,542	4,293,369
	Due after more than one year:				
	Amounts owed by related party (see note 21)	4,004,357	252,470	4,004,357	252,470
		13,693,362	9,059,881	37,842,502	39,450,098

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

10	CREDITORS: Amounts falling due within one year	Group		Company	
		31 December 2014 £	31 December 2013 £	31 December 2014 £	31 December 2013 £
	Due within one year:				
	Bank loans	1,054,628	996,901	1,054,628	996,901
	Trade creditors	1,715,165	1,651,423	1,391,280	1,309,914
	Amounts owed to group undertakings	-	-	7,445,958	12,876,694
	Other taxation and social security	539,456	335,109	501,896	305,980
	Corporation tax payable	-	-	-	-
	Accruals and deferred income	4,760,101	3,781,528	3,483,503	2,658,038
		8,069,350	6,764,961	13,877,265	18,147,527
	CREDITORS: Amounts falling due after more than one year				
	Due within more than one year:				
	Bank loans	-	996,901	-	996,901
		-	996,901	-	996,901

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

The bank loan is denominated in US dollars, is secured against the assets and undertakings of the company and bears interest at a fixed rate of 7.0%. Repayment is made in 36 equal monthly instalments from December 2012.

In January 2015 the remaining loan balance was repaid.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

11 CALLED UP SHARE CAPITAL

	Group & Company	
	31 December 2014 £	31 December 2013 £
Allotted, issued and fully paid:		
895,699,153 (31 December 2013: 667,526,172) ordinary shares of £0.000004 each	3,583	2,670
12,665,394 (31 December 2013: 13,138,536) Preferred "A" shares of £0.20 each	2,533,079	2,627,707
46,977,819 (31 December 2013: 49,044,362) Preferred "B" shares of £0.01 each	469,778	490,443
852,199,137 (31 December 2013: 986,431,623) Preferred "C" shares of £0.0001 each	85,220	98,643
231,324,406 (31 December 2013: 231,810,173) Preferred "C1" shares of £0.0001 each	23,132	23,181
465,117,290 (31 December 2013: 465,117,290) Preferred "C2" shares of £0.000001 each	465	465
171,026,077 (31 December 2013: 171,026,077) Preferred "C3" shares of £0.000004 each	684	684
167,827,889 (31 December 2013: 167,827,889) Preferred "C4" shares of £0.000004 each	671	671
140,000,000 (31 December 2013: 140,000,000) Founder shares of £0.000004 each	560	560
1,315,095,584,209,320 (31 December 2013: 2,046,879,329,317) Deferred shares of £0.0000000001 each	131,510	205
	3,248,682	3,245,229

During the year 66,737,140 ordinary shares were issued for cash. The nominal value of these shares was £267 and the consideration received was \$10.0m (c£6.0). Also during the year a secondary sale took place, prior to which 473,142 preferred 'A' shares, 2,066,543 preferred 'B' shares, 166,422,209 preferred 'C' shares and 485,767 preferred 'C1' shares were converted into 169,939,303 ordinary shares and 1,313,048,704,880,000 deferred shares.

All shares rank pari passu except:

- i) 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.
- ii) The Preferred "A" shares, Preferred "B" shares, Preferred "C", Preferred "C1" shares, Preferred "C2" share, Preferred "C3" and Preferred "C4" shares are entitled to dividends declared in relation to the Ordinary shares.
- iii) The Founder Shares and Deferred shares have no voting or dividend rights. The Deferred shares have no participation rights.
- iv) The Company has the right to repurchase all holdings of Deferred shares at £0.01.

Shazam Entertainment Limited

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For the year ended 31 December 2014

12 SHARE PREMIUM ACCOUNT AND CAPITAL REDEMPTION RESERVE

	Group & Company			
	Capital Redemption Reserve		Share Premium account	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	£	£	£	£
At 1 January	2,051,857	2,051,857	46,270,447	46,008,939
Premium on shares issued during the financial year/period	-	-	5,975,642	240,774
Expenses of share issue	-	-	(60,483)	-
Transfer from FRS20 reserve	-	-	-	20,734
At 31 December	2,051,857	2,051,857	52,185,606	46,270,447

13 WARRANT RESERVE

There are 32,189,726 (period ended 31 December 2013: 64,379,449) warrants in issue that can be exercised over Preferred "C" shares at an exercise price of £0.0031625 and 8,217,290 (period ended 31 December 2013: 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 2013: nil).

14 SHARE BASED PAYMENT RESERVE

	Group		Company	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	£	£	£	£
At 1 January	2,548,835	590,779	2,548,835	590,779
Charge for the year	3,475,608	1,978,790	3,475,608	1,978,790
Transfer from profit and loss account	(696,394)	-	(696,394)	-
Transfer from share premium account	-	(20,734)	-	(20,734)
At 31 December	5,328,049	2,548,835	5,328,049	2,548,835

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

15 PROFIT AND LOSS ACCOUNT

	Group		Company	
	31 December 2014 £	31 December 2013 £	31 December 2014 £	31 December 2013 £
At 1 January	(20,302,811)	(14,542,955)	(16,487,121)	(12,633,201)
Foreign exchange translation	165	-	-	-
Loss for the financial year/period	(14,842,996)	(5,759,856)	(12,926,368)	(3,853,920)
Transfer from FRS20 reserve	696,394	-	696,394	-
At 31 December	(34,449,248)	(20,302,811)	(28,717,095)	(16,487,121)

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	31 December 2014 £	31 December 2013 £	31 December 2014 £	31 December 2013 £
Loss for the financial year/period	(14,842,996)	(5,759,856)	(12,926,368)	(3,853,920)
Foreign exchange translation	165	-	-	-
Net proceeds from issue of shares	5,918,612	261,456	5,918,612	261,456
Share based payment	3,475,608	1,958,056	3,475,608	1,958,056
Net decrease in shareholders' funds	(5,448,611)	(3,540,344)	(3,532,148)	(1,634,408)
Opening total shareholders' funds	33,854,644	37,394,988	37,670,334	39,304,742
Closing total shareholders' funds	28,406,033	33,854,644	34,138,186	37,670,334

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

	Year ended 31 December 2014 £	Period ended 31 December 2013 £
Operating loss	(13,810,875)	(5,138,706)
Adjustments for:		
Depreciation of tangible fixed assets	987,837	620,429
Amortisation of intangible assets	1,515,383	757,692
Increase in debtors	(4,633,481)	(174,862)
Increase in creditors	1,246,661	157,298
Share based payment charge	3,475,608	1,978,790
Net cash outflow from operating activities	(11,218,867)	(1,799,359)

18 ANALYSIS OF NET FUNDS

	1 January 2014 £	Cash flow £	Exchange movements £	31 December 2014 £
Cash in hand and at bank	19,343,772	(8,192,969)	(3,184)	11,147,619
Debt due after 1 year	(996,901)	996,901	-	-
Debt due within 1 year	(996,901)	-	(57,727)	(1,054,628)
Net funds	17,349,970	(7,196,068)	(60,911)	10,092,991

19 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Group and Company			
	31 December 2014 £		31 December 2013 £	
	Land and buildings	Other	Land and buildings	Other
Within 1 year	96,354	1,576	180,099	4,976
within 2- 5 years	1,466,510	15,986	928,777	9,073

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

20 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 at \$0.07.

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

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

Financial year issued	Vesting period	Subscription price	Number of employees	Number of shares subscribed to
1 January 2014 to 31 December 2014	3 years	\$0.07	1	1,607,143

The fair value of the cost to the company has been calculated by taking into account the price offered from investors at the previous funding rounds together with the historic and future expected performance of the company. The company charges this cost over the vesting life of the related stock instruments. The impact of recognising the fair value of the restricted stock under the restricted stock share scheme as an expense under FRS20 is £1,811,561 in the financial year (2013: £1,556,415).

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	230,998,885	£0.000004
Leavers	(60,483,333)	£0.000004
Granted	1,607,143	\$0.07
Outstanding at the end of the year	<u>172,122,695</u>	£0.000377

Of the restricted stock units outstanding at the end of the year 99,040,711 shares had vested.

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 after 28 February 2014 have a fixed exercise price of £0.04/\$0.07. 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.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

20 SHARE BASED PAYMENTS (CONTINUED)

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 2014 to 31 December 2014	4 years	£0.000004	Nil	nil
1 January 2014 to 31 December 2014	4 years	£0.02/\$0.03	28	15,300,000
1 January 2014 to 31 December 2014	4 years	£0.106	nil	nil
1 January 2014 to 31 December 2014	4 years	£0.04/\$0.07	195	123,774,234

The fair value of the cost to the company has been calculated by taking into account the price offered from investors at the previous funding rounds together with the historic and future expected performance of the company. The company charges this cost over the vesting life of the related stock instruments. The impact of recognising the fair value of the share options under the 'EMI' and 'Unapproved' schemes as an expense under FRS20 is £1,664,047 (2013: £422,375).

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	153,816,610	£0.03730
Granted	139,074,234	£0.03780
Exercised	(20,360,222)	£0.000858
Lapsed	(28,888,707)	£0.018027
Outstanding at the end of the year	<u>243,641,915</u>	£0.042914

Of the outstanding share options at the end of the financial year 85,827,840 shares had vested.

21 RELATED-PARTY TRANSACTIONS

During the period funds were extended to Broadcast Music Inc, an entity which holds an investment in the company. This loan 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 £4,004,357 (see note 9) which is deemed to be non-current given management's expectation of this event.

There are no other related party transactions in the year.

Shazam Entertainment Limited

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2014

22 PARENT COMPANY RESULTS

Of the loss for the financial year/period, a loss of £12,926,368 (period ended 31 December 2013: £3,853,920) is dealt with in the profit and loss account of Shazam Entertainment Limited.

23 ULTIMATE CONTROLLING PARTY

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

24 SUBSEQUENT EVENTS

In January 2015, 163,119,105 preferred C5 shares were issued for \$48.9m (c£32.6m). Subsequently, the remaining bank loan balance of £1,054,628 was repaid early.