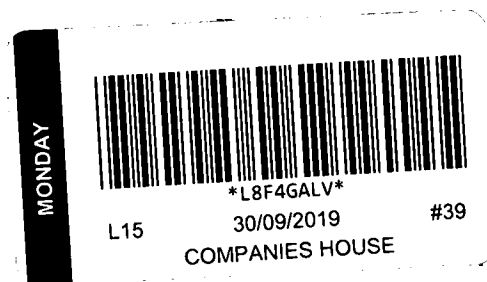


# Shazam Entertainment Limited

## ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018



Company Registration No. 03998831

# Shazam Entertainment Limited

## Contents of the Annual Report and Financial Statements for the year ended 31 December 2018

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# Shazam Entertainment Limited

## Directors and other information

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### **DIRECTORS**

Bridget Kerle (appointed on 21 September 2018, resigned on 31 March 2019)

Peter Denwood (appointed on 21 September 2018)

Andrew Fisher (resigned on 21 September 2018)

Richard Riley (resigned on 21 September 2018)

Christopher Barton (resigned on 21 September 2018)

Nedad Marovac (resigned on 21 September 2018)

Matthew Murphy (resigned on 21 September 2018)

Lauren Zalaznick (resigned on 21 September 2018)

Robert Krolík (resigned on 21 September 2018)

### **SECRETARY**

Abogado Nominees Limited (appointed on 21 September 2018)

Bridget Kerle (resigned on 21 September 2018)

### **REGISTERED OFFICE**

100 New Bridge Street

London

EC4V 6JA

### **INDEPENDENT AUDITORS**

Ernst and Young

City Quarter

Lapps Quay Cork

Ireland

### **BANKERS**

Barclays Bank plc

Level 27, 1 Churchill Place

London

E14 5HP

### **REGISTRATION NUMBER**

03998831

# Shazam Entertainment Limited

## Strategic report

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Shazam Entertainment Limited (“Company”) and its subsidiaries (together “Group”) continued to provide audio and visual recognition services via mobile phone and tablets for use with music and brand advertising.

The director presents his strategic report on the Group for the year ended 31 December 2018.

### **Business review**

On 21 September 2018, the Company was acquired by Apple Operations Europe. Effective as of 26 November 2018, the Company sold its intellectual property assets to a group company.

During the financial year the Group continued expanding the international distribution of its services with significant contracts with major brands and blue-chip companies. The Group continued to grow its user base and reached 478 million annual active users in 2018 (2017: 400m).

Following the sale of its intellectual property assets, the Group is engaged in the completion of any pre-existing contractual obligations and both the Company and Group’s activity have continued within the Apple group.

### **Research and development**

The Group continued to develop and improve the methodology and systems for real time music identification and interaction via smart client applications on mobile phones and tablets.

### **Principal risks and uncertainties**

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

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

Following the sale of its intellectual property assets the director has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Financial risk is managed by Apple Inc.’s (“ultimate parent”) specialist Treasury department under policies approved by its board of directors. Therefore, the financial risk facing the Company is considered low.

### **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 14 to the financial statements.

### **Key performance indicators**

Turnover, as disclosed on page 10, is the main financial KPI of the business. Following the sale of its intellectual property assets and given the current size as well as the straightforward nature of the business, the Company’s director is of the opinion that further analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

# Shazam Entertainment Limited

## Strategic report (continued)

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### Results

The results for the Group show a turnover for the year ended 31 December 2018 of £31.4m (period ended 31 December 2017: £40.8m) and a profit before taxation of £144.3m (period ended 31 December 2018: £17.7m loss)

On behalf of the board

  
Peter Denwood

30 September 2019

# Shazam Entertainment Limited

## Director's report

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The director presents his report and the audited consolidated financial statements of the Group for the year ended 31 December 2018. Future developments and financial risk management are discussed within the Strategic report and are therefore not included here.

### Principal activities

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 and brand advertising.

### Results and dividends

The results for the Group show turnover for the year ended 31 December 2018 of £31.4m (period ended 31 December 2017: £40.8m) and a profit before taxation of £144.3m (period ended 31 December 2017: £17.7m loss).

No dividends were proposed and paid during the financial year ended 31 December 2018 (year ended 31 December 2017: £nil).

### Going concern

The financial statements have been prepared on the going concern basis. Following the sale of its intellectual property assets the director has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

### Directors

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

Bridget Kerle (appointed on 21 September 2018, resigned on 31 March 2019)

Peter Denwood (appointed on 21 September 2018)

Andrew Fisher (resigned on 21 September 2018)

Rich Riley (resigned on 21 September 2018)

Christopher Barton (resigned on 21 September 2018)

Nedad Marovac (resigned on 21 September 2018)

Matthew Murphy (resigned on 21 September 2018)

Lauren Zalaznick (resigned on 21 September 2018)

Robert Krolik (resigned on 21 September 2018)

### 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.

### Disclosure of information to the auditors

The director who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

# Shazam Entertainment Limited

## Director's report (continued)

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### Research and development

The Group continued to develop and improve the methodology and systems for real time music identification and interaction via smart client applications on mobile phones and tablets.

### Future developments

Following the sale of its intellectual property assets, the Group is engaged in the completion of any pre-existing contractual obligations and both the Company and Group's activity have continued within the Apple group.

### Post balance sheet events

The following directors have resigned from office following the financial year end:

- *Bridget Kerle (resigned on 31 March 2019)*

On 4 February 2019, all premises leases the Group held at the year end were assigned to the Apple Group.

On 20 March 2019, the Company adopted new Articles of Association to allow for the conversion of Preferred "C3" and Preferred "C4" shares to ordinary shares and thereafter consolidated and changed the designation of its share capital as follows:

Existing designation of shares	New designation following consolidation
988,183,063 Ordinary Shares of £0.000004	19,764 Ordinary Shares of £0.20
12,665,394 Preferred A Shares of £0.20	12,665,394 Ordinary Shares of £0.20
884,388,863 Preferred C Shares of £0.0001	442,194 Ordinary Shares of £0.20
231,324,405 Preferred C1 Shares of £0.0001	115,662 Ordinary Shares of £0.20
465,117,290 Preferred C2 Shares of £0.000001	2,326 Ordinary Shares of £0.20
171,026,077 Preferred C3 Shares of £0.000004	3,421 Ordinary Shares of £0.20
167,827,889 Preferred C4 Shares of £0.000004	3,357 Ordinary Shares of £0.20
163,109,106 Preferred C5 Shares of £0.000004	3,262 Ordinary Shares of £0.20
140,000,000 Founder Shares of £0.000004	2,800 Ordinary Shares of £0.20

Immediately following the consolidation and redesignation of its share capital, the Company reduced its share capital from 13,258,180 Ordinary Shares of £0.20 each and 5,874,409,768,280,000 Deferred Shares of £0.0000000001 each to 1 Ordinary Share of £0.20.

No other important events affecting the Company have taken place since the end of the financial period.

### Independent auditors

The former auditors, PricewaterhouseCoopers LLP, resigned from office on 21 September 2018 and thereafter Ernst & Young, Chartered Accountants were appointed as auditors of the Company. In accordance with s.487 of the Companies Act 2006, Ernst & Young, Chartered Accountants will be deemed to be reappointed as auditors of the Company.

*On behalf of the board*

  
Peter Denwood

30 September 2019

# Shazam Entertainment Limited

## Director's responsibilities statement

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### Statement of director's responsibilities in respect of the financial statements

The director is responsible for preparing the strategic report, the director's report and the financial statements for the Group and Company in accordance with applicable law and regulation.

UK company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'.

Under company law the director 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 Company and of the profit or loss of the Company and Group for that period.

In preparing the financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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; and
- 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 director is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.





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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAZAM ENTERTAINMENT LIMITED

### Opinion

We have audited the financial statements of Shazam Entertainment Limited ('the Parent Company') and its subsidiaries ('the Group') for the year ended 31 December 2018 which comprise of the Group Income Statement, the Group Statement of Other Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAZAM ENTERTAINMENT LIMITED  
(Continued)**

**Other information**

The other information comprises the information included in the annual report and financial statements other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

*In our opinion, based on the work undertaken in the course of the audit:*

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHAZAM ENTERTAINMENT LIMITED (Continued)

### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our Auditor's Report.

### Use of our report

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

Maria Leonard (Senior Statutory Auditor)  
for and on behalf of Ernst & Young, Statutory Auditor

Cork, Ireland

30 September 2019

Shazam Entertainment Limited  
Consolidated income statement  
For the year ended 31 December 2018

	Note	Year ended 31-Dec 2018 £	Year ended 31-Dec 2017 £
<b>TURNOVER</b>	5	31,422,125	40,841,482
Cost of sales		(2,174,199)	(2,409,528)
<b>Gross profit</b>		29,247,926	38,431,954
Administrative expenses		(39,841,927)	(45,652,193)
Non-recurring/exceptional expenses	6	(1,802,548)	(9,635,023)
Share based payment charge	22	(1,415,195)	(971,381)
<b>OPERATING LOSS</b>	6	(13,811,744)	(17,826,643)
Income from the disposal of intangible assets	7	157,668,518	-
Interest receivable and similar income	9	429,836	116,047
Interest payable and similar expenses	9	-	(29)
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		144,286,610	(17,710,625)
Tax charge on profit/(loss)	10	(20,333,064)	(27,505)
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>		<b>123,953,546</b>	<b>(17,738,130)</b>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement. The net profit for the Company for the year was £93.3m (year ended 31 December 2017: £13.6m loss).

Shazam Entertainment Limited  
Consolidated statement of comprehensive income  
For the year ended 31 December 2018

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	Year ended 31-Dec 2018 £	Year ended 31-Dec 2017 £
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	<b>123,953,546</b>	<b>(17,738,130)</b>
Currency translation differences	(45,227)	(670,549)
<b>TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR</b>	<b>123,908,319</b>	<b>(18,408,679)</b>

**Shazam Entertainment Limited**  
**Consolidated and Company statement of financial position**  
**For the year ended 31 December 2018**

	Note	Group		Company	
		31-Dec 2018 £	31-Dec 2017 £	31-Dec 2018 £	31-Dec 2017 £
<b>FIXED ASSETS</b>					
Intangible assets	11a, 11b	-	6,072,771	-	465,318
Tangible assets	12a, 12b	124,978	720,179	34,733	223,749
Investments	13	-	-	22,344	14,958,146
		<u>124,978</u>	<u>6,792,950</u>	<u>57,077</u>	<u>15,647,213</u>
<b>CURRENT ASSETS</b>					
Debtors	14	167,461,734	15,885,775	163,854,727	90,770,516
Cash at bank and in hand		6,963,998	21,973,490	6,218,404	19,486,091
		<u>174,425,732</u>	<u>37,859,265</u>	<u>170,073,131</u>	<u>110,256,607</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	<b>(39,959,373)</b>	<b>(15,797,952)</b>	<b>(38,780,346)</b>	<b>(69,728,445)</b>
<b>NET CURRENT ASSETS</b>		<u><b>134,466,359</b></u>	<u><b>22,061,313</b></u>	<u><b>131,292,785</b></u>	<u><b>40,528,162</b></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>134,591,337</b>	<b>28,854,263</b>	<b>131,349,862</b>	<b>56,175,375</b>
<b>NET ASSETS</b>		<u><u><b>134,591,337</b></u></u>	<u><u><b>28,854,263</b></u></u>	<u><u><b>131,349,862</b></u></u>	<u><u><b>56,175,375</b></u></u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	3,239,076	3,239,018	3,239,076	3,239,018
Share premium account		-	84,728,694	-	84,728,694
Other reserves	19	2,112,178	10,500,198	2,112,178	10,500,198
Profit and loss account		129,240,083	(69,613,647)	125,998,608	(42,292,535)
<b>TOTAL SHAREHOLDER'S FUNDS</b>		<u><u><b>134,591,337</b></u></u>	<u><u><b>28,854,263</b></u></u>	<u><u><b>131,349,862</b></u></u>	<u><u><b>56,175,375</b></u></u>

The notes on pages 16 to 34 are an integral part of these financial statements.

The financial statements on pages 10 to 34 were authorised for issue by the board of directors on 30 September 2019 and were signed on its behalf by:

  
Peter Denwood  
Director

Shazam Entertainment Limited  
Registered number 0399881

Shazam Entertainment Limited  
Consolidated statement of changes in equity  
For the year ended 31 December 2018

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
Note	£	£	(note 19) £	£	£
Balance as at 1 January 2017	<b>3,238,983</b>	<b>84,578,959</b>	<b>9,528,817</b>	<b>(51,204,968)</b>	<b>46,141,791</b>
Loss for the financial year	-	-	-	(17,738,130)	(17,738,130)
Foreign exchange translation	-	-	-	(670,549)	(670,549)
Settlement of employee share options	35	149,735	-	-	149,770
Share based payment credit	22	-	971,381	-	971,381
<b>Balance as at 31 December 2017</b>	<b>3,239,018</b>	<b>84,728,694</b>	<b>10,500,198</b>	<b>(69,613,647)</b>	<b>28,854,263</b>
Profit for the financial year	-	-	-	123,953,546	123,953,546
Foreign exchange translation	-	-	-	(45,227)	(45,227)
Settlement of employee share options	58	6,001	-	-	6,059
Share based payment credit	22	-	1,415,195	-	1,415,195
Cash cancellation of employee share options	22	-	(9,803,215)	-	(9,803,215)
Capital repayment to shareholders	-	(9,789,284)	-	-	(9,789,284)
Share premium cancellation	-	(74,945,411)	-	74,945,411	-
<b>Balance as at 31 December 2018</b>	<b>3,239,076</b>	<b>-</b>	<b>2,112,178</b>	<b>129,240,083</b>	<b>134,591,337</b>

Shazam Entertainment Limited  
Company statement of changes in equity  
For the year ended 31 December 2018

	Called up share capital	Share premium account	Other reserves  (note 19)	Profit and loss account	Total equity
Note	£	£	£	£	£
Balance as at 1 January 2017	3,238,983	84,578,959	9,528,817	(28,544,597)	68,802,162
Loss for the financial year	-	-	-	(13,625,929)	(13,625,929)
Foreign exchange translation	-	-	-	(122,009)	(122,009)
Settlement of employee share options	35	149,735	-	-	149,770
Share based payment credit	22	-	971,381	-	971,381
Balance as at 31 December 2017	<b>3,239,018</b>	<b>84,728,694</b>	<b>10,500,198</b>	<b>(42,292,535)</b>	<b>56,175,375</b>
Profit for the financial year	-	-	-	93,345,732	93,345,732
Settlement of employee share options	58	6,001	-	-	6,059
Share based payment credit	22	-	1,415,195	-	1,415,195
Cash cancellation of employee share options	22	-	(9,803,215)	-	(9,803,215)
Capital repayment to shareholders	-	(9,789,284)	-	-	(9,789,284)
Share premium cancellation	-	(74,945,411)	-	74,945,411	-
Balance as at 31 December 2018	<b>3,239,076</b>	<b>-</b>	<b>2,112,178</b>	<b>125,998,608</b>	<b>131,349,862</b>



# Shazam Entertainment Limited

## Consolidated statement of cash flows For the year ended 31 December 2018

	Note	Year ended 31-Dec 2018 £	Year ended 31-Dec 2017 £
<b>Net cash from operating activities</b>	20	(15,873,681)	(4,838,598)
Tax received/(paid)		3,334,024	(27,505)
<b>Net cash generated from operating activities</b>		<b>(12,539,657)</b>	<b>(4,866,103)</b>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(70,748)	(185,063)
Interest received		6,365	116,047
<b>Net cash used in investing activities</b>		<b>(64,383)</b>	<b>(69,016)</b>
<b>Cash flow from financing activities</b>			
Proceeds from issue of share capital (net of costs of issue)		6,059	149,770
Interest paid		-	(29)
Funding received from parent company		13,700,000	-
Loan repayment		3,884,370	-
Capital repayment		(9,789,284)	-
Cash-settled options		(9,803,215)	-
<b>Net cash (used in) / generated from financing activities</b>		<b>(2,002,070)</b>	<b>149,741</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(14,606,110)</b>	<b>(4,785,378)</b>
Cash and cash equivalents at the beginning of the year		21,973,490	27,846,354
Exchange losses on cash and cash equivalents		(403,382)	(1,087,486)
<b>Cash and cash equivalents at the end of the year</b>		<b>6,963,998</b>	<b>21,973,490</b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		6,963,998	21,973,490
<b>Cash and cash equivalents</b>		<b>6,963,998</b>	<b>21,973,490</b>

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, paragraph 1.12(b) not to present the Company statement of cash flows.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

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### 1. General information

Shazam Entertainment Limited ("Company") and its subsidiaries (together "Group") provide audio and visual recognition services via mobile phone and tablets for use with music and brand advertising.

On 21 September 2018, the Group was acquired by Apple Operations Europe and following the sale the Group is engaged in the completion of any pre-existing contractual obligations.

On 11 October 2018, the address of its registered office changed from 26-28 Hammersmith Grove, London, United Kingdom, W6 7HA to 100 New Bridge Street, London, United Kingdom, EC4V 6JA.

### 2. Statement of compliance

The Group and Company financial statements 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 principal 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.

#### Basis of preparation

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement.

#### Exemptions for qualifying entities under FRS102

The Company has elected to take the following disclosure exemptions in preparing these financial statements, as permitted by FRS102:

- Section 3 Financial Statement Presentation paragraph 3.17(d);
- Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- Section 7 Statement of Cash Flows;
- Section 11 Basic Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- Section 12 Other Financial Instruments Issues paragraphs, 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- Section 33 Related Party Disclosures paragraph 33.7.

#### Going concern

The financial statements have been prepared on the going concern basis. Following the sale of its intellectual property assets the director has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

#### Critical judgements and estimation uncertainty

The preparation of financial statements in conformity with FRS102 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.

#### Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings for the financial year ending 31 December 2018.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

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### 3. Summary of significant accounting policies (continued)

#### Basis of consolidation (continued)

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity 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.

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

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company income statement.

#### Foreign currency

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

The Group and Company's functional and presentation currency is 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.

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

The trading results of Group undertakings are translated into sterling at the closing 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 probably 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:

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

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### 3. Summary of significant accounting policies (continued)

#### Revenue recognition (continued)

- (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 statement of financial position. The assets of the plans are held separately from the Group in independently administered funds.

##### *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 income statement 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*

Up to 2017, the Group provided share-based payment arrangements to employees.

In December 2017, the Group's Board changed the employee share scheme to cash settled arrangements. Cash settled share options are measured at fair value at the balance sheet date. The majority of vested options were cash settled in the final quarter of 2018. For the remaining vested options, the Group recognises a liability at the balance sheet date based on these fair values. Changes in the value of this liability are recognised in the income statement account during the financial year.

#### Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, 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.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

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### 3. Summary of significant accounting policies (continued)

#### Taxation (continued)

##### *Current tax*

Current tax is the amount of all domestic and foreign 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.

##### *Research and development*

Research and development tax credits claimed under legislation are recognised when it is reasonable to expect that the credits will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

#### 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:

Intellectual property	5 to 10 years
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Amortisation is charged to Administrative expenses in the income statement. 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.

Intangible 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 income statement.

#### 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

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

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### 3. Summary of significant accounting policies (continued)

#### Tangible assets (continued)

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 income statement.

#### Leased assets

At inception the Group assesses agreements that transfer the right to use leased 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 income statement on a straight-line basis over the period of the lease. Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease accruals.

#### Investments – Company

Investment in subsidiary undertakings are 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.

#### Provisions and contingencies

##### *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probably 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.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

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### 3. Summary of significant accounting policies (continued)

#### 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 the income statement.

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 the income statement.

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.

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.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

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### 3. Summary of significant accounting policies (continued)

#### 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.

#### Share premium

Share premium comprises of any consideration received on issue of share capital less any transaction costs associated with the issuing of shares.

#### Related party transactions

The consolidated financial statements of Apple Inc., within which the results of this Company are included, can be obtained from the address given in note 24 to the 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.

#### Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### *Impairment of intangible assets*

Annually, the Group considers whether intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

#### *Provisions*

Provisions are made for contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgment.

### 5. Turnover

Turnover comprises of consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

As permitted by paragraph 68(5) of schedule 1 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008, turnover is not analysed as in the opinion of the director the disclosure of this information would be seriously prejudicial to the interests of the Group.



# Shazam Entertainment Limited

Notes to the consolidated financial statements (continued)

## 6. Operating losses

	Group	
	Year ended 31-Dec 2018 £	Year ended 31-Dec 2017 £
<b>Operating loss is stated after charging/(crediting):</b>		
Wages and salaries	21,057,211	22,682,759
Social security costs	1,753,199	1,915,993
Other pension costs	428,941	415,298
Share based payments	1,415,195	971,381
	<hr/>	<hr/>
<b>Total staff costs</b>	<b>24,654,546</b>	<b>25,985,431</b>
	<hr/>	<hr/>
Loss/(Gain) on disposal of tangible assets	226,604	(8,496)
Loss/(Gain) on Impairment of trade receivables	542,813	(95,068)
Depreciation of tangible assets	427,384	576,516
Amortisation of intangible assets	1,391,814	1,469,368
Operating lease charges	2,474,451	2,476,105
Foreign exchange (losses)/gains	(405,195)	1,720,130
Fees payable to the Company's tax advisors and their associates for other services:		
- Tax compliance services	93,399	96,116
- Other tax compliance services	9,495	532,893
Fees payable to Company's auditors and their associates for the audit of parent Company, subsidiary entities and the Group's consolidated financial statements	136,442	63,280

Non-recurring/exceptional costs of £1.8m relating to acquisition costs have been recognised in the income statement in the period ending 31 December 2018 (period ending 31 December 2017: £9.6m).

## 7. Income from the disposal of intangible assets

Revenue of £156.6m relates to the proceeds from the sale of intellectual property net of the cost of disposal in the period ending 31 December 2018 (period ended 31 December 2017: £nil) and revenue of £1.1m relates to the value attributed to the workforce of Shazam Media Services Inc which was acquired by Apple Inc on 26 November 2018 (period ended 31 December 2017: £nil).

# Shazam Entertainment Limited

Notes to the consolidated financial statements (continued)

## 8. Employees and directors

	Group	
	Year ended	Year ended
	31-Dec 2018	31-Dec 2017
	No.	No.
<b>Employees</b>		
The average monthly number of persons (including executive directors) employed by the Group during the year was:		
Management and administration	<u>216</u>	<u>225</u>

	£	£
<b>Directors</b>		
The directors' emoluments were as follows:		
Aggregate emoluments	948,176	964,616
Sums paid to third parties for directors' services	<u>14,506</u>	<u>20,000</u>

	Year ended	Year ended
	31-Dec	31-Dec
	2018	2017
	£	£
<b>Highest paid director</b>		
The highest paid director's emoluments were as follows:		
Emoluments and benefits under long-term incentive schemes	526,686	595,038
Contributions to defined contribution pension scheme	<u>5,609</u>	<u>4,092</u>
	<u>532,295</u>	<u>599,130</u>

### 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	<u>3,128,613</u>	<u>2,057,067</u>
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## 9. Interest

	Group	
	Year ended	Year ended
	31-Dec 2018	31-Dec 2017
	£	£
<b>INTEREST RECEIVABLE AND SIMILAR INCOME</b>		
Bank interest received	6,365	116,047
Interest income from group undertakings	<u>423,471</u>	<u>-</u>
	<u>429,836</u>	<u>116,047</u>
<b>INTEREST PAYABLE AND SIMILAR EXPENSES</b>		
Loan interest paid	<u>-</u>	<u>(29)</u>

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

### 10. Tax

a. Tax on profit/(loss) on ordinary activities	Year ended 31-Dec 2018 £	Year ended 31-Dec 2017 £
<b>Tax charge is made up as follow:</b>		
<b>Current tax:</b>		
UK corporation tax on profits for the year	23,687,664	-
Foreign corporation tax on profits for the year	(86,675)	101,860
R&D tax credits	(3,267,925)	(74,355)
<b>Total tax expense</b>	<b>20,333,064</b>	<b>27,505</b>
<b>b. Reconciliation of the total tax charge</b>		
	Year ended 31-Dec 2018 £	Year ended 31-Dec 2017 £
<b>Profit/(Loss) before tax</b>	<b>144,286,610</b>	<b>(17,710,625)</b>
 Profit/(Loss) multiplied by standard rate of corporation tax in the UK of 19.00% (for the period 1 January 2017 to 31 December 2017: 19.25%)	 27,414,455	 (3,409,295)
<b>Effects of:</b>		
- Not deductible (income) and expense	(485,382)	462,053
- Adjustments from previous period	(150,134)	-
- R&D Tax credits	(3,267,925)	(74,355)
- Prior period deferred tax asset recognised	(3,928,631)	-
- Unrecognised losses not utilised	750,681	3,049,102
<b>Total tax expense</b>	<b>20,333,064</b>	<b>27,505</b>

A deferred tax asset of £2.2m (year ended 31 December 2017: £5.3m) 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.

#### c. Factors that may affect future tax changes

At the Summer Budget 2015, the government announced a reduction in the rate from 20% to 19% for the year beginning 1 April 2017, with a further reduction from 19% to 18% for the year beginning 1 April 2020. At Budget 2016, the government announced a further reduction to the corporate tax main rate for the year starting 1 April 2020, setting the rate at 17%.

# Shazam Entertainment Limited

Notes to the consolidated financial statements (continued)

## 11a. Intangible assets – Group

	Intellectual Property Rights £
<b>Cost</b>	
At 1 January 2018	15,362,857
Disposal	<u>(15,362,857)</u>
At 31 December 2018	<u>-</u>
<b>Amortisation</b>	
At 1 January 2018	9,290,086
Charge for year	1,391,814
Eliminated on disposal	<u>(10,681,900)</u>
At 31 December 2018	<u>-</u>
<b>Net book value</b>	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u><u>6,072,771</u></u>

## 11b. Intangible assets – Company

	Intellectual Property Rights £
<b>Cost</b>	
At 1 January 2018	734,718
Disposal	<u>(734,718)</u>
At 31 December 2018	<u>-</u>
<b>Amortisation</b>	
At 1 January 2018	269,400
Charge for year	71,218
Eliminated on disposal	<u>(340,618)</u>
At 31 December 2018	<u>-</u>
<b>Net book value</b>	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u><u>465,318</u></u>

Effective as of 26 November 2018, the Company sold its intellectual property assets to Apple Inc. Post 26 November 2018, the Group is engaged in the completion of any pre-existing contractual obligations and both the Company and Group's activity have continued within the Apple group.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

### 12a. Tangible assets – Group

	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2018	2,470,022	3,167,301	624,125	6,261,448
Addition	-	22,505	48,243	70,748
Write off	(1,968,625)	(3,106,673)	(690,040)	(5,765,338)
Foreign exchange translation	58,759	17,206	17,672	93,637
At 31 December 2018	560,156	100,339	-	660,495
<b>Depreciation</b>				
At 1 January 2018	1,947,821	3,085,638	507,810	5,541,269
Charge for year	313,797	52,415	61,172	427,384
Eliminated on write off	(1,835,986)	(3,090,208)	(584,684)	(5,510,878)
Foreign exchange translation	46,192	15,848	15,702	77,742
At 31 December 2018	471,824	63,693	-	535,517
<b>Net book value</b>				
At 31 December 2018	88,332	36,646	-	124,978
At 31 December 2017	522,201	81,663	116,315	720,179

### 12b. Tangible assets – Company

	Fixtures, fittings and equipment £	General hardware £	Computer equipment £	Total £
<b>Cost</b>				
At 1 January 2018	1,435,168	2,864,672	297,326	4,597,166
Addition	-	17,003	15,406	32,409
Write off	(1,274,020)	(2,829,764)	(312,732)	(4,416,516)
At 31 December 2018	161,148	51,911	-	213,059
<b>Accumulated depreciation</b>				
At 1 January 2018	1,290,885	2,834,237	248,295	4,373,417
Charge for year	131,569	22,095	27,512	181,176
Eliminated on write off	(1,272,388)	(2,828,072)	(275,807)	(4,376,267)
At 31 December 2018	150,066	28,260	-	178,326
<b>Net book value</b>				
At 31 December 2018	11,082	23,651	-	34,733
At 31 December 2017	144,283	30,435	49,031	223,749

# Shazam Entertainment Limited

Notes to the consolidated financial statements (continued)

## 13. Investments

	<b>Company</b>
	<b>£</b>
<b>Shares in group undertakings</b>	
At 1 January 2018	14,958,146
Additions	7,267,383
Impairment charge	(22,203,185)
<b>At 31 December 2018</b>	<b>22,344</b>

During the financial year the Company made a capital contribution of £7.3m to and impaired a capital investment of £22.2m (2017: £nil) in one of its subsidiaries, Shazam Media Services Inc.

The Company previously held 100% of the share capital in Shazam Entertainment Trustees Limited. The final accounts for this entity were submitted as at 31 December 2017. The entity was dissolved via voluntary strike off on 27 November 2018.

The Company holds the share capital of the following companies:

<b>Company</b>	<b>Country of incorporation</b>	<b>Shares held</b>	
		<b>Class</b>	<b>%</b>
Shazam Media Services Inc ( trading)	USA	Ordinary	100
Shazam Media Services (Australia) Pty Ltd ( trading)	Australia	Ordinary	100
Shazam Investments Limited (Intellectual Property holding company)	UK	Ordinary	100
Shazam Media Services Gmbh (trading)	Germany	Ordinary	100

In the opinion of the director the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount included in the statement of financial position.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

### 14. Debtors

	Group		Company	
	31-Dec 2018 £	31-Dec 2017 £	31-Dec 2018 £	31-Dec 2017 £
Due within one year:				
Trade debtors	2,602,742	7,364,857	1,414,239	4,279,016
Amounts owed by ultimate parent undertakings	163,153,478	-	144,100,180	-
Amounts owed by participating interests (note 23)	-	3,884,370	-	3,884,370
Amounts owed by group undertakings	-	-	16,975,606	79,139,033
Other debtors	235,949	587,036	3,166	5,622
Prepayments and accrued income	1,469,565	4,049,512	1,361,536	3,462,475
	<b>167,461,734</b>	<b>15,885,775</b>	<b>163,854,727</b>	<b>90,770,516</b>

Trade debtors are stated after provisions for impairment of £736,263 (2017: £951,815).

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

### 15. Creditors: amounts falling due within one year

	Group		Company	
	31-Dec 2018 £	31-Dec 2017 £	31-Dec 2018 £	31-Dec 2017 £
Trade creditors	533,282	1,013,005	452,622	701,379
Amounts owed to group undertakings	13,710,416	-	13,737,266	57,005,118
Other creditors	-	247	-	-
Corporation tax	23,667,088	-	22,994,075	-
VAT payable	146,840	286,419	139,834	303,898
Other taxes and social security taxes	186,660	330,634	7,042	255,545
Accruals and deferred income	1,715,087	14,167,647	1,449,507	11,462,505
	<b>39,959,373</b>	<b>15,797,952</b>	<b>38,780,346</b>	<b>69,728,445</b>

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

### 16. 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 £428,941 (2017: £415,298). The liability outstanding at the year end was £1,169 (2017: £nil).

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

### 17. Financial instruments

	Year ended 31-Dec 2018 £	Year ended 31-Dec 2017 £
<b>Group</b>		
The Group has the following financial instruments:		
Financial assets measured at amortised cost		
- Trade receivables	2,602,742	7,364,857
- Amounts owed by ultimate parent undertakings	163,153,478	-
- Prepayments and accrued income	1,469,565	4,049,512
- Other debtors	235,949	587,036
	<b>167,461,734</b>	<b>12,001,405</b>
Financial liabilities measured at amortised cost		
- Trade creditors	(533,282)	(1,013,005)
- Amounts owed to group undertakings	(13,710,416)	-
- Accruals and deferred income	(1,715,087)	(14,167,647)
- Other creditors	-	(247)
	<b>(15,958,785)</b>	<b>(15,180,899)</b>
<b>Company</b>		
The Company has the following financial instruments:		
Financial assets measured at amortised cost		
- Trade receivables	1,414,239	4,279,016
- Amounts owed by ultimate parent undertakings	144,100,180	-
- Amounts owed by group undertakings	16,975,606	83,023,403
- Prepayments and accrued income	1,361,536	3,462,475
- Other receivables	3,166	5,622
	<b>163,854,727</b>	<b>90,770,516</b>
Financial liabilities measured at amortised cost		
- Trade creditors	(452,622)	(701,379)
- Amounts owed to group undertakings	(13,737,266)	(57,005,118)
- Accruals and deferred income	(1,449,507)	(11,462,505)
- Other creditors	-	-
	<b>(15,639,395)</b>	<b>(69,169,002)</b>



# Shazam Entertainment Limited

Notes to the consolidated financial statements (continued)

## 18. Called up share capital

Authorised, allotted, issued and fully paid:	Class of shares	Nominal value	Group & Company	
			31-Dec 2018	31-Dec 2017
			£	£
988,183,063 (31 December 2017: 926,577,235)	Ordinary	0.000004	<b>3,953</b>	3,707
12,665,394 (31 December 2017: 12,665,394)	Preferred A	0.20	<b>2,533,079</b>	2,533,079
nil (31 December 2017: 46,977,819)	Preferred B	0.01	-	469,778
884,388,863 (31 December 2017: 884,388,863)	Preferred C	0.0001	<b>88,439</b>	88,439
231,324,405 (31 December 2017: 231,324,405)	Preferred C1	0.0001	<b>23,132</b>	23,132
465,117,290 (31 December 2017: 465,117,290)	Preferred C2	0.000001	<b>465</b>	465
171,026,077 (31 December 2017: 171,026,077)	Preferred C3	0.000004	<b>684</b>	684
167,827,889 (31 December 2017: 167,827,889)	Preferred C4	0.000004	<b>671</b>	671
163,109,106 (31 December 2017: 163,109,106)	Preferred C5	0.000004	<b>652</b>	652
140,000,000 (31 December 2017: 140,000,000)	Founder	0.000004	<b>560</b>	560
5,874,409,768,280,000 (31 December 2017: 1,178,506,981,040,000)	Deferred	0.0000000001	<b>587,441</b>	117,851
			<b>3,239,076</b>	<b>3,239,018</b>

During the year 14,628,009 (2017: 8,731,751) ordinary shares were issued for cash. The nominal value of these shares was £58 (2017: £35).

On 21 September 2018 the Company changed the designation of 46,977,819 "B Preferred Ordinary Shares" to 46,977,819 "Ordinary Shares" and 4,695,902,787,240,000 "Deferred Shares".

All shares rank pari passu except:

- i) The Preferred "A" shares, Preferred "B" shares, Preferred "C", Preferred "C1" shares, Preferred "C2" share, Preferred "C5" shares and Founders Shares can all be converted into Ordinary shares 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", Preferred "C4" and Preferred "C5" 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.

Following the financial year end the Company has re-organised its share capital structure as detailed in note 25.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

### 19. Other reserves

Group and Company	Capital redemption reserve	Share based payment reserve	Warrant reserve	Total
	£	£	£	£
Balance as at 1 January 2017	2,065,516	7,422,214	41,087	9,528,817
Share based payment charge	-	971,381	-	971,381
Balance as at 1 January 2018	2,065,516	8,393,595	41,087	10,500,198
Share based payment charge	-	1,415,195	-	1,415,195
Cash cancellation of share options	-	(9,803,215)	-	(9,803,215)
Balance as at 31 December 2018	2,065,516	5,575	41,087	2,112,178

#### Capital redemption reserve

The capital redemption reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of the Company's own shares. The provisions relating to the capital redemption reserve are set out in s.733 of the Companies Act 2006.

### 20. Notes to the consolidated statement of cash flows

Group profit/(loss) for the financial year	123,953,546	(17,738,130)
Adjustment for:		
Tax charge on profit/(loss)	20,333,064	27,505
Net interest income	(429,836)	(116,018)
Income from the disposal of intangible assets	(157,668,518)	-
<b>Operating loss</b>	<b>(13,811,744)</b>	<b>(17,826,643)</b>
Write off of tangible assets	226,604	-
Depreciation of tangible fixed assets	427,384	576,516
Amortisation of intangible assets	1,391,814	1,469,368
Share based payment charge	1,415,195	971,381
Working capital movements		
- Decrease in debtors	7,693,149	2,264,132
- (Decrease) / Increase in creditors	(13,216,083)	7,706,648
<b>Net cash outflow from operating activities</b>	<b>(15,873,681)</b>	<b>(4,838,598)</b>

#### Analysis of changes in net debt

	1 January 2018	Cash flows	Non-cash changes	31 December 2018
	£	£	£	£
Cash at bank and in hand	21,973,490	(14,606,110)	(403,382)	6,963,998
<b>Net funds</b>	<b>21,973,490</b>	<b>(14,606,110)</b>	<b>(403,382)</b>	<b>6,963,998</b>

Non-cash movement represents foreign exchange translation adjustments.

# Shazam Entertainment Limited

## Notes to the consolidated financial statements (continued)

### 21. Commitments under operating leases

At 31 December 2018 and 31 December 2017 the Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018	2017
	£	£
<b>Payments due:</b>		
<b>Not later than one year</b>	146,182	1,609,947
<b>Later than one year and not later than five years</b>	-	1,376,836
<b>Later than five years</b>	-	-
	<b>146,182</b>	<b>2,986,783</b>

The Group had no other off-balance sheet arrangements.

The premises leases the Group held in the USA were assigned to the Apple Group during the financial period. All remaining leases were assigned to the Apple Group on 4 February 2019.

### 22. Share based payments

#### Restricted stock share scheme

No restricted stock shares were issued during the 2018 financial year. Restricted stock had fully vested during the 2017 financial year.

#### Share options scheme

The Group provided share-based payment arrangements to employees. There were no options granted in the 2018 financial year.

In December 2017, the Group's Board changed the employee share scheme to cash settled arrangements. Cash settled share options are measured at fair value at the balance sheet date. The majority of vested options were cash settled in the final quarter of 2018. For the remaining vested options, the Group recognises a liability at the balance sheet date based on these fair values. Changes in the value of this liability are recognised in the income statement account during the financial year.

The cash cancellation costs during year were £9,803,215. The remaining liability held at 31<sup>st</sup> December 2018 is £5,575.

The impact of recognising the fair value of the share options under the 'EMI' and 'Unapproved' schemes as an expense under FRS102 is £1,415,195 (2017: £971,381).

### 23. Related party transactions

In 2014, funds were extended to Broadcast Music Inc ("BMI"), an entity that held an investment in the Company. This loan was denominated in USD, had no interest element and was recoverable upon the sale of BMI's interest in the Company. This recovery occurred on the sale of the Company to Apple during the 2018 financial year. The closing statement of financial position for the Company is £nil (2017: £3,884,370) (see note 14).

# Shazam Entertainment Limited

Notes to the consolidated financial statements (continued)

## 23. Related party transactions (continued)

As the Company is a wholly owned subsidiary of Apple Inc. it has taken advantage of the exemption contained in section 33.1A of FRS102 and has therefore not disclosed transactions or balances with entities which form part of the Group

## 24. Ultimate controlling party

Up to 21 September 2018, the Company was owned by a number of private shareholders and companies, none of whom owned more than 20% of the issued share capital of the Company.

On 21 September 2018, the entire share capital of Shazam Entertainment Limited was acquired by Apple Operations Europe. The ultimate controlling party is Apple Inc., a company incorporated under the laws of the State of California, United States of America. Apple Inc is the ultimate parent undertaking and controlling party and is the largest undertaking into which the results of Shazam Entertainment Limited are consolidated.

Copies of Apple Inc. accounts may be obtained from:

One Apple Park Way

Cupertino, California 95014

USA

## 25. Post balance sheet events

On 4 February 2019, all premises leases the Group held at the year end were assigned to the Apple Group.

On 20 March 2019, the Company adopted new Articles of Association to allow for the conversion of Preferred "C3" and Preferred "C4" shares to ordinary shares and thereafter consolidated and changed the designation of its share capital as follows:

Existing designation of shares	New designation following consolidation
988,183,063 Ordinary Shares of £0.000004	19,764 Ordinary Shares of £0.20
12,665,394 Preferred A Shares of £0.20	12,665,394 Ordinary Shares of £0.20
884,388,863 Preferred C Shares of £0.0001	442,194 Ordinary Shares of £0.20
231,324,405 Preferred C1 Shares of £0.0001	115,662 Ordinary Shares of £0.20
465,117,290 Preferred C2 Shares of £0.000001	2,326 Ordinary Shares of £0.20
171,026,077 Preferred C3 Shares of £0.000004	3,421 Ordinary Shares of £0.20
167,827,889 Preferred C4 Shares of £0.000004	3,357 Ordinary Shares of £0.20
163,109,106 Preferred C5 Shares of £0.000004	3,262 Ordinary Shares of £0.20
140,000,000 Founder Shares of £0.000004	2,800 Ordinary Shares of £0.20

Immediately following the consolidation and redesignation of its share capital, the Company reduced its share capital from 13,258,180 Ordinary Shares of £0.20 each and 5,874,409,768,280,000 Deferred Shares of £0.0000000001 each to 1 Ordinary Share of £0.20.

No other important events affecting the Company have taken place since the end of the financial period.

## 26. Approval of financial statements

The director issued and approved the financial statements on 30 September 2019.