

Economics, Planning and Finance

Economic Report: Shazam Entertainment

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Shazam Entertainment

1. The History of Shazam

The acclaimed audio identification software, Shazam, provides the user with the name and artist of a song. Using the respective device's microphone to record a fragment of the song, it then analyses the audio fingerprint and cross-references it with their database.

The multi-million dollar music application was created in 1999 by Berkeley students, Chris Barton and Philip Inghelbrech, internet consultant Dhiraj Mukherjee and Stanford PhD student Avery Wang. Prior to its app form, it was initially launched in 2002 in the UK under the name of '2580' which was the phone number they would call to get a sample of a song recorded. Minutes after, users would receive a text message with the song's information. The cost for such a service would vary in between £0.60 per call to £4.50/month for unlimited access.

The US launch happened shortly after in collaboration with the telecommunications company AT&T. In contrast to the UK launch, Shazam was initially free for the service's customer, however; after a trial period, it cost \$0.60 a call.

Shazam Entertainment's application format was released in 2008 firstly on Apple's App Store, closely followed by the Android platform later that year. By the end of 2009, the application had 25 million users. That number has increased over the years.

Throughout the years, Shazam Entertainment has partnered with several companies to broaden their database as well as to reach more users. In February 2013, the company signed a deal with Beatport to add 1.5 million dance tracks (Coultate, 2013) to its database. Merely two months later, it partnered with Indian online music service JioSaavn (formerly called Saavn) to add Asian sounds to Shazam's directory. Apple's iOS 8, that launched in 2014 included Shazam as one of Siri's functions, similarly to Snapchat, who has integrated the software since 2016.

Along with its music collaborations, the music recognition software has been partnering with companies in the television and cinema sector. NCM allows users to 'Shazam' advertisements over 20,000 cinema screens (Ha, 2014) to obtain information on the products. This has led the company to release Resonate, an advertising platform that "helps advertisers leverage those audiences in a way that's immersive, additive and supportive to increasing tune-in and driving new revenue." (Verk as cited in Relly, 2014).

CEO Andrew Fischer, now executive chairman, was replaced in 2014 by Rich Riley in the hopes of increasing the company's growth.

In 2018, Apple bought Shazam Entertainment for \$400 million (£300 million). Although the brand had to deal with The European Commission investigation, the sale did go through adding a potential 7.5 million Apple Music subscribers (Lovejoy, 2018).

2. Economics

2.1 Products

Ever since Shazam Entertainment launched as an application in 2008, the product has been free of charge. It is available both on iOS and Android. Additionally to its phone form, it is now possible to download on Apple Watch, Android Wear and on Mac computers, giving its customers a range of options and ensuring a reliable customer base.

The product does not only offer a recognition software; it also provides the user with lyrics, YouTube videos and creates a link between the application and Apple Music or Spotify, making it user-friendly. Additionally, its new features connect users to places and people. Shazam provides customers with information on what is “popular in your town, your country and the world” (Apple, 2019), gives the user an insight into what his/her friends are listening to and allows them to follow artists to see what they are ‘shazaming’. In addition to this, writer, Cella Rousseau talks about its visual recognition features explaining that “Shazam's Visual recognition gets you information on posters, magazines or books; you can use it anywhere you see the Shazam camera logo” (Rousseau, 2017). This feature also works on QR codes, making it interactive.

Shazam Lite was launched by Shazam Entertainment in early 2017 offering similar tools to Shazam; however, it does not give you the ability to log in or to synchronise the music to Apple Music or Spotify. This can be an issue when it comes to saving certain songs, artists or playlists. Due to the software not allowing you to log in, when you delete the application, you will lose all the previously recorded sounds. That being said, it takes less than 1Megabyte of a device's storage in contrast to the original software which takes in approximately 12 Megabyte. Unlike the original Shazam, Shazam Lite is only available on Android.

Lastly, Shazam Entertainment created the app Shazam Encore in 2013. For the charge of £2.99, one could have an upgraded version of the original software. The application came with an integration of both radio and Spotify whilst simultaneously being advertisement free. That being said, after Shazam's sale to Apple went through, the corporation discontinued Encore as all its features were made available in the original Shazam application.

2.2 Customer Base

Since the sale to Apple, the multimillion-dollar company has upped its customer base. Billboard (Billboard, 2019) writer mentions “Shazam grew its user base and reached 478 million active users, up from 400 million the previous frame.” A previous graphic shows the ratio between men and women using the app. (See Appendix A) In 2015, out of 120 million users (Dredge, 2015), 40% of the software’s users were female compared to 60% of male. The numbers also show the age group and income classes in which Shazam’s customers sit. Its primary users are under the age of 35. In the same year, Jackdaw Research compared Apple Music and Spotify users and concluded that “62 percent of survey respondents under the age of 35 have already cancelled Apple’s streaming music service.” (Jackdaw Research, as cited in Dormehl, 2015). This could be a potential factor as to why Apple purchased Shazam. It could potentially help Apple Music reach a different fanbase.

Along with the growth of 280% by the overall users since 2015, it is a possibility that the percentage of users under 35 or the ratio between men and women has changed. This can be deducted from the fact that Shazam has been incorporated in Snapchat’s software. PEW Research Center shows that 73% of Snapchat users are in between 18 and 24 whilst a Statista graph shows that there are more women than men on the app. (See Appendix B, Appendix C) Once again, this could be a method to diversify the software’s customer base.

2.3 Major Competitors

Shazam has had multiple competitors over the years; however, some have been discontinued or have not been updated in years such as TrackId, MusicId and Music Identification.

A considerable amount of similar services are available on Android such as Musera, Music Recognition and Google Sound Search, limiting themselves to Android users only.

2.3.1 SoundHound

When it comes to competitors, SoundHound is Shazam's prime one. "{It} is a music identification app that can tell you all about a song, whether it listens to music playing near you or you are humming a tune you just can't get out of your head." Says Keller (2017). This is SoundHound's main feature, the fact that its user can hum or sing a song. Nevertheless, there have been reports that the outcome is often inconsistent. With its 300 million users, SoundHound sits close behind Shazam. In addition to the number of users being comparable, the overall customer base is very similar. 60% of its customers are in between the age of 18-24 year old, 55% are male and 45% are female. (See Appendix D) This means that SoundHound's customer base is near identical to Shazam.

That being said, there are certain differences. With Shazam, you have the option to turn on Auto Mode for it to listen to music or television without having to go on the application. SoundHound does not offer this feature. Similarly, Shazam offers components that its user can unlock, making it an interactive experience. Lastly, Shazam is completely free, whereas, SoundHound is free with advertisements or charges £6.55 for SoundHound[∞] which is ad-free.

2.3.2 Musixmatch

Musixmatch is another software that recognises songs. Unlike the prior two applications, it was initially created to recognise lyrics but has incorporated a song identification software. The charge for the application is the second similarity to both previously mentioned softwares, as it is free of charge. Musixmatch, like Shazam, does not have a premium version anymore. Although with its 70 million users, it does not reach the numbers of customers that both Shazam and SoundHound have obtained over the years, the speed in which it is growing is impressive. Musixmatch released a graph in 2015 showing their growth of 308% in a year. (See Appendix E) That being said, there is no more information to be found on the application or its customer base. The App Store reviews show that the software is still used for lyrics more than as a song identifier, which means that their customer base is not as similar to Shazam's and Soundhound.

2.3.3 Google Sound Search

Google Sound Search is not so much an application, but a music recognition software that is incorporated in Android devices. Google software engineer, James Lyon (Lyon, 2018) explains that “our goal was to create a small, efficient music recognizer which requires a very small fingerprint for each track in the database, allowing music recognition to be run entirely on-device without an internet connection.” The fact that it is both incorporated on the device and available without internet gives Sound Search an advantage. Although Shazam is available without the internet, the user will receive the song’s information when the internet connection is recovered. Additionally, as Sound Search is not an application, it does not take in any of the device’s storage. That being said, not only is it exclusively available on Android but some of its users still prefer Shazam. Anonymous review read “It's 2019 going on 2020 and Google sound music search sucks. Never finds matches to easy stuff.” or “Recognizes most songs, but not anywhere near as many as Shazam!” (Keidron, 2019)

2.4 Price Strategy

The multimillion pounds’ pricing strategy has changed over the years, throughout its different forms. Since its application design, it has gone from freemium and paid to completely free.

2.4.1 Freemium

When Shazam Entertainment firstly launched Shazam’s application form in 2008, it was free and stayed so until Apple’s acquisition last year. Prior to that, Shazam used the Freemium pricing model. Bill Wilson (2018) explains that “With the freemium pricing model, the app is free to download, but there are additional tiers, features or incentives within the app that users can choose to pay for.” Users had the possibility to add certain advantages for a fee. With such a pricing strategy, only 0.5-2% (Boshwell, 2017) of the users will pay, however, the other users help the mobile application reach a wide audience. Shazam was running advertisement campaigns as an income of money. Nath (2019) writes that “The company had been a part of hundreds of ad campaigns, with fees for each campaign reportedly costing between \$75,000 and \$200,000, which run for a couple of months.”

Additionally to the advertisement fee, the music recognition software follows, to this day, a referral business scheme. At the early stages of its app form, users could find certain songs and then be referred to different platforms such as Apple Music, Spotify and Google Play. After introducing a camera on the application, users can take pictures of certain QR codes to unlock offers. Shazam acquires a fee for such referrals as well as for referring users to any advertisement through the app.

2.4.2 Paid

Shazam introduced Shazam Encore as an ad-free option for its customers. The application initially cost £6.99 but the price dropped to £2.99 in 2017. Wilson (2018) explains the although this pricing strategy is very common, it is the least effective. He states that “Your user typically can’t get a feel for the app before being asked to shell out money.” In this situation, users could get a feel for the application from the free version, removing the main shortcoming of that pricing strategy.

2.4.3 Free

After Apple’s \$400 million acquisition, they announced that the software would now become completely free. Additionally to that, all advertisement would be taken down, losing a considerable amount of income. That being said, similar to the Freemium strategy, Shazam still utilises the referral model. “Sending app users to Apple Music and other online music sales platforms is just one of the ways that Shazam generates revenue through referrals.” (Wilson, 2018) As mentioned above, the updated softwares allows users to use Shazam with television and advertisement, broadening the referral income. Such a strategy is common when it comes to completely free applications. Even so, there have been discussions about where Shazam could grow, not only its revenues but its overall software. Nath (2019) believes the solution is to grow Shazam’s database. (Nath, 2019) “Eliminating barriers to use (like the paid premium platform and advertisements), even if it means reducing Shazam's revenue, would be a small price to pay for the potential of much more information.”

2.5 The Market

Shazam falls under an arsenal of markets such as the automatic content recognition market and the music market: creating a field of its own, catering to television music and advertising.

Since Shazam's inclusion of automatic content recognition (ACR) in television content back in 2011, it has attracted an abundance of attention from various television companies. Companies such as DIRECTV, LG and Samsung, applied it to their own softwares. Subsequently, social media platforms like Facebook, Google and Twitter additionally started using ACR softwares on their platforms.

Walia (2019) states that "According to the global Automatic Content Recognition Market report published by Value Market Research, the market is expected to touch USD 5.5 BN by 2024, with a CAGR of 25% growing from USD 1.15 BN in 2017." The market of audio identification softwares is constantly growing since the insertion of its software in phones, computers, televisions and now also cars. "Rising integration of advanced technologies in 2nd screen devices for enhanced viewing experience is driving the market growth." (Walia, 2019) With such predictions comes a rise in competitors. That being said, Mordor Intelligence (2018) names Shazam Entertainment as the number one Major Player.

Mordor Intelligence predicts that the technological advancement and rise of population in the expanding Asia-Pacific regions will power the expansion making it the region with the highest growth. (See Appendix F)

With such a constant growth in technology and the demand for data recognition, the popularity of applications such as Shazam will only grow.

2.6 Macro Environment

There are a number of factors that influence the success of the company such as political and legal, social and cultural, technological factors and demographics. Such factors play an important role in a company's strategy.

2.6.1 Demographic forces

Age and geographic factors are incredibly important for Shazam Entertainment's business. As mentioned previously, the age group under 35 takes in 71% of Shazam's customer base. This is explained by Suttle (2019), "Younger people under 35 are often the first consumers to purchase high-tech products like cell phones, electronic books and video games." The age group using the software the least is 55-64 with 3%. Ageon explains that (2019) "In 2019, they will be aged between 55 and 73 and account for nearly 14.3 million (21.3%) of the UK's population." Trying to cater to that particular age group would be of Shazam's best interest as "people over 55 hold the majority of the UK's wealth." (Aegon, 2019)

When it comes to geographic factors, the predictions of application download are in Shazam's favour. App Annie (Cheney, Thompson, 2018) released a report predicting that worldwide software downloads "will grow from 178.1 billion in 2017 to well over 250 billion downloads in 2022." China is top of the software download leaderboard and will predictably keep its place at number one in 2022 with a rise of 51%. (See Appendix G) As mentioned by Mordor Intelligence, countries in the Asia-Pacific region will power the expansion. That statement is reinforced by App Annie's (Cheney, Thompson, 2018) research forecasting an increase of 208% for India. With such predictions, one can deduct that Shazam's download will increase in the next 2-5 years.

2.6.2 Technological factors

Other crucial factors when it comes to a company's macro environment are the technical forces. As the number one music recognition software, Shazam Entertainment faces an arsenal of these factors. Firstly, being a part of Apple's business, companies such as Google and Samsung find little trouble recreating their services. Although Shazam is well-known, it has various competitors and the sale to Apple Inc. could drive companies to either create new softwares or push the marketing of their existing applications. Another factor the software faces is the fact that the software is restricted when the user is not connected to internet. The application's competitor SoundHound offers such a feature. The main technical force that Shazam faces is the speed of its recognition. As more applications get created everyday, the pressure to further improve a software increases. (Cooke, 2018) "Advances in the audio-recognition domain include the ability to more quickly identify a track from a smaller sample of the recording being identified, and being able to ID a track oblivious of sound quality and background noise, or where the track has been slightly altered in some way." Cooke further explains that there is a possibility to increase Shazam's speed as Youtube has increased its respective speed for Copyright owners to detect a possible infringement. If the software were to incorporate such technology, it would remove possible weaknesses.

2.6.3 Legal and political factors

Once more, the sale to Apple Inc. has influenced the application's macro environment. Shazam being another music focussed software, under the multinational technology company, can potentially cause negative repercussions both on the legal and political side. In 2018, the European Commission received a request by seven EEA states to investigate the sale in order to make sure there was no breach of the Merger Regulation. Although companies such as Spotify to this day accuse "Apple of Anticompetitive Practices in Europe" (Satariano, Nicas, 2019) the Commission accepted the acquisition. Another legal factor, mentioned by PESTLE Analysis (2015), "Apple depends on a variety of products covered by intellectual property laws, such as software and music, for much of its income." This leaves them vulnerable for piracy and litigation. Similarly to the legal factors, Apple's position in the field of music could potentially affect Shazam's political macro-economy. PESTLE Analysis (2019) mentions that "Apple's dominant position in fields like music could lead to antitrust concerns and political pressure to break the company up or limit its market share." By acquiring Shazam Entertainment, Apple has added to their music market share.

3. Finance

3.1 Short Term and Long Term Financing

As previously mentioned Shazam Entertainment's active users have increased over the last two years. In 2017, the application acquired 400 million users, by the end of 2018, that number had increased by 19.5 % with 478 million users. Shazam uses referrals as income which suggests that an increase of users could cause an increase in profit. That being said, although the users have increased, Shazam's deletion of both Shazam Encore and the cancellation of the advertisements have affected its gross profit.

When analysing Shazam Entertainment's Income Statement comparing 2018 to 2017 (See Appendix H), the sale to Apple Inc. drastically affected the year. The turnover, (Shazam, 2018) which "compromises of consideration received or receivable for the sale of services in the ordinary course of the Group's activities" of 2017 is £40,841,482 whereas 2018's is £31,422,125. 2018 turnover and gross profit are 23.06% and 23.9% lower than 2017 even with the cost of sales going down by 10% in 2018 compared to 2017. This can be explained due to Shazam Entertainment discontinuing Shazam Encore and the advertisements.

The loss of 2017 was drastically higher than 2018 in spite of the higher profit. In 2017 the loss represented £56,259,097 which is 23.5% higher than 2018's £43,059,670. In the table, Shazam illustrates that the loss is distributed over administrative expenses such as accounting and IT, non-recurring/exceptional expenses and share based payments. When subtracting the loss to the gross profit, it shows us an operating loss of £13,811,744 in 2018 compared to £17,826,643 in 2017.

The most considerable difference between the two years was the profit/loss of the end of the year. In 2017, Shazam Entertainment was in the red with a loss of £17,738,130 compared to 2018 that made a profit of £123,943,546. This can be explained by the sale to Apple Inc. Shazam (2018) describes the income of £157,668,518 and says that "it relates to the proceeds from the sale of intelligence property net of the cost of disposal in the period ending 31 December 2018".

When analysing the fixed assets, there are drastic changes to be noted. (See Appendix I). The intangible assets have radically transformed from £6,072,771 in 2017 to nil in 2018. This can be explained by the disposal of all assets due to Shazam's intellectual property assets sale to Apple. Shazam Entertainment's report (2018) explains that the completion of pre-existing contractual obligations have been passed on to Apple Inc. When it comes to tangible assets, the difference is less drastic but still of immense value. A considerable amount has been eliminated on write off. This explains the decrease of 82.6% from 2017 with £720,179,000 to £124,978,000 in 2018.

Furthermore, debtor income have immensely changed since the sale to Apple Inc. (See Appendix J) One can see the large amount owed by ultimate parent undertakings of £163,153,478 in 2018 that 2017 lacks. This creates a difference of 954.2% between 2018 with £167,461,34 and 2017's £15,885,775. On the other hand, the corporation tax has drastically influenced the creditors' statement as £23,667,088 out of the £39,959,373 is due to that tax, which 2017 did not have. That explains the dissimilarity of 153% between both years for the creditors' statement.

3.2 Major Financing, Investment Activities and their Advantages and Disadvantages

Prior to the sale to Apple Inc, Shazam Entertainment had a number of investors. The company had already raised 143.5 million US dollars or 110.9 million British Pounds. The first investment came from Episode 1 Ventures. Only a mere few years after Shazam's launch, IDG Ventures invested 7.5 million American Dollars or £101.6 British Pounds into the company. They did not acquire anymore investments until Kleiner Perkins in 2009, however, the importance of the investment was never revealed. An interesting aspect of that investment is the fact that the company also invests in Shazam's prime competitor, SoundHound. In April 2011 DN Capital, Kleiner Perkins and Institutional Venture Partners contributed with a collective amount of 32 million US Dollars (24.7 million British Pounds). Only two years later, Latin America's largest wireless company, America Movil, invested 40 million US Dollars (30.9 million British Pounds). Carlos Slim, CEO of America Movil, (as cited in Business Wire, 2013) explains that it will help Shazam grow music and enable an expansion into the television market. In 2014, the song recognition application received 29 million US dollars from various companies such as Universal Music Group, Sony Innovation Fund, Sony Music Fund, Acacia Partners, Access Industries and many others. As mentioned previously, they provided a total sum of 143.5 million US dollars or 110.9 million British Pounds. Shazam's last investors, in 2015, preceding Apple's acquisition in were Buran Venture Capital, DN Capital and Kleiner Perkins with 30 million US Dollars (23.2 million British Pounds). In 2017, Apple Inc. acquired Shazam for 300 million British pounds.

In addition to the funding received from various companies, the music recognition software has also invested. In 2011 Shazam acquired Tunezee in June 2011 to incorporate a technology that will show song lyrics in sync with the music playing. The price of the acquisition was never released.

4. Lean Business

ThinkBusiness (2016) describes lean business as a business trying “to eliminate waste and increase operational efficiency.” According to Womack and Jones (as cited in ThinkBusiness), there are five principles: value perceived by the customer, identifying the value stream, improving the flow, pulling the value from the value stream and striving for perfection. Rachaelle Lynn explains that lean business “enables organisations to grow and scale in a disciplined, principled way”. She clarifies that it is essential to work “toward the goals of continuous improvement, respect for people, and a relentless focus on customer value.”

Similarly to Womack and Jones, Leibovich (2013) explains that the customer should be front of mind. Shazam has evolved tremendously over the years, going from a phone number service to a 360° application including streaming platforms, playlists, television and advertisement. By constantly evolving, the company has kept its customers satisfied. This can be seen by the growing numbers.

The next principle discussed by Womack, Jones and Leibovich is the value stream and its importance. By examining the lifecycle of a product, the company can see where there is waste and therefore be cost effective. Examples of such waste are premature planning, overburden of employees, tedious processes and more.

The third principle that is essential to a Lean business is the planning and delivering a fast managing flow. Companies desire speed as well as value which can only happen if the flow of a team is effective. For the team to work to its potential at a fast pace, it needs to operate in an environment where one can function. Delivering a valuable product at record speed is essential for companies such as Shazam Entertainment that has various competitors. An example of how Shazam has to deal with that is the constant software updates. After listening to feedback, the application needs to re-evaluate its software, fix whatever is wrong and do all of this at a reasonable speed.

The last point is immediately connected to pulling the value from the value stream. As previously mentioned, the company needs to react to the customers’ demand. Womack and Jones (as cited in ThinkBusiness) explain that “In non-lean organisations work is *pushed* though the system at the convenience of the operators and so you produce outputs that are not required.”

Lastly, Womack and Jones explain that it is imperative to strive for perfection. Application softwares function well with the lean business principles as they are constantly updated. By listening to the customer, solving the problems and by providing exactly what is asked at a rapid pace, the company assures a lean business structure.

In conclusion, Shazam Entertainment has come a long way from its startup form to the multimillion pound company it has become now. The factors that have affected both the economic and finance side of the software recognition application have varied since the sale to Apple Inc. This can lead one to believe that 2019's will be eminently different as Apple's acquisition will have further evolved.

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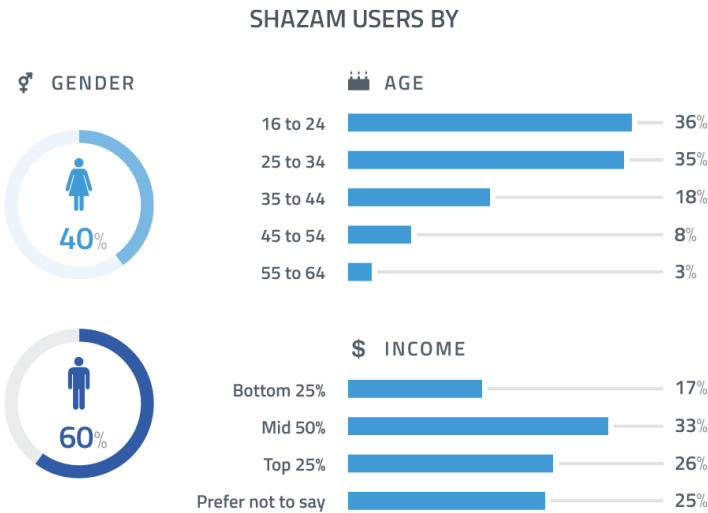
Appendix

Appendix A

Shazam users aged 16-64

Source: GlobalWebIndex

2015



Appendix B

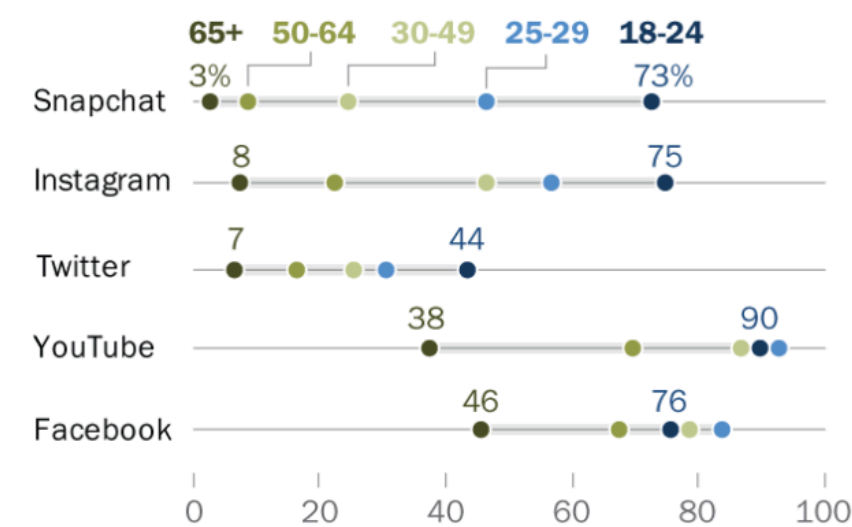
Snapchat and Instagram are especially popular among 18- to 24-year-olds

Source: PEW Research Center

2019

Snapchat and Instagram are especially popular among 18- to 24-year-olds

% of U.S. adults in each age group who say they ever use ...



Note: Respondents who did not give an answer are not shown.
Source: Survey conducted Jan. 8-Feb. 7, 2019.

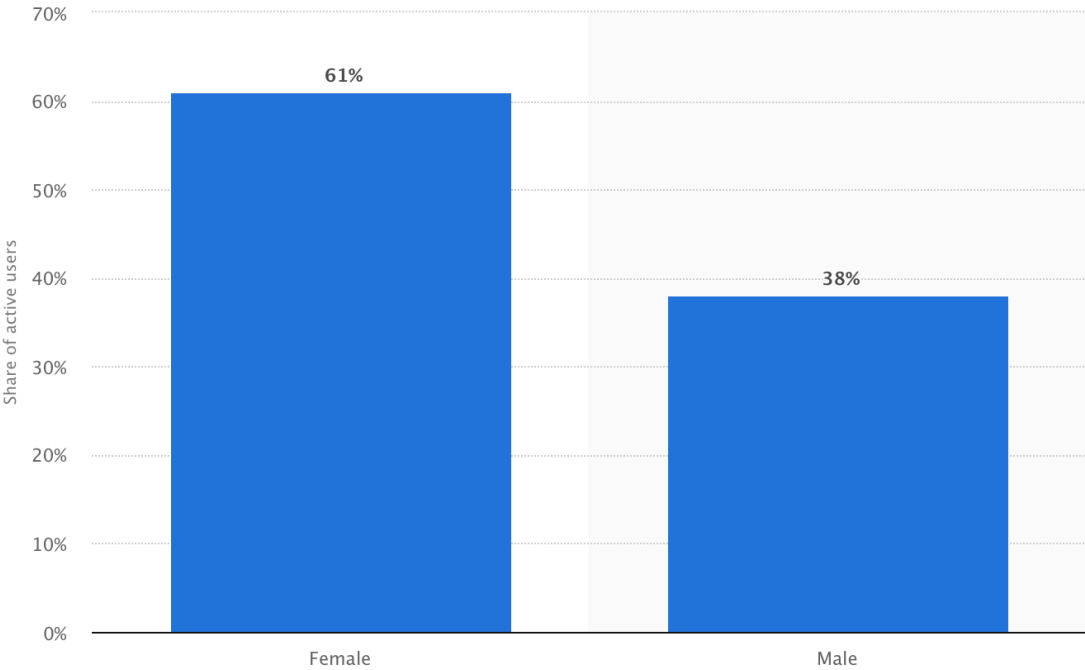
PEW RESEARCH CENTER

Appendix C

Distribution of Snapchat users worldwide as of July 2019, by gender

Source: Statista — J. Clement

2019



© Statista 2019

Appendix D

SoundHound Audience

Source: SoundHound

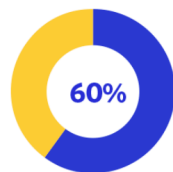
2019

Audience

Valuable SoundHound users are influential, social and tech-savvy mobile consumers

60%

OF OUR USERS ARE
BETWEEN THE AGE
OF 18-44



55% MALE

45% FEMALE



6-8 MIN+

SPENT ON AVERAGE
EXPLORING & ENGAGING
WITH CONTENT



SHARING

THEIR MUSIC DISCOVERIES
BY EMAIL & VIA SOCIAL
MEDIA CHANNELS

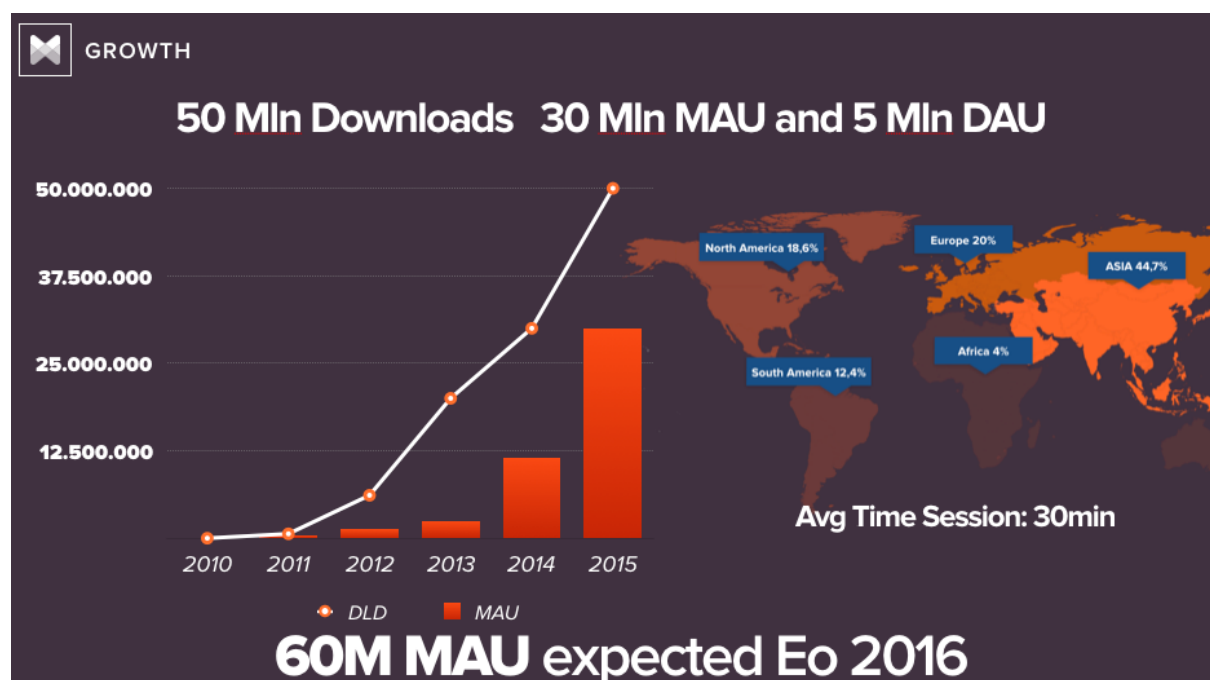


Appendix E

Musixmatch Audience

Source: Musixmatch

2015

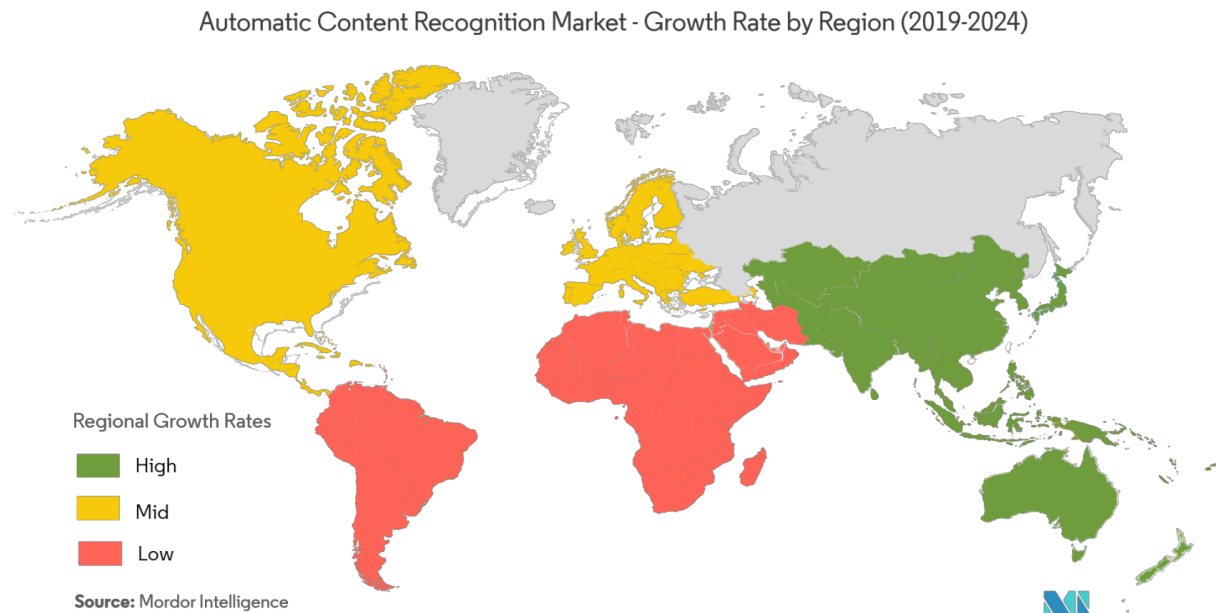


Appendix F

Automatic Content Recognition Market - Growth Rate by Region (2019-2024)

Source: Mordor Intelligence

2018



Appendix G

Top Countries by Downloads (Billions) in 2022

Source: App Annie

2018

Top Countries by Downloads (Billions) in 2022

Rank	Country	2017	2022	Change from 2017
1	 China	79.3	119.5	51%
2	 India	12.1	37.2	208%
3	 United States	11.3	10.3	-9%
4	 Brazil	6.3	8.4	34%
5	 Russia	4.3	6.8	55%

Note: Google Play, iOS App Store & third party Android combined

Appendix H

Consolidated Income Statement

For the year ended 2018

Source: Shazam Entertainment Limited

Shazam Entertainment Limited**Consolidated income statement**

For the year ended 31 December 2018

	Note	Year ended 31-Dec 2018 £	Year ended 31-Dec 2017 £
TURNOVER	5	31,422,125	40,841,482
Cost of sales		(2,174,199)	(2,409,528)
Gross profit		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)
OPERATING LOSS	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)
PROFIT/(LOSS) BEFORE TAXATION		144,286,610	(17,710,625)
Tax charge on profit/(loss)	10	(20,333,064)	(27,505)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		123,953,546	(17,738,130)

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).

Appendix I

Consolidated and company statement of financial position

For the year ended 2018

Source: Shazam Entertainment Limited

		Group	
		31-Dec	31-Dec
		2018	2017
	Note	£	£
FIXED ASSETS			
Intangible assets	11a, 11b	-	6,072,771
Tangible assets	12a, 12b	124,978	720,179
Investments	13	-	-
		<u>124,978</u>	<u>6,792,950</u>
CURRENT ASSETS			
Debtors	14	167,461,734	15,885,775
Cash at bank and in hand		<u>6,963,998</u>	<u>21,973,490</u>
		<u>174,425,732</u>	<u>37,859,265</u>
CREDITORS: Amounts falling due within one year	15	<u>(39,959,373)</u>	<u>(15,797,952)</u>
NET CURRENT ASSETS		<u>134,466,359</u>	<u>22,061,313</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>134,591,337</u>	<u>28,854,263</u>
NET ASSETS		<u>134,591,337</u>	<u>28,854,263</u>
CAPITAL AND RESERVES			
Called up share capital	18	3,239,076	3,239,018
Share premium account		-	84,728,694
Other reserves	19	2,112,178	10,500,198
Profit and loss account		<u>129,240,083</u>	<u>(69,613,647)</u>
TOTAL SHAREHOLDER'S FUNDS		<u>134,591,337</u>	<u>28,854,263</u>

Appendix J

Notes to consolidated financial statements

For the year ended 2018

Source: Shazam Entertainment Limited

Shazam Entertainment Limited

Notes to the consolidated financial statements (continued)

14. Debtors

	Group	
	31-Dec	31-Dec
	2018	2017
	£	£
Due within one year:		
Trade debtors	2,602,742	7,364,857
Amounts owed by ultimate parent undertakings	163,153,478	-
Amounts owed by participating interests (note 23)	-	3,884,370
Amounts owed by group undertakings	-	-
Other debtors	235,949	587,036
Prepayments and accrued income	1,469,565	4,049,512
	167,461,734	15,885,775

Appendix H

Consolidated statement of changes in equity

For the year ended 2018

Source: Shazam Entertainment Limited

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	3,238,983	84,578,959	9,528,817	(51,204,968)	46,141,791
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
Balance as at 31 December 2017	3,239,018	84,728,694	10,500,198	(69,613,647)	28,854,263
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	-
Balance as at 31 December 2018	3,239,076	-	2,112,178	129,240,083	134,591,337