Registered number 06436047

Spotify Limited

Financial statements
for the year
to 31 December 2010

Spotify Limited

The Company is incorporated in England and Wales.

Company number:	06436047
Registered office:	St James House 13 Kensington Square London United Kingdom W8 5HD
Company secretary:	Goodwille Limited St James House 13 Kensington Square London United Kingdom W8 5HD
Current Directors:	Daniel Ek James Duffett-Smith
Auditors:	Ernst & Young LLP 1 More London Place London SE1 2AF

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Report of the Directors
for the year to 31 December 2010

Registered number: 06436047

The Directors present their annual report and the audited financial statements for the year to 31 December 2010

Principal activities

Spotify Limited is a subsidiary of Spotify Technology S A and is a part of the Spotify Group

The principal activity of the Company is that of a music management platform providing instant access to more than 13 million songs through high-quality desktop, mobile phone and other device applications

The Spotify application, the App, is a small application users can download to access a huge database of music through a unique streaming protocol Essentially, the App employs a hybrid model, streaming music centrally as well as incorporating peer-to-peer technology, which allows the music to be played instantly

Review of business and future developments

The Company aggregates content from its various right holders, distributes to consumers through its technical platform and monetises through a free-to-the-user, advertising-supported service, a paid subscription service, and through the sale of music downloads

The App is currently available in the UK, USA, Sweden, Spain, France, Finland, The Netherlands and Norway and the company is looking to expand into further markets

The total revenue grew from £11,320,388 to £63,167,926 (+458%) This was attributable to an increase in advertising revenue from £4,507,106 to £18,055,523 and sales of subscriptions that grew from £6,805,946 to £45,069,957 As of year end the Total Equity amounts to £ 33,335,516 Total assets at year end amounts to £29,785,166 where cash is £ 7,954,094

Spotify Limited operates and provides the music service for end-consumers (private individuals) in the UK and other European markets

For the year to 31 December 2010, the Company underwent a period of significant expansion The Company saw strong user growth across all markets, with the number of paying subscribers growing

The Company's primary focus is to continue its rapid growth and consolidate the business within a fast-moving industry, which counts a number of influential players within its space It is crucial that Spotify continues to penetrate existing and new markets as quickly as possible and continues to build on the success which has seen the company emerge as the largest and fastest growing music subscription service of its kind worldwide

Financial risk management objectives and policies

Further information on risks and uncertainties is given in note 16 of the financial statements

Going concern

The Directors have obtained written confirmation of the intention of the ultimate parent, Spotify Technology S A , to provide ongoing financial support to Spotify Limited

Having reviewed the Company and the Group's liquid resources and 2011 and 2012 cash flow forecasts, the Directors believe that the Group has adequate resources to continue as a going concern For this reason, the financial statements have been prepared on that basis The group has ambitious growth plans and has signed license agreements with a number of US record label groups for the US market On 14 July 2011, the company launched in the US

The Company has during June 2011 secured the necessary funds for further expansion

Results and dividends

The Company generated a loss for the year after taxation of £26,541,588 (2009 £16,607,212 loss) No dividends were declared

Directors

The Directors who held office during the year is given below

Daniel Ek
James Duffett-Smith (Appointed 9 September 2010)

Directors' Liabilities

The Company has not granted any indemnity against liability to its Directors during the year or at the date of approving the Directors' Report

Events after the reporting year

The Company and the Group have successfully renegotiated and renewed licensing agreements with all major European record label groups The group has ambitious growth plans and has signed license agreements with a number of US record label groups for the US market On 14 July 2011, the Company launched in the US

Statement of disclosure to auditors

- so far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report of which the auditor is unaware, and
- having made enquiries of the auditor and of each other, the Directors have taken all the steps that they are obliged to take as Directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to appoint Ernst & Young LLP as auditors for the ensuring year will be proposed at the annual general meeting in accordance with the Companies Act 2006

On behalf of the board

Daniel Ek	**James Duffett-Smith**
Director	**Director**
Date 29 September 2011	Date 29 September 2011

Statement of Directors' responsibilities

The Directors are responsible for preparing their Annual Report and financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

Under company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period In preparing those financial statements, the Directors are required

- to select suitable accounting policies in accordance with IAS 8 and then apply them consistently,
- to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- to provide additional disclosure when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance,
- to state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements, and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

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

Where appropriate, the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website of the Group of which the Company is a member It is important to bear in mind that the legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent Auditor's report to the members of Spotify Limited

We have audited the financial statements of Spotify Limited for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

Respective responsibilities of Directors and auditors

As explained more fully in the Director's 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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of the loss of the Company for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent Auditor's report to the members of Spotify Limited (continued)

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Julie Carlyle (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date 30 September 2014

Statement of comprehensive income for the year to 31 December 2010

	Note	Year to 31 December 2010 £	Year to 31 December 2009 £
Continuing operations			
Revenue	3	**63,167,926**	11,320,388
Cost of sales		**(64,801,478)**	(18,823,093)
Gross loss		**(1,633,552)**	(7,502,705)
Distribution costs		**(1,370,014)**	(608,235)
Administrative expenses		**(23,729,462)**	(8,157,390)
Other operating income		**2,796,812**	390,270
Other operating expenses		**(2,605,095)**	(729,117)
Operating loss	6	**(26,541,311)**	(16,607,177)
Finance income	4	**-**	51
Finance costs	4	**(277)**	(86)
Finance costs - net	4	**(277)**	(35)
Loss before tax from continuing operations		**(26,541,588)**	(16,607,212)
Income tax expense	7	**-**	-
Loss for the year		**(26,541,588)**	(16,607,212)

The accompanying notes are an integral part of this statement of comprehensive income

The loss for the year is attributable to owners of the Company

There are no recognised gains or losses in the year other than those items recorded in the statement of comprehensive income above

Statement of financial position as at 31 December 2010

	Note	2010 £	2009 £
ASSETS			
Non-current assets			
Property, plant and equipment	12	**1,053,357**	430,996
Investments	13	**100,564**	84,439
Other non-current assets		**232,514**	25,000
		1,386,435	540,435
Current assets			
Cash and cash equivalents	9	**7,954,094**	1,846,875
Trade and other receivables	11	**20,046,388**	11,760,404
Other current assets		**398,249**	-
		28,398,731	13,607,279
Total assets		**29,785,166**	14,147,714
LIABILITIES			
Current liabilities			
Trade and other payables	14	**(63,098,398)**	(20,941,642)
Other current liabilities		**(22,284)**	-
Net liabilities		**(33,335,516)**	(6,793,928)
EQUITY			
Share capital	15	**1,000**	1,000
Shareholder contributions		**10,128,832**	10,128,832
Retained earnings		**(43,465,348)**	(16,923,760)
Total equity		**(33,335,516)**	(6,793,928)

The accompanying notes are an integral part of this Statement of financial position

The financial statements of Spotify Limited, registration number 06436047, on pages to were approved by the board of Directors and authorised for issue on 2011-09-29 and were signed on its behalf by

Daniel Ek

Director

Date 2011-09-29

James Duffett-Smith

Director

Date 2011-09-29

Statement of changes in equity
for the year to 31 December 2010

Attributable to equity holders of the Company

	Share capital £	Shareholder contributions £	Retained earnings £	Total Equity £
Balance at 1 January 2009	1,000	100,000	(316,548)	(215,548)
Total comprehensive loss for the year	-	-	(16,607,212)	(16,607,212)
Introduction in year	-	10,028,832	-	10,028,832
Balance at 31 December 2009	**1,000**	**10,128,832**	**(16,923,760)**	**(6,793,928)**
Total comprehensive loss for the year	-	-	(26,541,588)	(26,541,588)
Balance at 31 December 2010	**1,000**	**10,128,832**	**(43,465,348)**	**(33,335,516)**

Statement of cash flows
for the year to 31 December 2010

	Year to 31 December 2010 £	Year to 31 December 2009 £
Cash flows from operating activities		
Loss before tax from continuing operations	**(26,541,588)**	(16,607,212)
Depreciation	**450,402**	130,782
Loss on disposal of property,plant and equipment	**393,322**	-
	(25,697,864)	(16,476,430)
Working capital adjustments		
(Increase) in receivables	**(8,673,289)**	(8,045,664)
Increase in payables	**41,971,526**	26,237,159
	33,298,237	18,191,495
Income tax paid	-	-
Net cash flows from operating activities	**7,600,373**	1,715,064
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,466,085)**	(349,280)
Payments in respect of investments	**(16,125)**	(63,192)
Net cash flows used in investing activities	**(1,482,210)**	(412,472)
Effects of exchange rates on cash and cash equivalents	**(10,944)**	(15,516)
Net increase in cash and cash equivalents	**6,107,219**	1,287,076
Cash and cash equivalents at beginning of year	**1,846,875**	559,799
Cash and cash equivalents at end of year	**7,954,094**	1,846,875

Notes to the financial statements for the year to 31 December 2010

Spotify Limited is a private limited company incorporated and domiciled in England and Wales

The address of the registered office is given on page 1

The principle activities of the Company and the Group are described on page 3

1 Accounting policies –

Basis of preparation

The financial statements of Spotify Ltd have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the Interpretations of the same by the Standing Interpretations Committee (SIC) and/or the International Financial Reporting Committee (IFRIC) adopted for use in the European Union

The financial statements of Spotify Ltd have been prepared under the historical cost convention and in accordance with the Companies Act 2006 The company has taken advantage of the exemption available under S401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements of Spotify Technology S A which are publically available

The principal accounting policies are set out below These, except to the extent noted, have been applied on a consistent basis The financial statements are presented in GBP sterling

The principal accounting policies are set out below

Going concern

The Directors have obtained written confirmation of the intention of the ultimate parent, Spotify Technology S A , to provide ongoing financial support to Spotify Limited

Having reviewed the Company and the Group's liquid resources and 2011 and 2012 cash flow forecasts, the Directors believe that the Group has adequate resources to continue as a going concern For this reason, the financial statements have been prepared on that basis The group has ambitious growth plans and has signed license agreements with a number of US record label groups for the US market On 14 July 2011, the Company launched in the US

The Company has during June 2011 secured the necessary funds for further expansion

New and amended standards and interpretations including those issued but not yet effective
IAS 12 Income Taxes — Recovery of Underlying Assets
The amendment clarified the determination of deferred tax in investment property measured at fair value

The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale Furthermore, it introduces the requirement to calculate deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16, always be measured on the sale basis of the asset

The amendment becomes effective for annual periods beginning on or after 1 January 2012

Notes to the financial statements for the year to 31 December 2010 (continued)

IFRS 7 Financial Instruments Disclosures — Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosures about financial assets that have been transferred, but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets The amendment becomes effective for annual periods beginning on or after 1 July 2011 The amendment affects disclosure only and has there no impact on the Group's financial position or performance

IFRS 9 Financial Instruments Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 The standard is effective for annual periods beginning on or after 1 January 2013 In subsequent phases, the IASB will address hedge accounting and impairment of financial assets The completion of this project is expected over the course of 2011 The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture

IFRS 10 Consolidated Financial Statements
IFRS 10 Consolidated Financial Statements includes a new definition of control, which is used to determine which entities are consolidated

IFRS 11 Joint Arrangements
IFRS 11 Joint Arrangements describes the accounting for joint arrangements with joint control, proportionate consolidation is not permitted for joint ventures (as newly defined)

IFRS 12 Disclosure of Interest in Other Entities
IFRS 12 Disclosure of Interest in Other Entities includes all of the disclosure requirements for subsidiaries, joint arrangements, associates, and structured entities

IFRS 13 Fair value measurement guidance converges
With IFRS 13 the IASB and the FASB created a uniform framework for how to measure fair value for entities around the world

Business Combinations

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill

Notes to the financial statements for the year to 31 December 2010 (continued)

Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in GBP Sterling which is the company's functional and presentation currency

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

The differences between retained profits of overseas subsidiary and associated undertakings translated to average and closing rates of exchange are taken to reserves, as are differences arising on the retranslation to GBP Sterling (using closing rates of exchange) of overseas net assets at the beginning of the year

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities Revenue is shown as net of sales/value added tax, returns, rebates and discounts

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company's activities, as described below

(a) Sale of advertisements –

The Company sells advertisements on its service Advertising revenues are deferred and recognised over the period in which the advertisement is displayed in the Spotify player provided that no significant obligations remain at the end of the period and collection of the resulting debt is probable

(b) Sale of subscriptions –

Subscription revenue is based on the actual number of activated Premium subscriptions and recognised on a straight-line basis over the life of the subscription Revenue from the partner sales premiums certificates is recognised from activation of the account on a straight linear basis over the life of the subscription If a certificate expires without activation revenue is recognised The expiration time is 12 months from day of sale

(c) Sale of Partner Subscriptions

Revenue from the partner sales premiums certificates is recognized from the date when the account is activated on a straight line basis over the life of the subscription If a certificate expires without the account being activated revenue is recognized at the date for expiration The certificate expires within 12 months from date of Sale

(d) Interest income -

Interest income is recognised using the effective interest method

(e) Dividend income -

Dividend income is recognised when the right to receive payment is established

Notes to the financial statements for the year to 31 December 2010 (continued)

Royalty cost accounting

The royalty costs consists of royalty fees to record labels and other right holders and are calculated based on actual revenue outcome, sale of advertisements and sale of subscriptions

The company accounts for royalty costs as accrued royalty costs and allocates the costs together with the actual revenue outcome on a monthly basis

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at bank and on hand

Equipment

Equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Company adds to the carrying amount of an item of equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company The carrying amount of the replaced part is derecognised All other repairs and maintenance are charged to profit or loss during the period in which they are incurred

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the reducing balance method as follows

Equipment – 20% - 33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 12)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other operating expenses – net' in the statement of comprehensive income

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired Where there is any indication that an asset may be impaired or when annual impairment testing for an asset is required, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an asset's (or CGUs) fair value less costs to sell and value in use For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs) Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

Notes to the financial statements
for the year to 31 December 2010 (continued)

Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs) Borrowings are subsequently stated at amortised cost Interest expense is recognised on the basis of the effective interest method and is included in finance costs

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date

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 pre-payment for liquidity services and amortised over the period of the facility to which it relates

Current and deferred income tax

The tax expense for the period comprises current and deferred tax Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income The present corporate income tax rate in the UK is 28%

Deferred income tax is recognised on temporary differences (other than temporary differences associated with unremitted earnings from foreign subsidiaries and associates to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition of goodwill) arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Company Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date

The carrying amount of deferred tax assets is reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit

Trade and other receivables

Trade and other receivables, which generally have a 30 day term, are recognised initially at the transaction price They are subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables

Trade and other payables

Trade and other payables, which generally have a 30 day term, are recognised and carried at their invoiced value inclusive of any VAT that may be applicable

Financial instruments

The Company's financial assets include cash and cash equivalents and trade and other receivables and the Company's financial liabilities include trade and other payables

Notes to the financial statements for the year to 31 December 2010 (continued)

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market Such financial assets are carried at amortised cost using the effective interest rate method Gains and losses are recognised in the consolidated statement of comprehensive income when the receivables are derecognised or impaired

Impairment of financial assets
The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired The financial asset is deemed impaired if, and only if, there

is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include -

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principle payments,
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation,
- The disappearance of an active market for that financial asset because of financial difficulties, or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including
  - (i) Adverse changes in the payment status of borrowers in the portfolio, and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio

The company first assesses whether objective evidence of impairment exists

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full

Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

Share capital

Ordinary shares are classified as equity

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments If payment is deferred and the time value of money is material, the initial measurement is on a present value basis

Notes to the financial statements for the year to 31 December 2010 (continued)

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments

Each lease payment is apportioned between the liability and finance charges using the effective interest method Rental obligations, net of the finance charges, are included in borrowings in the statement of financial position The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term

Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the company's shareholders

Key sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgment in the process of applying the Company's accounting policies Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements, are disclosed in note 2

2 Information about key sources of estimation uncertainty and judgments

Estimates and judgments are continually evaluated They are based on historical experience and other factors, including expectations of future

The Company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results No estimates and assumptions that have been made have a material effect on the results or assets and liabilities of the Company . However, significant area for key sources of estimation uncertainty are impairment of accounts receivables Accounts receivables are valued at fair value

Notes to the financial statements for the year to 31 December 2010 (continued)

3 Revenue

The breakdown of the revenue is as follows

Analysis of revenue by category	Year to 31 December 2010 £	Year to 31 December 2009 £
Sales of advertisements	**18,055,523**	4,507,106
Sales of subscriptions	**45,069,957**	6,805,946
Other	**42,446**	7,336
Total	**63,167,926**	11,320,388

A geographical analysis of the revenue has not been disclosed as it is not available and the cost to extract the information is excessive due to the nature of the services provided

4 Finance income and costs

	Year to 31 December 2010 £	Year to 31 December 2009 £
Interest expense on financial liabilities measured at amortised costs	**(277)**	(86)
Finance costs	**(277)**	(86)
Interest income on financial assets measured at amortised cost	**-**	51
Finance income	**-**	51
Net finance costs	**(277)**	(35)

Notes to the financial statements for the year to 31 December 2010 (continued)

5 Employee information

	Year to 31 December 2010 £	Year to 31 December 2009 £
Wages and salaries	**1,772,195**	625,697
Social security costs	**204,328**	72,043
Total	**1,976,523**	697,740

The average monthly number of employees during the year was made up as follows

	2010 No	2009 No
Analytics	**1**	1
CEO Office	**2**	1
Content & distribution	**7**	1
Legal & Business Affaires	**1**	1
Marketing & Communications	**2**	1
Sales	**31**	8
Total numbers of employees	**44**	13

Director's emolument's during the year were £202,494 (2009 £151,571)

Notes to the financial statements for the year to 31 December 2010 (continued)

6 Operating loss

Operating loss is stated after charging/(crediting)

	Year to 31 December 2010	Year to 31 December 2009
	£	£
Depreciation on owned assets	**450,402**	130,782
Net foreign currency difference	**193,125**	(338,859)
Loss on disposal of property, plant and equipment	**393,322**	-
Operating lease rentals - Land & Buildings	**497,665**	209,230
Auditor's remuneration - audit	**35,000**	50,000
non audit	-	14,982

The Auditor's remuneration for non-audit services for the 2009 year relates to VAT consultancy services

Notes to the financial statements
for the year to 31 December 2010 (continued)

7 Tax

(a) Tax on loss on ordinary activities

	Year to 31 December 2010	Year to 31 December 2009
	£	£
Current tax		
UK corporation tax on loss for the year	-	-
Deferred tax	-	-
Relating to origination and reversal of temporary differences	-	-
Tax charge on loss for the year	-	-

Finance (No 2) Act 2010 reduced the main rate of UK corporation tax to 27% with effect from 1 April 2011 As this rate has been substantively enacted at the balance sheet date, the deferred tax figures within these accounts have been calculated at this rate

The Chancellor announced in the UK budget on 23 March 2011 that the full rate of UK corporation tax would reduce to 26% with effect from 1 April 2011, and decrease by a further 1% each 1 April thereafter until the rate reaches 23% with effect from 1 April 2014 The effect of these rate reductions on deferred tax balances has not been reflected in these accounts due to the relevant legislation not having been substantively enacted at the balance sheet date

(b) Factors affecting the tax charge for the year

A reconciliation between the actual tax charge and the tax charge at the standard UK rate of corporation tax is shown below

	Year to 31 December 2010	Year to 31 December 2009
	£	£
Loss before tax	(26,541,588)	(16,607,212)
Tax at standard UK rate of 28%	(7,431,645)	(4,650,020)
Non-deductible expenses	43,898	16,788
Losses carried forward	7,387,747	4,633,232
Tax charge on profit for the year	-	-

Notes to the financial statements for the year to 31 December 2010 (continued)

(c) Deferred tax

No deferred tax asset has been recognized on the tax losses carried forward because of uncertainty over when the losses will utilised Tax charges in future years will be reduced if tax losses brought forward are utilised

8 Dividends

During the year no dividends were paid on the equity shares

9 Cash and cash equivalents

	2010 £	2009 £
Cash at bank and on hand	**7,954,094**	1,846,875

Cash and cash equivalents earns interest at floating rates based on daily bank deposit rates

10 Financial instruments

	2010 £	2009 £
Financial assets		
Financial assets measured at cost less impairment	**28,631,245**	13,632,279
Financial liabilities		
Financial liabilities measured at cost	**63,120,682**	20,941,642

11 Trade and other receivables

	2010 £	2009 £
Trade receivables	**6,387,445**	1,618,144
Prepayments and other debtors	**177,447**	8,863,455
Amounts owed by group undertakings (note 18)	**11,143,992**	786,854
Social security and other taxes	**1,766,463**	-
Accrued income	**571,041**	491,951
	20,046,388	11,760,404

The fair value of receivables above approximate to their carrying values

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above The Company does not hold any collateral as security

Notes to the financial statements
for the year to 31 December 2010 (continued)

12 Property, plant and equipment

	£
Cost	
At 1 January 2010	614,902
Additions	1,466,085
Disposals	(491,407)
At 31 December 2010	**1,589,580**
Accumulated depreciation and impairment	
At January 2010	183,906
Annual depreciation	450,402
Disposals	(98,085)
At 31 December 2010	**536,223**
Carrying amount	
Net book value at 31 December 2010	1,053,357
Net book value at 1 January 2010	430,996

Notes to the financial statements for the year to 31 December 2010

13 Investments

Parent company

	Subsidiary undertakings £
Cost:	
At 1 January 2010	84,439
Additions	16,125
At 31 December 2010	100,564
Net book value at 31 December 2010	**100,564**
Net book value at 1 January 2010	84,439

Details of the investments in which the parent company holds 20% or more of the nominal value of any class of share capital are as follows

Name of company	Holding	Proportion of voting rights and shares held	Country of incorporation
Spotify Norway AS	Ordinary shares	100%	Norway
Spotify Spain SL	Ordinary shares	100%	Spain
Spotify GmbH	Ordinary shares	100%	Germany
Spotify SAS	Ordinary shares	100%	France
Spotify Sweden AB	Ordinary shares	100%	Sweden
Spotify Netherlands B V	Ordinary shares	100%	Holland

The business of these companies is to buy advertising inventory from Spotify Limited and sell advertisements to the local markets

The additions for year 2010 comprise start up costs in respect of the subsidiary Spotify Netherlands B V

Notes to the financial statements
for the year to 31 December 2010

14 Trade and other payables

	2010	2009
	£	£
Trade payables	**7,346,341**	1,063,738
Amounts due to group undertakings (note 18)	**35,744,149**	6,986,409
Social security and other taxes	**104,497**	230,631
Accrued expenses	**14,268,406**	10,447,325
Deferred income	**5,635,005**	2,213,539
	63,098,398	20,941,642

The fair values of the payable amounts above approximate to their carrying amounts

15 Issued share capital

	2010	2009
	£	£
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	**1,000**	1,000

All shares were issued during the period 23 November 2007 to 31 December 2008 for cash at par value of £1 per share The total authorised number of ordinary shares is 1,000 shares (2009 1,000 shares) All issued shares are fully paid and have equal rights to vote at general meetings and receive dividends

16 Financial risk management objectives and policies

The Company's financial liabilities are trade and other payables and financial assets are trade and other receivables and cash and cash equivalents

Capital management

The capital management of the company is considered as part of the capital management of the Spotify Technology S A Group The Spotify Technology S A Group aims to ensure that the capital in the Spotify Limited Group is sufficient to support its business and maximize shareholder value

The Company's exposure to credit risk, liquidity risk and market risk is managed by the Directors of the company and has been assessed as set out below

Credit risk

The company seeks to minimize its exposure to credit risk by using established financial institutions The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained

At 31 December 2010 the maximum exposure to credit risk from trade and other receivables was £308,399

Notes to the financial statements for the year to 31 December 2010 (continued)

Financial assets that were past due or impaired at 31 December 2010 are detailed in the tables below

At 31 December 2010 the company held cash and cash equivalents amounting to £7,954,094 (2009 £1,846,875)

Credit risk means the risk of financial loss if a customer or contracting party of a financial instrument fails to fulfill his contractual duties The company endeavors to ensure that services will only be rendered to customers of an appropriate credit standing The credit risks, the way they arise as well as the targets, policies and procedures for constant monitoring of the risks and the credit risk assessment methods remained unchanged during the financial year

Maturity analysis of trade receivables as at 31 December 2010 and 31 December 2009

	Net 31/12/2010 £	**Impairment 2010 £**	Net 31/12/2009 £	Impairment 2009 £
Not yet due	**3,887,602**	**-**	1,001,327	-
Overdue 0 – 90 days	**1,746,846**	**18,771**	473,054	27,457
Overdue 91 – 180 days	**444,598**	**109,221**	140,537	-
Overdue 181 – 360 days	**248,863**	**96,377**	3,226	-
Overdue for more than 1 year	**59,536**	**47,587**	-	-
	6,387,445	**271,956**	1,618,144	27,457

All "Other financial assets" are Not yet due as of yearend and impairment test shows that no assets need to be adjusted

Changes in value adjustments of trade receivables

	31 December 2010 £	31 December 2009 £
Carrying amount at 1 January	**27,457**	-
Confirmed bad debt	**-27 457**	-
Provision in year	**271,956**	27,457
Carrying amount at 31 December	**271,956**	27,457

The carrying amount of financial assets corresponds to the maximum credit risk

Notes to the financial statements
for the year to 31 December 2010 (continued)

Maximum credit risk as at 31 December 2010 and 31 December 2009

	31 December 2010	31 December 2009
	£	£
Other current assets	**398,249**	-
Other non-current assets	**232,514**	25,000
Accrued receivables from uncompleted contracts	**571,041**	491,951
Receivables and advances made	**19,475,348**	11,268,453
Cash and cash equivalents	**7,954,094**	1,846,875
	28,631,245	13,632,279

Liquidity risk

The Company has no borrowings

All of the financial liabilities of the Company are due within one year The Company is dependent on its parent company for financial support to enable it to meet its liabilities as they fall due

The tables below show the contractually agreed (undiscounted payments) regarding financial liabilities All amounts in foreign currencies were translated at the exchange rate at the balance sheet date

31 December 2010	**Carrying amount £**	**Contractual cash flow £**	**Due in 0-6 months £**
Trade and other payables	63,098,398	63,098,398	63,098,398

31 December 2009	**Carrying amount £**	**Contractual cash flow £**	**Due in 0-6 months £**
Trade and other payables	20,941,642	20,941,642	20,941,642

Notes to the financial statements for the year to 31 December 2010 (continued)

Fair value of financial instruments

The tables below show the carrying amounts and fair values of financial instruments according to categories of financial assets and liabilities (debt)

Financial assets	Carrying amount 31/12/2010 £	Fair value 2010 £	Carrying amount 31/12/2009 £	Fair value 31/12/2009 £
Cash and cash equivalents	**7,954,094**	**7,954,094**	1,846,875	1,846,875
Accrued receivables from uncompleted contracts	**571,041**	**571,041**	491,951	491,951
Receivables and advances made	**19,475,347**	**19,475,347**	11,268,453	11,268,453
Other current assets	**398,249**	**398,249**	-	-
Other non-current assets	**232,514**	**232,514**	25,000	25,000
Financial liabilities	**£**	**£**	£	£
At amortized cost				
Trade and other payables	**63,098,398**	**63,098,398**	20,941,642	20,941,642
Other current liabilities	**22,284**	**22,284**	-	-

The carrying amounts of financial instruments with maturities up to one year correspond to the fair values

Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to UK pound and Euro Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities At 31 December 2010, the company held no foreign currency hedging instruments

Notes to the financial statements
for the year to 31 December 2010 (continued)

Sensitivity analysis

£	Effect of 10 % appreciation of Pound	Effect of 5 % appreciation of Pound	Effect of 5 % depreciation of Pound	Effect of 10 % depreciation of Pound
Assets				
Euro	(567,291)	(283,645)	283,645	567,291
USD	(157,946)	(78,973)	78,973	157,946
SEK	(341,514)	(170,757)	170,757	341,514
Liabilities				
Euro	(4,438,310)	(2,219,155)	2,219,155	4,438,310
USD	(76,289)	(38,144)	38,144	76,289
SEK	(73,347)	(36,674)	36,674	73,347

Interest rate risk

The company is not directly exposed to interest risk as it is funded by equity from the parent company

17 Obligation under operating lease

Operating under leases where the company is lessee

The company has entered into commercial leases on certain properties There are no restrictions placed upon the lessee by entering into these leases

The future minimum rentals payable under non-cancellable operating leases are as follows

	2010	2009
	£	£
No later than 1 year	188,437	19,875
After one year but not more than 5 years	753,752	-

Notes to the financial statements for the year to 31 December 2010 (continued)

18 Related party transactions

The Company is controlled by Spotify Technology S A This company controls 100% of the company's shares

The following transactions were carried out with related parties

(a) Sales of advertisements

	2010 £	2009 £
Spotify AB	-	1,481,130
Spotify Norway AS	1,359,784	129,721
Spotify Spain SL	1,638,864	665,487
Spotify SAS	438,186	23,990
Spotify Sweden AB	3,240,608	123,502
Spotify Netherlands B V	213,634	-
	6,891,076	2,423,828

(b) Sales of services

	2010 £	2009 £
Spotify SAS	265,790	-
Spotify Norway AS	939,493	-
Spotify Spain SL	1,124,199	-
Spotify Sweden AB	2,183,535	-
	4,513,017	-

Notes to the financial statements
for the year to 31 December 2010 (continued)

(c) Purchase of goods and services

	2010 £	2009 £
Purchase of goods		
Spotify AB	**9,041,891**	2,627,295
Purchase of services		
Spotify AB	**5,969,979**	3,211,791
Spotify Technology S A	-	50,383
Spotify SAS	**701,162**	235,453
Spotify Norway AS	**600,141**	-
Spotify Spain SL	**672,763**	352,735
Spotify Sweden AB	**2,085,114**	202,605
Spotify Netherlands B V	**264,932**	-
	19,335,982	6,680,261

Goods and services are bought from a fellow subsidiary company controlled by Spotify Technology S A, on normal commercial terms

(d) Key management compensation

Key management includes the Director, all members of Company Management and the Company Secretary The compensation paid or payable to key management for employee services is shown below

	2010 £	2009 £
Short term employee benefits	**8,558**	-
Long term Employee benefits	**124,600**	151,571
Lease of residential property	**69,336**	-
Total key management compensation	**202,494**	151,571

Notes to the financial statements for the year to 31 December 2010 (continued)

(e) Year end balances arising from sales of goods and purchased of goods/services

	2010	2009
	£	£
Receivables from related parties		
Spotify Norway AS	1,902,892	92,918
Spotify Spain SL	3,768,658	577,293
Spotify SAS	805,783	-
Spotify Sweden AB	3,442,449	69,311
Spotify Netherlands B V	169,687	-
Spotify Germany GmbH	19,047	47,194
Spotify USA Inc	1,035,476	138
	11,143,992	786,854
Payables to related parties		
Spotify Technology S A	454,804	440,553
Spotify AB	35,289,345	6,518,023
Spotify SAS	-	27,833
	35,744,149	6,986,409

19 Ultimate parent undertaking and controlling party

Spotify Limited is a wholly owned subsidiary of Spotify Technology S A The ultimate parent undertaking and controlling party of Spotify Limited is Spotify Technology S A, a company incorporated in Luxembourg It is also the parent undertaking of the largest and smallest group of undertakings of which the company is a member and for which group financial statements are drawn up Copies of the financial statements of Spotify Technology S A can be obtained from the Company Secretary, 22m Avenue Marie – Thérèse, L-2132, Luxembourg

20 Events after the reporting year

The Group has ambitious growth plans and has signed license agreements with a number of US record label groups for the US market On 14 July 2011, the company launched in the US The Company has during June 2011 secured the necessary funds for further expansion but the financial effect cannot be made at this moment