Registered number 06436047

Spotify Limited

Financial statements
for the year
to 31 December 2011

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 2011

Registered number: 06436047

The Directors present their annual report and the audited financial statements for the year to 31 December 2011

Principal activities

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

The principal activities of the Company is that of a music management platform providing instant access to million of tracks 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 rightsholders, 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, Norway, Belgium, Switzerland, Austria and Denmark and the company is looking to expand into further markets

Total revenue grew from £63,167,926 to £95,475,625 This was attributable to an increase in advertising revenue from £18,055,523 to £22,416,420 and sales of subscriptions that grew from £45,069,957 to £72,462,713 As of year end the Total Equity amounts to £7,892,362 Total assets at year end amounts to £99,314,863 where cash is £25,495,738

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

For the year to 31 December 2011, 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

Significant events

Spotify Ltd sold the Intangible Property related to Spotify's technical platform and trademarks to Spotify AB during the year

Financial risk management objectives and policies

Further information on risks and uncertainties is given in note 17 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 In March 2012, the Group launched in Germany and in May in Australia and New Zealand

Results and dividends

The Company generated a profit for the year after taxation of £ 21,027,686 (2010 £26,541,588 loss) No dividends were declared

Directors

The Directors who held office during the year is given below

Daniel Ek
James Duffett-Smith

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 Group has ambitious growth plans In March 2012, the Group launched in Germany and in May the Group launched in Australia and New Zealand

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
Director
Date 2012-09-14

James Duffett-Smith
Director
Date 2012-09-14

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 2011 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 7 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 2011 and of its loss 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 matter 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 and of its loss for the year ended

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

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, or

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

Ernst & Young LLP

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

Date 18 SEP 2012

Statement of comprehensive income
for the year to 31 December 2011

	Note	Year to 31 December 2011	Year to 31 December 2010
		£	£
Continuing operations			
Revenue	3	**95,475,625**	63,167,926
Cost of sales		**(81,846,268)**	(64,801,478)
Gross profit /(loss)		**13,629,357**	(1,633,552)
Distribution costs		**(2,556,473)**	(1,370,014)
Administrative expenses		**(18,643,916)**	(23,729,462)
Other operating income		**13,192,371**	2,796,812
Other operating expenses		**(7,681,200)**	(2,605,095)
Operating loss	7	**(2,059,862)**	(26,541,311)
Gain on sale of intangible asset	4	**24,366,536**	-
Finance costs	5	**(1,278,988)**	(277)
Profit /(loss) before tax from continuing operations		**21,027,686**	(26,541,588)
Income tax expense	8	**-**	-
Profit /(loss) for the year		**21,027,686**	(26,541,588)

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

The profit/(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 2011

	Note	2011 £	2010 £
ASSETS			
Non-current assets			
Property, plant and equipment	12	**2,815,347**	1,053,357
Investments	13	**111,113**	100,564
Other non-current assets	14	**19,384,016**	232,514
		22,310,476	1,386,435
Current assets			
Cash and cash equivalents	9	**25,495,738**	7,954,094
Trade and other receivables	11	**51,276,412**	20,046,388
Other current assets		**232,237**	398,249
		77,004,387	28,398,731
Total assets		**99,314,863**	29,785,166
Non-Current liabilities			
Amounts due to group undertakings	17	**(18,591,837)**	-
		(18,591,837)	-
Current liabilities			
Trade and other payables	15	**(88,613,913)**	(63,098,398)
Other current liabilities		**(1,475)**	(22,284)
		(88,615,388)	(63,120,682)
Net liabilities		**(7,892,362)**	(33,335,516)
CAPITAL AND RESERVES			
Share capital	16	**1,000**	1,000
Shareholder contributions		**14,544,300**	10,128,832
Retained earnings		**(22,437,662)**	(43,465,348)
Total equity		**(7,892,362)**	(33,335,516)

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

The financial statements of Spotify Limited, registration number 06436047, on pages 10 to 33 were approved by the board of Directors and authorised for issue on They were signed on its behalf by

Daniel Ek

Director

Date 2012-09-14

James Duffett-Smith

Director

Date 2012-09-14

Statement of changes in equity
for the year to 31 December 2011

Attributable to equity holders of the Company

	Share capital £	Shareholder contributions £	Retained earnings £	Total £
Balance at 1 January 2010	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)**
Total comprehensive profit for the year	**-**	**-**	**21,027,686**	**21,027,686**
Contribution received in the year	**-**	**4,415,468**	**-**	**4,415,468**
Balance at 31 December 2011	**1,000**	**14,544,300**	**(22,437,662)**	**(7,892,362)**

Statement of cash flows
for the year to 31 December 2011

	Year to 31 December 2011 £	Year to 31 December 2010 £
Cash flows from operating activities		
Profit /(Loss) before tax from continuing operations	**21,027,686**	(26,541,588)
Depreciation	**920,210**	450,402
Loss on disposal of property, plant and equipment	**59,314**	393,322
	22,007,210	(25,697,864)
Working capital adjustments		
(Increase) in receivables	**(30,998,844)**	(8,673,289)
Increase in payables	**25,494,707**	41,971,526
	(5,504,137)	33,298,237
Income tax paid	**-**	-
Net cash flows from operating activities	**16,503,073**	7,600,373
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,741,514)**	(1,466,085)
Payments in respect of investments	**(10,549)**	(16,125)
Net cash flows used in investing activities	**(2,752,063)**	(1,482,210)
Financing activities		
Issued loans	**(19,151,502)**	-
Borrowings	**18,591,837**	-
Received shareholder contributions	**4,415,468**	-
Net cash flows from financing activities	**3,855,803**	-
Effects of exchange rates on cash and cash equivalents	**(65,169)**	(10,944)
Net increase in cash and cash equivalents	**17,541,644**	6,107,219
Cash and cash equivalents at beginning of year	**7,954,094**	1,846,875
Cash and cash equivalents at end of year	**25,495,738**	7,954,094

Notes to the financial statements for the year to 31 December 2011

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

The address of the registered office is given on page 2

The principal activities of the Company are described on page 4

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 as they are included in the 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

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 2012 and 2013 cash flow forecasts, the Directors believe that the Company has adequate resources to continue as a going concern For this reason, the financial statements have been prepared on that basis

Notes to the financial statements for the year to 31 December 2011 (continued)

New standards adopted in the year

IAS 24 Related Party Transactions (Amendment)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity The adoption of the amendment did not have any impact on the financial position or performance of the Company

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording

IFRS 7 Financial Instruments — Disclosures
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context The amendment did not result in any significant changes on the position or performance of the Company

IAS 1 Presentation of Financial Statements
The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements The amendment did not result in any significant changes on the position or performance of the Company

Standards issued but yet not effective

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income
The amendments to IAS 1 change the grouping of items presented in OCI Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified The amendment affects presentation only and has no impact on the Company s financial position or performance The amendment becomes effective for annual periods beginning on or after 1 July 2012

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 Company'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 therefore no impact on the Company 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 Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture

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 the date of sale

(c) Sale of Partner Subscriptions -

Revenue from the partner sales premiums certificates is recognised 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 recognised at the date for expiration The certificate expires within 12 months from the 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 2011 (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

Property, plant and 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

Property, plant and 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 recognised 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 trade receivables

An impaired assessment is made for all Trade Receivables and in addition, receivables overdue more than 60 days are impaired by 25% and receivables overdue more than 90 days are impaired by 100%, unless there is evidence that the receivable will be paid

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 2011 (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 26 5% (2010 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 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 2011 (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 principal 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 2011 (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 the future
The Company makes estimates and assumptions concerning the future The resulting accounting estimates will, by definition, seldom equal the related actual results The significant area for key sources of estimation uncertainty are impairment of accounts receivable which are valued at fair value See further in note 17

3 Revenue

The breakdown of the revenue is as follows

Analysis of revenue by category	Year to 31 December 2011 £	Year to 31 December 2010 £
Sales of advertisements	**22,416,420**	18,055,523
Sales of subscriptions	**72,462,713**	45,069,957
Other	**596,492**	42,446
Total	**95,475,625**	63,167,926

The majority of advertisements and subscriptions revenue is attributable to the UK and to intercompany sales as disclosed in note 19

4 Gain of sale of intangible assets

The gain on sale of intangible asset relates to the sale of the Intangible Property related to Spotify s technical platform and trademarks to a fellow subsidiary undertaking and it was previously held at nil value

5 Finance costs

	Year to 31 December 2011 £	Year to 31 December 2010 £
Interest expense on financial liabilities measured at amortised costs	**(733,084)**	(277)
Impairment of shares in subsidiary	**(545,904)**	-
Finance costs	**(1,278,988)**	(277)

Notes to the financial statements
for the year to 31 December 2011 (continued)

6 Employee information

	Year to 31 December 2011 £	Year to 31 December 2010 £
Wages and salaries	**3,181,888**	1,772,195
Social security costs	**406,656**	204,328
Total	**3,588,544**	1,976,523

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

	2011 No	2010 No
Sales and marketing	**52**	33
General and administration	**12**	11
Total number of employees	**64**	44

Director s emolument s during the year were £116,079 (2010 £202,494)
The highest paid director received £85,333 (2010 £114,934) See further in note 19

7 Operating loss

Operating loss is stated after charging/(crediting)

	Year to 31 December 2011 £	Year to 31 December 2010 £
Depreciation on owned assets	**920,210**	450,402
Net foreign currency difference	**2,630,840**	193,125
Loss on disposal of property, plant and equipment	**59,314**	393,322
Operating lease rentals - Land and Buildings	**646,582**	497,665
Auditor's remuneration - audit	**30,000**	35,000

Notes to the financial statements
for the year to 31 December 2011 (continued)

8 Tax

(a) Tax on loss on ordinary activities
There is no current or deferred tax charge/credit in 2011 and 2010

Further reductions in the UK corporation tax rate have been substantively enacted in the year The main rate of corporation tax was reduced from 28% to 26% effective from 1 April 2011 Any provision for deferred tax on timing differences as at 31 December 2011 would have been calculated at 25%, the corporation tax rate effective from 1 April 2012 as substantively enacted as at 31st December 2011 The effect of further planned reductions to the main rate of corporation tax by a further one per cent from 1 April 2012 to 24%, and one per cent per annum to 22 per cent by April 1, 2014, would not be expected to have a material impact on the Company's net assets and will be applied in the Company's financial statements as the legislation is substantively enacted

(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 2011	Year to 31 December 2010
	£	£
Profit/(loss) before tax	**21,027,686**	(26,541,588)
Tax at standard UK rate of 26 5% (2010 28%)	**5,572,337**	(7,431,645)
Non-deductible expenses	**90,948**	43,898
Losses carried forward	**-**	7,387,747
Losses utilised	**(5,663,285)**	-
Tax charge on profit/(loss) for the year	**-**	-

(c) Deferred tax

No deferred tax asset has been recognised on the tax losses carried forward because of uncertainty over when the losses will be utilised Tax charges in future years will be reduced if tax losses brought forward are utilised
The available tax losses on wich no deferred tax has been recognised are £25,825,424 (2010 £43,145,092)

9 Cash and cash equivalents

	2011	2010
	£	£
Cash at bank and on hand	**25,495,738**	7,954,094

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

Notes to the financial statements
for the year to 31 December 2011 (continued)

10 Financial instruments

	2011	2010
	£	£
Financial assets		
Financial assets measured at cost less impairment	32,157,502	8,128,512
Financial liabilities		
Financial liabilities measured at cost	40,817,874	21,614,747

11 Trade and other receivables

	2011	2010
	£	£
Trade receivables	11,882,831	6,387,445
Prepayments and other debtors	6,450,231	177,447
Amounts owed by group undertakings (note 19)	31,622,288	11,143,992
Social security and other taxes	662,644	1,766,463
Accrued income	658,418	571,041
	51,276,412	20,046,388

Trade receivables are non-interest bearing and generally on 30 days terms
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

12 Property plant and equipment

	£
Cost	
At 1 January 2011	1,589,580
Additions	2,741,514
Disposals	(66,703)
At 31 December 2011	4,264,391
Accumulated depreciation and impairment	
At January 2011	536,223
Depreciation	920,210
Disposals	(7,389)
At 31 December 2011	1,449,044
Carrying amount	
Net book value at 31 December 2011	2,815,347
Net book value at 1 January 2011	1,053,357

13 Investments

	Subsidiary undertakings £
Cost	
At 1 January 2011	100,564
Additions	556,453
At 31 December 2011	657,017
Impairment	
At January 2011	-
Impairment	(545,904)
At 31 December 2011	(545,904)
Net book value at 31 December 2011	111,113
Net book value at 1 January 2011	100,564

Details of the investments in which the 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
Spotify Finland OY	Ordinary shares	100%	Finland
Spotify Hong Kong Ltd	Ordinary shares	100%	Hong Kong
Spotify Denmark Aps	Ordinary shares	100%	Denmark
Spotify Australia Pty Ltd	Ordinary shares	100%	Australia

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

The additions for year 2011 comprise start up costs in respect of the subsidiaries Spotify Finland OY Spotify Hong Kong Ltd, Spotify Denmark Aps and Spotify Australia Pty Ltd

Notes to the financial statements
for the year to 31 December 2011

14 Other non current assets

	2011	2010
	£	£
Loan to group undertakings		
Spotify Finland OY	496,111	-
Spotify France SAS	1,369,013	-
Spotify Germany GmbH	130,579	-
Spotify Netherlands B V	717,855	-
Spotify Spain SL	8,488,382	-
Spotify USA Inc	7,919,231	-
Long term deposits	262,845	232,514
	19,384,016	232,514

15 Trade and other payables

	2011	2010
	£	£
Trade payables	17,782,618	7,346,341
Amounts due to group undertakings (note 19)	40,417,394	35,744,149
Social security and other taxes	-	104,497
Accrued expenses	23,035,258	14,268,406
Deferred income	7,378,643	5,635,005
	88,613,913	63,098,398

Trade payables are non-interest bearing and settled on 30 day terms
The fair values of the payable amounts above approximate to their carrying amounts

16 Issued share capital

	2011	2010
	£	£
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000

The total authorised number of ordinary shares is 1,000 shares (2010 1,000 shares)
All issued shares are fully paid and have equal rights to vote at general meetings and receive dividends

Notes to the financial statements
for the year to 31 December 2011 (continued)

17 Financial risk management objectives and policies

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

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 capital of the company is considered to be total shareholder funds

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 only trading with established companies and performing credit checks as appropriate 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

Financial assets that were past due or impaired at 31 December 2011 or 2010 are detailed in the tables below

At 31 December 2011 the company held cash and cash equivalents amounting to £25,495,738 (2010 £7,954,094)

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 2011 and 31 December 2010

	Net 31/12/2011 £	Impairment 2011 £	Net 31/12/2010 £	Impairment 2010 £
Not yet due	7,521,311	-	3,887,602	-
Overdue 0 – 90 days	3,901,023	26,032	1,746,846	18,771
Overdue 91 – 180 days	228,495	186,803	444,598	109,221
Overdue 181 – 360 days	-	259,909	248,863	96,377
Overdue for more than 1 year	-	350,669	59,536	47,587
	11,650,829	823,413	6,387,445	271,956

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

Changes in value adjustments of trade receivables

	2011 £	2010 £
Carrying amount at 1 January	271,956	27,457
Confirmed bad debt	(4,033)	(27,457)
Provision in year	823,411	271,956
Carrying amount at 31 December	1,091,334	271,956

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

Notes to the financial statements
for the year to 31 December 2011 (continued)

Maximum credit risk as at 31 December 2011 and 31 December 2010

	31 December 2011	31 December 2010
	£	£
Other current assets	**232,237**	398,249
Other non-current assets	**19,384,016**	232,514
Accrued receivables from uncompleted contracts	**658,418**	571,041
Trade Receivables	**11,882,831**	6,926,708
	32,157,502	8,128,512

Liquidity risk

The Company does not have any external borrowings but only loans from group companies

All of the financial liabilities of the Company except for the internal loans are due within one year
The internal loans are due within 2-5 years and the creditor is Spotify AB

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 2011	**Carrying amount**	**Contractual cash flow**	**Due in 0-12 months**
	£	**£**	**£**
Trade and other payables	88,613,913	88,613,913	88,613,913

31 December 2010	**Carrying amount**	**Contractual cash flow**	**Due in 0-12 months**
	£	**£**	**£**
Trade and other payables	63,098,398	63,098,398	63,098,398

31 December 2011	**Carrying amount**	**Contractual cash flow**	**Due in 2-5 years**
	£	**£**	**£**
Amounts to group undertakings Interest rate 12 month EURIBOR + 2	18,591,837	22,251,640	22 251,640

31 December 2010	**Carrying amount**	**Contractual cash flow**	**Due in 2-5 years**
	£	**£**	**£**
Amounts to group undertakings	-	-	-

Notes to the financial statements for the year to 31 December 2011 (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

Financial assets	Carrying amount 31/12/2011 £	Fair value 31/12/2011 £	Carrying amount 31/12/2010 £	Fair value 31/12/2010 £
Accrued receivables from uncompleted contracts	658,418	658,418	571,041	571,041
Trade and other receivables	11,882,831	11,882,831	6,926,708	6,926,708
Other current assets	232,237	232,237	398,249	398,249
Other non-current assets	19,384,016	19,384,016	232,514	232,514
Amounts owed by group undertakings	31,622,288	31,622,288	11,143,992	11,143,992
Financial liabilities	£	£	£	£
At amortized cost				
Trade and other payables	40,817,874	40,817,874	21,614,747	21,614,747
Amounts to group undertakings	59,009,231	59,009,231	35,744,149	35,744,149

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 the Euro Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities At 31 December 2011 and 2010, the Company held no foreign currency hedging instruments

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	(10,618,519)	(5,309,259)	5,309,259	10,618,519
USD	(552,436)	(276,218)	276,218	552,436
SEK	(662,210)	(331,105)	331,105	662,210
Liabilities				
Euro	(8,574,572)	(4,287,286)	4,287,286	8,574,572
USD	(11,280)	(5,640)	5,640	11,280
SEK	(3,348)	(1,674)	1,674	3,348

Interest rate risk

The Company is not directly exposed to interest risk as it is funded by equity from group undertakings

Notes to the financial statements
for the year to 31 December 2011 (continued)

18 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

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

	31 December 2011 £	31 December 2010 £
No later than 1 year	302,019	188,437
After one year but not more than 5 years	753,752	753,752

19 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

	2011 £	2010 £
Transactions with subsidiary undertakings		
Spotify Norway AS	1,825,750	1,359,784
Spotify Spain SL	1,533,921	1,638,864
Spotify SAS	287,306	438,186
Spotify Sweden AB	3,607,104	3,240,608
Spotify Netherlands B V	348,352	213,634
	7,602,434	6,891,076

(b) Sales of services

	2011 £	2010 £
Transactions with subsidiary undertakings		
Spotify SAS	-	265,790
Spotify Norway AS	-	939,493
Spotify Spain SL	-	1,124,199
Spotify Sweden AB	-	2,183,535
Transactions with fellow subsidiary undertakings		
Spotify AB	7,734,271	-
	7,734,271	4,513,017

Notes to the financial statements for the year to 31 December 2011 (continued)

(c) Purchase of goods and services

	2011 £	2010 £
Purchase of goods from fellow subsidiary undertakings		
Spotify AB	**39,543,214**	9,041,891
Purchase of services from fellow subsidiary undertakings		
Spotify AB	**1,503,551**	5,969,979
Spotify Finance Ltd	**476,260**	-
Spotify USA Inc	**875,291**	
Purchase of services from subsidiary undertakings		
Spotify SAS	**375,027**	701,162
Spotify Norway AS	**377,825**	600,141
Spotify Spain SL	**312,945**	672,763
Spotify Sweden AB	**903,583**	2,085,114
Spotify Netherlands B V	**178,174**	264,932
	44,545,870	19,335,982

Goods and services are bought from fellow subsidiary undertakings and subsidiary undertakings 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

	2011 £	2010 £
Short term employee benefits	**116,079**	202,494
Total key management compensation	**116,079**	202,494

Daniel Ek is from 1 June 2011 employed by Spotify AB and his remuneration from this date is disclosed in their financial-statements as it does not relate to his services as director for Spotify Limited

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

	2011 £	2010 £
Receivables from related parties		
Receivables from fellow subsidiary undertakings		
Spotify AB	**31,203,441**	-
Spotify Finance Limited	-	-
Spotify USA Inc	**311,780**	1,035,476
Receivables from subsidiary undertakings		
Spotify Norway AS	-	1,902,892
Spotify Spain SL	**53,898**	3,768,658
Spotify SAS	**28,262**	805,783
Spotify Sweden AB	-	3,442,449
Spotify Netherlands B V	-	169,687
Spotify Germany GmbH	**5,141**	19,047
Spotify Austria GmbH	**234**	-
Spotify Finland OY	**19,532**	-
	31,622,288	11,143,992

Notes to the financial statements for the year to 31 December 2011 (continued)

Payables to related parties

Payables to fellow subsidiary undertakings		
Spotify AB	-	35,289,345
Spotify Finance Limited	40,208,637	-
Payables to parent company		
Spotify Technology S A	-	454,804
Payables to subsidiary undertakings		
Spotify Spain SL	208,757	-
	40,417,394	35,744,149

There are no provisions for related parties receivables in 2011 and 2010

20 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 at 18, rue de l'Eau L-1449 Luxembourg