SoundCloud Limited

Annual Report

For the year ended 31 December 2019
Registered number 06343600

WEDNESDAY
A9I3RSIR
A20 18/11/2020 #157
COMPANIES HOUSE

Contents

Company information	1
Strategic report	2
Directors' report	6
Statement of directors' responsibilities in respect of the financial statements	8
Independent auditors' report to the members of SoundCloud Limited	9
Consolidated statement of comprehensive income	12
Consolidated balance sheet	13
Company balance sheet	14
Consolidated statement of changes in equity	15
Company statement of changes in equity	16
Consolidated statement of cash flows	17
Notes (forming part of the financial statements)	18

Company information

Directors	Alexander Ljung Fred Wilson
Secretary	Eriska Secretaries Limited
Company number	06343600
Registered office	Third floor, 20 Old Bailey London EC4M 7AN
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Banker	Deutsche Bank CIB GTB Ost Unter den Linden 13-15 10117 Berlin Germany

Strategic report

About SoundCloud

SoundCloud Limited ("SoundCloud") is the world's largest open audio platform, enabling anyone to easily upload and share their music, podcasts, and other audio content with a global audience. The platform is now home to more than 20 million creators who choose SoundCloud for its industry-leading tools and services to grow their careers. Based on our unique creator-driven ecosystem, along with signed license deals with music rights holders, SoundCloud has amassed the world's largest and most diverse audio catalogue with over 200m unique tracks at the time of this report.

SoundCloud reaches a large, engaged and primarily mobile-first audience. Having featured highly in app store rankings throughout its history, SoundCloud continues to be a top ranking music application across the relevant app platforms. According to AppAnnie, in both the United Kingdom and the United States, SoundCloud is currently a top 5 mobile music application as well as a top 50 application overall.

The SoundCloud platform is more than a traditional one-way retail streaming service and more than a simple two-sided marketplace, it is an accelerator for global audio culture – we connect creators, fans and the industry to what's next in music, in real-time. Looking across the UK and US charts in 2018 and 2019, some of the largest names in music today began their careers first on SoundCloud including Billie Eilish, Post Malone, Bad Bunny, Khalid and Lil Tecca amongst others.

In addition to a platform for breaking new talent, SoundCloud is also used regularly by established global stars such as Drake and BTS to directly reach fans in real time with new material. SoundCloud's distinct role in driving music culture and our focus on accelerating Creator discovery and growth is why our marketing often employs the phrase 'what's next in music is first on SoundCloud'.

As a business, SoundCloud operates a unique creator-driven ecosystem, generating revenues from both audio uploaders/rights holders (creators) as well as content consumers (listeners). By doing this, we generate sales through four revenue streams: i) creator subscriptions (SoundCloud Pro Unlimited and Repost by SoundCloud), ii) creator services, largely on a revenue share basis, iii) listener subscriptions (SoundCloud Go and Go+) and iv) advertising seen and heard by non-paying listeners.

Our objective is to continue developing our highly differentiated, two-sided technology platform, and expand the size and value of SoundCloud's business. Since our last report, we continue to make significant progress toward these objectives.

Business Review

Reflecting on our 2019 business performance, we set all-time highs for all key business metrics including Monthly Active Users (MAUs), Daily Active Users (DAUs), Listening Time (LT), Subscribers and Advertising and we exited the year with our strongest financial quarters in SoundCloud's history. Our revenue growth accelerated throughout 2019; from 17% in the first quarter to 43% in the fourth quarter, and achieving overall revenue growth of 37% for 2019 vs. 19% for 2018. While accelerating our topline growth, we again reduced our operating losses substantially, cutting them by 28% in 2019 vs 2018 as a result of scaled revenues and continued cost optimisation efforts.

We attribute our recent performance to the success of our creator-led growth strategy as we continued to introduce new product features, services and business partnerships that enable creators to be discovered and grow at every stage of their careers. These initiatives included:

- Integrations with DJ software partners including Serato, Virtual DJ, Dex 3, Native Instruments, Pioneer and more--making SoundCloud the most widely integrated streaming service in DJ performance software and hardware.

- Introduction of a distribution tool that enables creators to distribute their original works to all major music services including Spotify, Apple, Amazon Music, YouTube Music, Instagram, and more.

- Acquisition of artist distribution and services company, Repost Network Inc.

Strategic report *(continued)*

- Introduction of the SoundCloud Creator Forum, a live event designed especially for aspiring and emerging creators with a focus on education, connection and helping artists get discovered.

- Implementation and successful launch of our U.S. ad sales relationship with Pandora, a subsidiary of SiriusXM

- Expansion of our international ad sales relationships. Our partners include: Targetspot (France, Germany, the Netherlands, Belgium, Portugal, Switzerland, Italy, Spain and Austria), Global Radio Services (United Kingdom), DAX (Canada) and Southern Cross Austereo (Australia).

- Continued rollout of our listener subscription service including both the introduction of SoundCloud Go+ for students and international expansion to Austria, Belgium, Italy, Portugal, Spain and Switzerland.

- Numerous upgrades to the core SoundCloud app experience including: mobile uploading, all-new creator profile experience for iOS users, track sharing to Instagram, chart integrations, a new listener home experience, improved search, mobile commenting, high-quality audio streaming and many more.

Our 2020 roadmap continues to focus on deepening the connections between creators and listeners that fuel creator discovery, the evolution of music culture on SoundCloud and drive expansion of our business lines.

In February 2020, SoundCloud Limited's ultimate parent company, SoundCloud Holdings LLC, closed a $75 million investment from SiriusXM Radio Inc. ("SiriusXM"). This investment follows three consecutive years of strong financial performance at SoundCloud Group and provides added capital flexibility to accelerate our growth and take advantage of strategic opportunities as they arise.

SoundCloud is fortunate to be able to continue to operate and serve its community as the impact of the coronavirus (COVID-19) has hit the global music landscape. While it is too early to predict the impacts on the financial year 2020, we have seen a true mix of tailwinds and headwinds – with strong growth in our creator products and our subscription business lines, along with weakness in our US advertising business which we expect to recover in step with the broader market. With multiple years of consistent growth, and the additional capital raised earlier this year, SoundCloud is well-positioned to weather the anticipated impact to the business and continue a sustainable growth path in 2020.

KPIs

	2019	2018	*Change vs*
	€'000	€'000	*2018 in %*
Revenue	**147,555**	107,955	*+37%*
Operating loss	**(23,782)**	(32,864)	*-28%*
Adjusted operating loss (net of non-cash stock based comp)	**(20,598)**	(25,057)	*-18%*
Net cash (outflow)/inflow from operating activities	**(25,500)**	2,598	*n/a*

Market risks and uncertainties

Competition

The audio streaming market for listeners is contested by well-capitalized companies such as Google, Spotify, Apple and Amazon as well as a number of new and more focused players. SoundCloud still does not expect the listener market to be a winner takes all opportunity but for a number of providers to continue addressing this market. The inherent level of competition is balanced by the company's position in the market for upload tools for audio creators where it continues to hold a clear leadership position, offsetting the competitive market for consumer streaming services. Whilst this market continues to grow at a healthy rate, the acquisition of Repost in mid-2019 further strengthens SoundCloud's position and fosters its unique nature as a creator-focussed ecosystem which serves both listeners and creators at the same time.

Strategic report *(continued)*

Externalities such as the Covid-19 pandemic hitting the global economy during March and April 2020 in particular may have an impact on SoundCloud and the markets it is addressing. However, given the position of the business as a platform serving both sides of the ecosystem, and the successful fundraising earlier in the year, it is well positioned to cope with the implications identified so far. Still, the longer the pandemic and the countermeasures taken will last, the more profound its impact will be. Management are monitoring the situation closely and are well placed to take appropriate action as required.

Employees

SoundCloud's employees are highly skilled and subject matter experts. They are recruited from a global talent pool that is highly competitive and targeted by a large number of internet and technology companies. Attracting and retaining this talent requires ongoing efforts across the organisation and may not always meet the company's aspirations for growth. Still, throughout 2019, SoundCloud has continued to expand its workforce, both through organic net additions in local offices, and through the acquisition of Repost. It ended the year with 320 permanent employees (FTE) across its offices in Berlin, London, New York and Los Angeles. The majority of these employees have technical backgrounds and are highly-qualified individuals who want to work in a challenging environment. Both the volume of applications for open positions and the quality of applicants continue to be high, and we therefore feel that SoundCloud is well positioned to maintain a talented and productive team.

Copyright & Policy Risk

SoundCloud is committed to developing and maintaining tools, technologies and processes designed to protect against the use of our platform for the distribution of unauthorised or unlawful material. There are statutory provisions in European law, the federal law of the United States and elsewhere that operate to limit (but do not generally exclude) the liability of online service providers for hosting unauthorised or unlawful material, provided certain requirements are met. Despite the existence of these statutory provisions in some territories, the law relating to the liability of online service providers is largely unsettled, and in any event the position varies from territory to territory according to local law.

Brexit

On 31 January 2020, the United Kingdom withdrew from the European Union without an agreement governing the future relationship. During the transitional period currently agreed until the end of 2020, SoundCloud can continue to operate as though the UK were still a member of the EU and it is continuing to monitor the developments closely. With this, the company is exposed to uncertainties regarding the final outcome of any agreement between the United Kingdom and the European Union. In response, management has further refined a suitable reaction to a "Hard Brexit" scenario. Should this be put in place, the organisational structure will be updated to generate a maximum level of certainty for both tax and legal matters.

Currency risk

SoundCloud operates internationally and is exposed to foreign exchange risks across its three revenue sources in the two business lines it operates. Reporting in EUR, the prime risk is the exposure to the USD exchange rate, though other currencies are also impacting gains and losses recognised throughout the year. Given the operational setup within the group, the risk is deemed limited, though it is being closely monitored throughout.

Financial risk management

SoundCloud Limited and its subsidiaries have established a risk and financial management framework to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risks at the business level. Throughout 2019, the company's cash reserves were ahead of plan and continue to be closely managed. The successful fundraising completed in early 2020 provides further comfort regarding the financial position of the company.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge that obligation. Group policies are aimed at minimising such losses and require that the deferred terms are only granted to customers who demonstrate an appropriate payment history. Details of the Group's debtors are shown in note 12 to the financial statements.

Strategic report *(continued)*

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation and cash expenditure by its operations on an ongoing basis. This includes managing the Group's cash requirements by reviewing obligations to ensure sufficient funding capacity is in place to meet the obligations as they fall due. Since the financing obtained in August 2017, the Group has improved internal processes and further strengthened its balance sheet with the latest investment in 2020, allowing the Group to meet all its financial obligations at any given time.

Directors' duties under section 172 of Companies Act 2006

In discharging section 172 duties, our directors are required to have regard of a range of factors set out in section 172 (1) (a)-(f) of the Companies Act 2006.

By considering the company's vision and strategic priorities, together with its values and culture, the Directors aim to ensure the company's key decisions and ongoing operations promote the success of SoundCloud for all stakeholders including its employees, commercial partners and shareholders. The directors enact their duties through open, regular dialogue at the company's recurring board meetings with the company's leaderships and key stakeholders.

On behalf of the Board

Alexander Ljung
Director

c/o Withers LLP
Third Floor, 20 Old Bailey
London
EC4M 7AN

Date: 27 August 2020

Directors' report

The Directors present their Report and the audited Financial Statements of the Group and Company for the year ended 31 December 2019.

Directors of the company

The directors of the company who were in office during the year and up to the date of signing the financial statements, unless otherwise noted were:

Alexander Ljung
Fred Wilson
Artem Fishman (resigned on 19 December 2019)

Principal activities

Together with its subsidiary undertakings, SoundCloud's principal activity is the provision of an online platform enabling its users to easily upload and share their music, podcasts, and other audio content with a global audience. The company operates from Germany and has subsidiaries in the United States, Bulgaria and Australia, which provide sales and technical support. There has not been any significant change in this activity during the year. The acquisition of Repost Networks Inc. strategically strengthened its activities.

Research and development

Research and development is concentrated on the development of the platform.

Future developments

Having recapitalised the business in August 2017, SoundCloud continues to make substantial progress towards its strategic plans. With its growing client and revenue base, and the improved financial situation, its investors continue to be supportive, working with management to further grow the business and its activities. To do so, SoundCloud has concluded further commercial agreements with a number of partners. The commercial partnership with Pandora has been very successful so far, and agreements with rights holders continue to ensure the availability of content on the platform. With the acquisition of Repost, SoundCloud has strengthened its position in the market for creator services and strategically enhanced its offering. The successful fundraising completed in February 2020 brought a strategic investor on board who is providing further support to the business and its management.

The directors aim to maintain the management policies which have resulted in the group's substantial growth in recent years. Notwithstanding the implications of the Covid-19 pandemic, we expect the company to see further growth in revenues from its continuing operations.

Donations

Charitable donations did not exceed €3,791 in the year *(2018: €0)*.

Financial risk management

The management of financial risks is disclosed in the strategic report.

Employees

As in prior years, UK based employees have played an important role in SoundCloud Limited's daily business. In addition to engaging actively in building and running the platform, staff in the UK have benefited from a number of policies aimed at proactively involving them.

Directors' report (continued)

Relevant information has been made available to them regularly through means of the internal communication channels available to staff globally. Specifically, this included our intranet, virtual/electronic participation in bi-weekly All Hands meetings, hosted in Berlin or New York, and regular business related meetings, calls and video conferences with the UK team.

To ensure relevant employees have been consulted sufficiently to take into account their view and interests, regular meetings with executives and business leaders have been conducted. Travel occurred frequently, providing substantial face-to-face interaction, both in the UK as well as in other offices.

As members of staff, the UK based employees have participated in our share based compensation arrangements on the same terms as members of staff located in other countries. Sufficient information regarding financial and economic factors was made available to them via our intranet, recurring All Hands meetings, inclusive communications via dedicated company updates by means of email, as well as through regular and detailed meetings with UK based staff, both individually, but also in larger groups.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

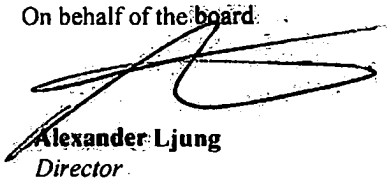
Disclosure of information to auditors

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

Going Concern

The Group's activities are frequently monitored, and the Directors have concluded that they have a reasonable expectation that the Group has adequate resources to continue as a going concern. For details of the going concern assessment, please refer to Note 1.

On behalf of the board



Alexander Ljung
Director

c/o Withers LLP
Third Floor, 20 Old Bailey
London
EC4M 7AN

Date: 27 August 2020

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of SoundCloud Limited

Report on the audit of the financial statements

Opinion

In our opinion, SoundCloud Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2019; the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of SoundCloud Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of SoundCloud Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Brian Henderson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27 August 2020

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Note	**2019** **€000**	2018 €000
Revenue	*2*	**147,555**	107,955
Cost of sales		**(105,597)**	(82,615)
Gross profit		**41,958**	25,340
Administrative expenses		**(65,740)**	(58,204)
Operating loss	*3*	**(23,782)**	(32,864)
Interest receivable and similar income		**-**	398
Interest payable and similar expenses	*7*	**(99)**	(241)
Loss before taxation		**(23,881)**	(32,707)
Tax on loss	*8*	**154**	710
Loss for the financial year		**(23,727)**	(31,997)

All results are in respect of continuing operations.

Consolidated balance sheet

As at 31 December 2019

	Note	2019		2018	
		€000	€000	€000	€000
Fixed assets					
Intangible assets	*9*		**10,072**		462
Tangible assets	*10*		**2,349**		1,935
			12,421		2,397
Current assets					
Debtors (see note 12 for amount due after one year)	*12*	**37,173**		38,268	
Cash at bank and in hand		**39,936**		73,232	
		77,109		111,500	
Creditors: amounts falling due within one year	*13*	**(54,473)**		(59,329)	
Net current assets			**22,636**		52,171
Total assets less current liabilities			**35,057**		54,568
Provisions for liabilities	*14*		**(666)**		-
Net assets			**34,391**		54,568
Capital and reserves					
Called up share capital	*15*		**149,848**		149,498
Share premium account			**178,520**		178,504
Profit and loss account			**(293,977)**		(273,434)
Total equity			**34,391**		54,568

The financial statements on pages 12 to 37 were approved by the board of directors on 27 August 2020 and were signed on their behalf by:

Alexander Ljung
Director

Company balance sheet
As at 31 December 2019

	Note	2019		2018	
		€000	€000	€000	€000
Fixed assets					
Intangible assets	*9*		**543**		462
Tangible assets	*10*		**1,755**		1,392
Investments	*11*		**4,234**		4,206
			6,532		6,060
Current assets					
Debtors (see note 12 for amount due after one year)	*12*	**62,834**		34,065	
Cash at bank and in hand		**25,578**		69,993	
		88,412		104,058	
Creditors: amounts falling due within one year	*13*	**(37,343)**		(40,962)	
Net current assets			**51,069**		63,096
Total assets less current liabilities			**57,601**		69,156
Net assets			**57,601**		69,156
Capital and reserves					
Called up share capital	*15*		**149,848**		149,498
Share premium account			**178,520**		178,504
Profit and loss account			**(270,767)**		(258,846)
Total equity			**57,601**		69,156

The company generated a loss for the financial year 2019 amounting to €12,533 thousand (2019: €20,195 thousand).

The financial statements on pages 12 to 37 were approved by the board of directors on 27 August 2020 and were signed on their behalf by:

Alexander Ljung
Director

Company number: 06343600

Consolidated statement of changes in equity

for the year ended 31 December 2019

Group	Called up share capital	Share premium account	Profit and loss account	Total equity
	€000	€000	€000	€000
At 1 January 2018	134,511	178,504	(249,244)	63,771
Loss for the financial year	-	-	(31,997)	(31,997)
Capital contribution for equity-settled share based payments	-	-	7,807	7,807
New shares issued	14,987	-	-	14,987
At 31 December 2018	149,498	178,504	(273,434)	54,568
Loss for the financial year	-	-	(23,727)	(23,727)
Capital contribution for equity-settled share based payments	-	-	3,184	3,184
New shares issued	350	16	-	366
At 31 December 2019	149,848	178,520	(293,977)	34,391

Company statement of changes in equity
for the year ended 31 December 2019

Company	Called up share capital	Share premium account	Profit and loss account	Total equity
	€000	€000	€000	€000
At 1 January 2018	134,511	178,504	(242,824)	70,191
Loss for the financial Year	-	-	(20,195)	(20,195)
Capital contribution for equity-settled share based payments	-	-	4,173	4,173
New shares issued	14,987	-	-	14,987
At 31 December 2018	149,498	178,504	(258,846)	69,156
Loss for the financial year	-	-	(12,533)	(12,533)
Capital contribution for equity-settled share based payments	-	-	612	612
New shares issued	350	16	-	366
At 31 December 2019	149,848	178,520	(270,767)	57,601

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	**2019** **€000**	2018 €000
Net cash from operating activities	*18*	**(25,558)**	2,730
Taxation received/(paid)		58	(132)
Net cash generated (used in)/ from operating activities		**(25,500)**	2,598
Purchase of subsidiary (net of cash acquired)		(7,681)	-
Purchase of intangible assets		(291)	(277)
Purchase of tangible assets		(1,858)	(976)
Receipts from sale of assets		79	293
Interest received		-	398
Net cash used in investing activities		**(9,751)**	(562)
Issue of share capital (net of expenses)		366	14,986
Debt to equity conversion		-	(9,507)
Interest and similar expenses paid		(99)	(241)
Net cash generated from financing activities		**267**	5,238
Net (decrease) / increase in cash and cash equivalents		**(34,984)**	7,274
Cash and cash equivalents at the beginning of the year		73,232	62,939
Translation differences		1,688	3,019
Cash and cash equivalents at the end of the year		**39,936**	73,232

Notes (forming part of the financial statements)

1 Accounting policies

General information

SoundCloud Limited ("the Company") and its subsidiaries (together "the Group") operate an open audio platform, enabling anyone to easily upload and share their music, podcasts, and other audio content with a global audience.

SoundCloud Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The Registered Office is at c/o Withers LLP, Third Floor, 20 Old Bailey, London EC4M 7AN.

Statement of compliance

The Group and individual financial statements of SoundCloud Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102'') and the Companies Act 2006.

Basis of preparation

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of SoundCloud Limited were authorised for issue by the Board of Directors. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in Euro which is the functional currency of the Group and rounded to the nearest €'000.

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention.

The company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2019.

The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 December each year. No statement of comprehensive income is presented for SoundCloud Limited as permitted by section 408 of the Companies Act 2006.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Going concern

In determining the appropriate basis of preparation of the Annual Report, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The relevant business activities, together with the factors likely to affect its future development, its financial position, its financial risk management objectives and its exposures to liquidity and cash flow risk are described in the Strategic Report.

Notes (continued)

1 Accounting policies *(continued)*

As part of their Going Concern review, the Directors have reviewed SoundCloud's business activities as well as the risks and uncertainties described in the Strategic Report. Relevant reviews include quarterly reforecasting for key financial metrics, as well as long term planning efforts based on sensitivity analyses. Given the Group's business model, SoundCloud has fared reasonably well during the recent events, including the Covid-19 pandemic. Based on those analyses and review, the Group's existing liquid resources, which were substantially enhanced with the successful fundraising in February 2020, the positive trends in the company's relevant markets and its detailed strategic plans underpinning the forward looking assumptions, the Directors have concluded that the Group has adequate resources to continue as a going concern. The financial statements have been prepared accordingly.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Intangible assets are only recognised separately from goodwill where they are separable and arise from contractual or other legal rights. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

Taxation

Taxation expense / income for the period comprise current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is the amount of income tax payable / receivable in respect of the taxable profit / loss for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Deferred tax arises from timing differences that are differences between taxable profits / losses and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Notes (continued)

1 Accounting policies *(continued)*

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Technical equipment	over 3 to 7 years
Computer and office equipment	over 3 to 10 years

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software & technology	over 3 to 8 years
Brand & customer relations	over 4 to 6 years

Amortisation is included in 'administrative expenses' in the profit and loss account.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Revenue recognition

SoundCloud operates two lines of business: First, the creator business provides tools which enable individuals to share content through the internet, using a suite of products and services; revenue here is generated through subscriptions. This line of business has been further enhanced with the acquisition of Repost Networks Inc. which provides additional creator services and has been successfully integrated into SoundCloud throughout the second half of 2019. The second line of business is the consumer-facing offering which provides listeners with access to a substantial, and in many cases unique, catalogue of content which can be consumed via the web or on mobile devices; here, revenue is derived from subscriptions and advertising. All revenues accounted for are exclusive of Value Added Taxes (VAT or equivalent) and trade discounts.

Notes (continued)

1 Accounting policies *(continued)*

Subscriptions are sold directly to our customers and through the means of relevant online stores. The resulting subscription revenue is recognised evenly over the subscription period and where a subscription covers more than one financial period, an element of revenue arising from that subscription is deferred into subsequent periods.

Advertising revenue is generated through various advertising formats delivered on the platform. Following the strategic partnership with Pandora, sales efforts are predominantly generated through indirect partnerships, targeting SoundCloud's geographical expansion plans. Creator services are generated by monetising the rights of content artists make available to its Creator Services business (formerly known as Repost Networks Inc.) on various online streaming platforms.

The resulting revenue is recognised when the following conditions have been met:

- The amount of revenue can be measured reliably
- It is probable that future economic benefits associated with the transaction will flow to the Group
- The stage completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Research and development

Research and development expenditure is written off as incurred.

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Debtors

Debtors are shown after providing for any amounts which in the opinion of the directors may not be collected in full. The Group also has certain arrangements whereby costs are paid in advance or are subject to minimum guaranteed amounts. The amounts paid in advance are reviewed for impairment when the actual costs incurred during a contractual year are lower than the advance payment made or the minimum guaranteed amounts.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any impairment losses. At each balance sheet date investments are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

Notes (continued)

1 Accounting policies *(continued)*

Foreign currencies

i. Functional and presentation currency

The Group financial statements are presented in Euro and rounded to thousands. The Company's functional and presentation currency is Euro.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income. All foreign exchange gains and losses are presented within 'Administrative expenses'.

iii. Translation

The trading results of Group undertakings are translated into Euro at the spot exchange rates at the dates of the transactions. Unrealised assets and liabilities of overseas undertakings, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates ruling at the year-end.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows, discounted at the asset's original effective interest rate. The impairment loss is recognised in the profit or loss statement. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the profit or loss statement.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Notes (continued)

1 Accounting policies *(continued)*

Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease.

Post-retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the consolidated statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period.

Share based payments

SoundCloud operates a share-based payment scheme for its employees consisting of three different plans. Options are granted at fixed exercise prices, vest over four years and are exercisable under certain conditions. The relevant cost is determined using the Black Scholes option pricing model which reflects a grant's fair market value at the grant date. As an equity-settled expense, the cost is recognised as an employee expense in the income statement with a corresponding increase in equity over the period during which an employee becomes unconditionally entitled to the awards.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of the modification to date of vesting.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the consolidated statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the consolidated statement of comprehensive income .

For warrants to non-employees for good or services received, the grant date fair value is recognised as expenses over the period the other party become unconditionally entitled to the awards. The fair value is measured based on the value of goods or services received or, if this is not possible, based on the fair value of the equity instrument.

Notes (continued)

1 Accounting policies *(continued)*

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments granted at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuation advisor using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions) and non vesting conditions. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non vesting condition, which are treated as vesting irrespective of whether or not the market or non vesting condition is satisfied, provided that all other performance conditions are satisfied.

Business combinations

Where intangible assets are acquired through business combinations and no market for the asset exists, the fair value of these assets is determined either by a) discounting future net cash flows generated by assets like customer relationships and brand or by b) the estimation of cost to replace a technology. Estimates relating to future cash flows and discount rates used may have an effect on the reported amounts of finite lived intangible assets.

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset.

Legal provisions

Provisions for litigation require management's best estimate of costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows is subject to uncertainty.

Notes (continued)

2 Revenue

SoundCloud generates revenues in two lines of business: Firstly, its creator business offers tools and services to a number of rights holders; second, its listener business allowing customers to access a sizeable pool of content.

	Listener Business €000	Creator Business €000	2019 Total €000	Listener Business €000	Creator Business €000	2018 Total €000
USA	76,155	28,670	**104,825**	58,090	17,045	75,135
Europe & Other	23,319	19,411	**42,730**	17,472	15,348	32,820
	99,474	48,081	**147,555**	75,562	32,393	107,955

3 Operating loss

Group operating loss is stated after charging/(crediting):	2019 €000	2018 €000
Depreciation of owned assets (see note 10)	**1,367**	1,972
Amortisation of software & technology (see note 9)	**176**	99
Amortisation of acquired intangible assets (see note 9)	**805**	-
Foreign exchange differences	**(518)**	(1,953)
Auditors' remuneration (see note 4)	**238**	112
Operating lease charges	**4,496**	3,511

4 Auditors' remuneration

The remuneration of the auditors or their associates is further analysed as follows:	2019 €000	2018 €000
Audit of the financial statements	**118**	112
Non-audit related services	**120**	-

Notes (continued)

5 Remuneration of directors

	2019 €000	2018 €000
Total directors' emoluments (3 directors (2018: 3))	**366**	426
Of which highest paid director	**266**	302

No directors accrued any benefits under a defined contribution scheme. All remuneration was in form of salary payments, and included base salary and variable components.

6 Staff costs

	Group		Company	
	2019	2018	2019	2018
Staff Costs	€000	€000	€000	€000
Wages and salaries	**31,695**	25,760	**18,466**	14,663
Share based payments (see note 17)	**3,184**	7,807	**612**	4,173
Social security costs	**4,500**	3,303	**2,720**	2,046
Other pension costs	**166**	255	**139**	153
	39,545	37,125	**21,937**	21,035

The average monthly number of employees (including directors) during the year was made up as follows:

	Group		Company	
Number of employees	2019	2018	2019	2018
Product, Engineering & Design	**167**	142	**160**	138
Operations	**69**	62	**35**	32
Sales & Marketing	**48**	36	7	-
	284	240	**202**	170

7 Interest payable and similar expenses

	2019 €000	2018 €000
Interest payable and similar expenses	**99**	241

Notes (continued)

8 Income tax

Tax income included in profit or loss

	2019 €000	2018 €000
Corporation tax - overseas		
Current tax	-	105
Adjustment in respect of prior years	(58)	(815)
Deferred tax (origination and reversal of timing differences)	(96)	-
Tax credit	(154)	(710)

Reconciliation of tax credit

The tax credit for the year is higher *(2018: higher)* than the standard rate of corporation tax in Germany of 30.18% *(2018: 30.18%)*. The differences are explained below.

	2019 €000	2018 €000
Loss before taxation	23,881	32,707
Current tax at 30.18% *(2018: 30.18%)*	(7,206)	(9,869)
Effects of:		
Expenses not deductible for tax purposes	1,160	2,974
Tax losses carried forward	5,406	5,807
Adjustment in respect of prior years	(58)	(815)
Effect of different tax rates	544	1,193
Total tax credit	(154)	(710)

The group is taxable in Germany, UK, USA and Bulgaria. As the group is loss-making, it is unlikely to be tax-paying in the near future. Due to transfer pricing rules, tax may be payable in the UK, USA, Bulgaria and Australia.

Due to the uncertainty of recoverability, deferred taxation has not been provided in respect of tax losses carried forward of approximately €277 million *(2018: €256 million)*.

Notes *(continued)*

9 Intangible assets

Group

	Goodwill	Brand & customer relations	Software & technology	Total
	€000	€000	€000	€000
Cost				
At 1 January 2019	-	-	728	728
Additions	7,225	2,190	1,176	10,591
At 31 December 2019	7,225	2,190	1,904	11,319
Accumulated amortisation				
At 1 January 2019	-	-	266	266
Charge for the year	421	241	319	981
At 31 December 2019	421	241	585	1,247
Net book value				
At 31 December 2019	**6,804**	**1,949**	**1, 319**	**10,072**
At 31 December 2018	-	-	462	462

Company

	Software	Total
	€000	€000
Cost		
At 1 January 2019	728	728
Additions	243	243
At 31 December 2019	971	971
Accumulated amortisation		
At 1 January 2019	266	266
Charge for the year	162	162
At 31 December 2019	428	428
Net book value		
At 31 December 2019	**543**	**543**
At 31 December 2018	462	462

Notes *(continued)*

10 Tangible assets

Group

	Technical, computer and office equipment €000	Total €000
Cost		
At 1 January 2019	15,944	15,944
Additions	1,858	1,858
Disposals	(104)	(104)
Foreign exchange translation adjustment	49	49
At 31 December 2019	17,747	17,747
Accumulated depreciation		
At 1 January 2019	14,009	14,009
Charge for the year	1,367	1,367
Disposals	(25)	(25)
Foreign exchange translation adjustment	47	47
At 31 December 2019	15,398	15,398
Net book value		
At 31 December 2019	**2,349**	**2,349**
At 31 December 2018	1,935	1,935

Notes *(continued)*

Company

	Computer and office equipment €000	Total €000
Cost		
At 1 January 2019	14,486	14,486
Additions	1,452	1,452
Disposals	(24)	(24)
At 31 December 2019	15,914	15,914
Accumulated depreciation		
At 1 January 2019	13,094	13,094
Charge for the year	1,081	1,081
Disposals	(16)	(16)
At 31 December 2019	14,159	14,159
Net book value		
At 31 December 2019	**1,755**	**1,755**
At 31 December 2018	1,392	1,392

11 Investments

Company

	Shares in group undertakings €000	Total Investments €000
Cost and net book value		
At 1 January 2019	6,286	6,286
Additions	28	28
At 31 December 2019	6,314	6,314
Provisions		
At 1 January 2019	2,080	2,080
At 31 December 2019	2,080	2,080
Net book value		
At 31 December 2019	**4,234**	**4,234**
At 31 December 2018	4,206	4,206

Notes *(continued)*

The companies in which the company's interest at the year-end is more than 20% are as follows:

	Country of incorporation	Principal activity	% of shares held	Registered Office
Subsidiary undertakings				
SoundCloud Inc.	USA	Support services	100 %	71 5th Ave, New York, NY 10003
SoundCloud Operations Inc.	USA	Support services	100 %	71 5th Ave, New York, NY 10003
SoundCloud EOOD	Bulgaria	Support services	100 %	46-48 Opalchenka Street, 1303 Sofia
SoundCloud Pty. Limited	Australia	Support services	100 %	c/o KPMG 38 Barangaroo Ave, Sydney NSW 2000
Repost Network Inc.	USA	Creator services	100 %	3838 Clarington Avenue, Culver City, CA 90232
Repost Publishing LLC	USA	Creator services	100 %	3838 Clarington Avenue, Culver City, CA 90232
SoundCloud Global Limited & Co. KG	Germany	n/a	100 %	Rheinsberger Str. 76/77, 10115 Berlin
SoundCloud Management GmbH	Germany	n/a	100 %	Rheinsberger Str. 76/77, 10115 Berlin

Investment in subsidiary company is held at cost less accumulated impairment losses. The investment valuation is dependent on the future cash flows and the directors have concluded that there is no trigger event for impairment.

12 Debtors

	Group		Company	
	2019	2018	**2019**	2018
	€000	€000	**€000**	€000
Trade debtors	**22,484**	12,459	**2,797**	1,762
Amounts owed by group undertakings	**804**	228	**48,296**	10,442
Corporation tax	**673**	1,571	**160**	-
Other debtors	**10,973**	10,968	**10,109**	10,570
Prepayments and accrued income	**2,239**	13,042	**1,472**	11,291
	37,173	38,268	**62,834**	34,065

Other debtors of the group includes €1,176 thousand (2018: €540 thousand) falling due after more than one year. Other debtors of the company includes €756 thousand (2018: €253 thousand) falling due after more than one year. In the amounts owed by group undertakings of the company a loan to a subsidiary amounting to €38,417 thousand and bearing interest of 6% has been issued. It is repayable in September 2024.

Amounts owed by group undertakings for the group are unsecured, interest free and are repayable on demand.

Notes *(continued)*

13 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	**2019**	2018
	€000	€000	**€000**	€000
Trade creditors	**5,527**	3,872	**2,904**	2,005
Amounts owed to ultimate controlling party	**439**	87	**439**	87
Amounts owed to group undertakings	**-**	-	**4**	-
Other creditors	**5,290**	2,962	**4,768**	2,721
Taxation and social security	**422**	673	**386**	672
Accruals and deferred income	**42,795**	51,735	**28,842**	35,477
	54,473	59,329	**37,343**	40,962

Amounts owed to the ultimate controlling party are unsecured, interest free and are repayable on demand.

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

14 Provisions for other liabilities

The Provision for deferred tax consists of acquired intangible assets.

	Group	
	2019	2018
	€000	€000
Deferred tax liability from business combinations	**666**	-
	666	-

The net deferred tax liability expected to reverse in 2020 is €165 thousand. This primarily relates to the reversal of timing differences on acquired intangible capital allowances through depreciation and amortisation.

Notes *(continued)*

15 Called up share capital

The recapitalisation in 2017 has significantly impacted the called-up share capital of SoundCloud Limited. Whilst there continue to be a number of share classes in existence, they are entirely owned by SoundCloud Holdings II, a subsidiary of the ultimate controlling party, which makes any difference in voting rights immaterial. The Increase in called up share capital during 2019 results from inter-group activities and fund flows agreed in the context of the recapitalisation in 2017.

	Group and Company	
	2019	2018
	€000	€000
Allotted, called up and fully paid:		
14,946,260,996 Ordinary shares of €0.01 each	**149,813**	**149,463**
419,140 A Ordinary shares of €0.01 each	**4**	**4**
678,333 A preferred shares of €0.01 each	**7**	**7**
818,195 B preferred shares of €0.01 each	**8**	**8**
41,846 C preferred shares of €0.01 each	**4**	**4**
42,074 C1 preferred shares of €0.01 each	**-**	**-**
474,616 D preferred shares of €0.01 each	**5**	**5**
724,459 E preferred shares of €0.01 each	**7**	**7**
	149,848	**149,498**

16 Commitments

The group and the company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Group		Company	
	Land and buildings		Land and buildings	
	2019	2018	**2019**	2018
	€000	€000	**€000**	€000
Within one year	**3,820**	2,653	**2,158**	1,411
In two to five years	**12,696**	12,275	**10,407**	10,222
More than five years	**289**	-	**222**	-
	16,805	14,928	**12,787**	11,633

The company had no other off-balance sheet arrangements.

Notes *(continued)*

17 Share schemes for employees and non-employees

Share based payments – Group

The financial statements for SoundCloud Limited include expenses related to share based compensation. Following the recapitalisation in 2017, SoundCloud Limited has modified its share option programme based on plans issued in 2009 and 2012, adding a new plan with amended terms. This 2017 plan is issued by SoundCloud's ultimate controlling party, SoundCloud Holdings LLC, though relevant expenses for the year ending in December 2019 are also recognised at SoundCloud Limited.

Following this modification, the 2009 and 2012 continue to be expensed, although employees are no longer eligible to acquire shares in SoundCloud Limited. Instead, they participate in value creation at the level of SoundCloud Holdings LLC, the Group's controlling party. In 2019, the Group recognised total expenses of €3,184 thousand related to non-employee and employee share based payments in the year (2018: €7,807 thousand).

The amount expensed reflects the modification of the Group's option scheme in 2017. Before this modification, the programme enabled employees to acquire ordinary shares in SoundCloud Limited. After this modification, employees are allowed to acquire LLC-units of the Group's ultimate controlling party, SoundCloud Holdings LLC through options exercisable at strike prices reflecting the valuation of SoundCloud Holdings and its subsidiaries. As with the prior plan, the vesting period of any option package is typically four years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. If an employee leaves the Group, vested options may be exercised for a limited period of time after departure. Options not exercised during this exercising window are forfeited.

All Schemes

A reconciliation of share option movements over the year to 31 December 2019 is shown below:

	Number of options	
	2019	2018
Outstanding at the beginning of the year	**8,179,912**	2,306,684
Granted during the year	**1,103,561**	6,328,690
Forfeited during the year	**(336,686)**	(455,462)
Exercised during the year	**(249,858)**	-
Expired during the year	**(70,890)**	-
Outstanding at the end of the year	**8,626,039**	8,179,912
Vested at the end of the year	**4,374,138**	3,410,026

In 2019 249,858 options were exercised *(2018: nil)*. The options outstanding at the year-end have an exercise price in the range of €0.01 to €61.23 and a weighted average contractual life of 6.03 years *(2018: 6.05 years)*.

Notes *(continued)*

18 Notes to the cash flow statement

	2019 €000	2018 €000
Loss for the financial year	**(23,727)**	(31,997)
Adjustments for:		
Taxation	**(154)**	(710)
Net interest expense / (income)	**99**	(157)
Operating loss	**(23,782)**	(32,864)
Amortisation of intangible assets	981	99
Depreciation of tangible assets	1,367	1,972
Share based payment charge	3,184	7,807
Translation differences	(1,688)	(3,019)
Working capital movements:		
- Decrease/(Increase) in debtors	2,568	13,808
- (Decrease)/Increase in payables	(8,188)	14,927
Net cash from operating activities	**(25,558)**	2,730

19 Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to €166 thousand (2018: €255 thousand).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

20 Ultimate controlling party

The immediate parent undertaking is SoundCloud Holdings II Limited, Grand Cayman, Cayman Islands. The ultimate parent and controlling party is SoundCloud Holdings LLC, Grand Cayman, Cayman Islands.

21 Related party transactions

See note 13 for disclosure of amounts owed to the ultimate controlling party.

Key management personnel

All directors and certain senior employees who have the authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is €366 thousand (2018: €426 thousand).

There were no other material transactions with related parties entered into in 2019.

Notes *(continued)*

22 Events after the end of the reporting period

On 10 February 2020, SoundCloud issued 6,847,939,227 ordinary €0.01 shares generating proceeds of €68.4 million.

For the company, the global outbreak of COVID-19 is deemed to be a non-adjusting post balance sheet event as at 31 December 2019 and therefore no adjustments have been made in these financial statements for COVID-19.

Global health concerns relating to the coronavirus outbreak have been weighing on the macroeconomic environment, and the outbreak has increased economic uncertainty.

The company has adapted during the enforced lockdown and social distancing, deploying a formal working from home policy. Due to ease of lockdown and social distancing rules in certain countries, a hybrid model of on-site and work from home policy has been introduced. In response to the change in ways of working the company has put technology and business continuity measures in place to ensure continued operation.

23 Business combinations

On 13 June 2019, the Group acquired control of Repost Network Inc, a leading rights management and distribution company through the purchase of 100% of the share capital for a total consideration of €9,361 thousand. With the acquisition, SoundCloud is able to provide high-performing, emerging creators a seamless upstream to Repost Network's invite-only tools and services like streaming distribution, analytics dashboards, content protection and more. The acquisition contributes to SoundCloud's goal of developing the most comprehensive set of tools available to creators.

The goodwill of €7,225 thousand arising from the acquisition is attributable to the economies of scale expected from combining the operations in to the group. Management has estimated the useful life of the goodwill to be ten years.

Consideration at 13 June 2019

	in €000
Cash	6,726
Deferred consideration	1,575
Directly attributable costs	1,060
Total consideration	**9,361**

For cash flow disclosure purposes the amounts are disclosed as follows:

Cash consideration	8,301
Directly attributable costs	1,060
Less cash and cash equivalents acquired	(1,680)
Net cash outflow	**7,681**

Notes *(continued)*

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book values €000	Adjustments €000	Fair Value €000
Intangible assets	24	3,051	3,075
Cash and cash equivalents	1,680	-	1,680
Trade and other receivables	1,475	-	1,475
Trade and other payables	(3,331)	-	(3,331)
Deferred tax liabilities	-	(763)	(763)
Total identifiable net assets	**(152)**	**2,288**	**2,136**
Goodwill			7,225
Total			**9,361**

The adjustments arising on acquisition were in respect of the recognition of intangible assets including brand, technology and customer relations as well as corresponding deferred taxes.

The deferred consideration of €1,575 thousand has been paid into an escrow account on 16 June 2019. It was partially released on 16 June 2019 in the amount of €89 thousand, on 14 November 2019 in the amount of €134 thousand and €891 thousand on 22 June 2020. The amount has not been discounted, as the effect of discounting is not material. The amount of €461 thousand will be released once the relevant contractual requirements are satisfied.