

Registration number 06436047

# **Spotify Limited**

**Financial statements  
for the year  
to 31 December 2009**

THURSDAY



\*LFKW0P7C\*

LD3

18/11/2010

58

COMPANIES HOUSE

# Spotify Limited

1

**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 (Appointed 9 September 2010)

**Auditors:** Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

**Report of the Directors  
for the year to 31 December 2009**

The directors present their report and the audited financial statements for the year to 31 December 2009

**Principal activities**

The principal activity of the Group is that of a music management platform providing instant access to millions of songs through high-quality desktop and mobile phone applications

Spotify is a small application users can download to access a huge database of music through a unique streaming protocol. Essentially, Spotify is 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 Group aggregates content from our various right holders, distributes to consumers through our technical platform and monetises both through a free-to-the-user, advertising-supported service and a paid subscription service

Spotify is currently available in the UK, Sweden, Spain, France, Finland, The Netherlands and Norway. We are looking to expand into further markets.

Spotify had a total of 7m users across Europe at the end of 2009, where over 250,000 were paid subscribers

Spotify Limited is a subsidiary of Spotify Technology S A

Spotify Limited operates and provides the music service for all European end-consumers (private individuals) and is also the principal sale entity for the European market. All subsidiaries of Spotify Limited are sales companies which sell advertising inventory on commission to the local markets

Spotify AB is a fellow subsidiary of Spotify Limited which provide supportive services, such as legal, financial and R&D services, to the rest of the Group

<b>Annual overview</b>	<b>2009</b>	<b>2008</b>
Turnover	£11,319k	£383k

For the year to 31 December 2009, the Group underwent a period of significant investment and expansion. The company saw enormous user growth across all markets, with the number of registered users undergoing a seven-fold increase.

The Group also saw considerable investment in Spotify's technical development, as the company made wide-ranging upgrades to its front-line service and back-end technical support. Additionally, Spotify made further investments in preparation for the launch of its Netherlands service in Spring 2010.

**Principal risks and uncertainties**

The Group'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. In a low-margin business dependent on rapid growth to cover fixed costs, it is crucial that the Group establishes its business in new markets as quickly as possible and continues to build on the success which has seen the company emerge as the largest music subscription service across Europe. Further information on risks and uncertainties is given in note 18 of the financial statements.

**Report of the Directors  
for the year to 31 December 2009 (continued)****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

The larger Group of which Spotify Limited and its subsidiaries are a part has ambitious growth plans and further funding is currently being negotiated by Spotify Technology S A , to support these growth plans. This funding is not, at present, finalised or confirmed. This condition indicates the existence of a material uncertainty which would affect the Group's ability to continue to continue as a going concern. However, management of the parent entity, Spotify Technology S A , are confident that they will successfully obtain the required funding.

Having taken this into account, these financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

**Results and dividends**

The Group generated a loss for the year after taxation of £16,662,160 (period ended 31 December 2008 £316,546 loss). No dividends were declared.

**Director**

The director who held office during the year is given below.

Daniel Ek

**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 Group's and Parent company's auditor is unaware, and
- having made enquiries of the auditor and of each other the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's and Parent company's auditor are 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 10/11/10

**Statement of directors' responsibilities**

The directors are responsible for preparing the Group and Parent company annual report and financial statements in accordance with applicable law

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 Group 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 make judgements and estimates that are reasonable and prudent,
- 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 Group's and Parent company's financial position and on the Group's financial performance,
- to state that the Group and Parent company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements,
- 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 Group's and Parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent 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 Group and Parent 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 Group's website. 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 consolidated financial statements of Spotify Limited for the year ended 31 December 2009 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Company statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, and the related notes 1 to 22. 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 4, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the consolidated 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 Group'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.

**Opinion on the financial statements**

In our opinion the consolidated financial statements

- give a true and fair view of the state of the Group's and Company's affairs as at 31 December 2009 and of the loss of the Group 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.

**Audit opinion - Emphasis of Matter - Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

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

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

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

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

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

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

*Ernst & Young LLP*

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

Date *17 November 2010*

**Consolidated statement of comprehensive income  
for the year to 31 December 2009**

	Note	Year to 31 December 2009 £	Period from 23 November 2007 to 31 December 2008 £ Unaudited
<b>Continuing operations</b>			
Revenue	3	11,319,419	382,772
Cost of sales		(18,823,093)	(409,753)
<b>Gross loss</b>		<b>(7,503,674)</b>	<b>(26,981)</b>
Distribution costs		(608,711)	(8,270)
Administrative expenses		(8,290,483)	(284,948)
<b>Operating loss</b>	6	<b>(16,402,868)</b>	<b>(320,199)</b>
Finance income	4	51	3,653
Finance costs	4	(259,343)	-
<b>Finance costs - net</b>	4	<b>(259,292)</b>	<b>3,653</b>
<b>Loss before tax from continuing operations</b>		<b>(16,662,160)</b>	<b>(316,546)</b>
Income tax expense	7	-	-
<b>Loss for the year / period from continuing operations</b>		<b>(16,662,160)</b>	<b>(316,546)</b>

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

The loss for the year / period is attributable to owners of the Parent

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

**Consolidated statement of financial position  
as at 31 December 2009**

	Note	2009 £	2008 £ Unaudited
<b>ASSETS &amp; LIABILITIES</b>			
<b>Current assets</b>			
Cash	9	2,032,804	559,799
Trade and other receivables	11	12,097,205	3,720,470
		<u>14,130,009</u>	<u>4,280,269</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	436,015	212,498
Other non-current assets		43,297	5,000
		<u>479,312</u>	<u>217,498</u>
<b>Total assets</b>		<u>14,609,321</u>	<u>4,497,767</u>
<b>Current liabilities</b>			
Trade & other payables	14	21,473,546	4,713,313
<b>Net liabilities</b>		<u>(6,864,225)</u>	<u>(215,546)</u>
<b>EQUITY</b>			
Share capital	15	1,000	1,000
Shareholder contributions	16	10,128,832	100,000
Translation reserve	16	(15,351)	-
Retained earnings	20	(16,978,706)	(316,546)
<b>Total equity</b>		<u>(6,864,225)</u>	<u>(215,546)</u>

The accompanying notes are an integral part of this Consolidated statement of financial position

The financial statements of Spotify Limited, registration number 06436047 were approved by the board of Directors and authorised for issue on 10/11/10 and were signed on its behalf by

  
Daniel Ek  
Director


Date: 10/11/10

**Company statement of financial position  
as at 31 December 2009**

	Note	2009 £	2008 £ Unaudited & Restated
<b>ASSETS &amp; LIABILITIES</b>			
<b>Current assets</b>			
Cash	9	1,846,875	559,799
Trade & other receivables	11	11,732,571	3,699,224
		<u>13,579,446</u>	<u>4,259,023</u>
<b>Non-current assets</b>			
Investments	13	84,439	21,246
Property, plant and equipment	12	430,996	212,498
Other non-current assets		25,000	5,000
		<u>540,435</u>	<u>238,744</u>
<b>Total assets</b>		<u>14,119,881</u>	<u>4,497,767</u>
<b>Current liabilities</b>			
Trade & other payables	14	20,913,809	4,713,313
		<u>(6,793,928)</u>	<u>(215,546)</u>
<b>Net liabilities</b>			
<b>EQUITY</b>			
Share capital	15	1,000	1,000
Shareholder contributions	16	10,128,832	100,000
Retained earnings	20	(16,923,760)	(316,546)
<b>Total liabilities &amp; equity</b>		<u>(6,793,928)</u>	<u>(215,546)</u>

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

The financial statements of Spotify Limited, registration number 06436047, on pages 12 to 32 were approved by the board of Directors and authorised for issue on 10/11/10 and were signed on its behalf by

  
Daniel Ek  
Director

Date: 10/11/10

**Consolidated statement of changes in equity  
for the year to 31 December 2009 (period 23 November 2007 to 31 December 2008 unaudited)**

	Share capital £	Shareholder contributions £	Translation reserve £	Retained earnings £	Total £
<b>At 23 November 2007</b>	-	-	-	-	-
Loss for the period		-		(316,546)	(316,546)
Introduction in period		100,000	-	-	100,000
Issue of share capital	1,000		-	-	1,000
<b>At 31 December 2008</b>	1,000	100,000	-	(316,546)	(215,546)
<b>At 1 January 2009</b>	1,000	100,000	-	(316,546)	(215,546)
Loss for the year	-	-	-	(16,662,160)	(16,662,160)
Introduction in year	-	10,028,832	-	-	10,028,832
Transfer to foreign exchange (losses)	-	-	(15,351)	-	(15,351)
<b>At 31 December 2009</b>	1,000	10,128,832	(15,351)	(16,978,706)	(6,864,225)

**Consolidated statement of cash flows  
for the year to 31 December 2009**

	Year to 31 December 2009	Period from 23 November 2007 to 31 December 2008
Note	£	£
		Unaudited
<b>Loss for the year/ period</b>	<b>(16,662,160)</b>	<b>(316,546)</b>
<b>Cash flows from operating activities</b>		
Depreciation	131,257	53,125
(Increase) in trade and other receivables	(8,415,031)	(3,720,471)
Increase in trade payables	16,760,232	4,713,313
Income taxes paid	-	-
Net cash flows from operating activities	<u>(8,185,702)</u>	<u>729,421</u>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	<u>(354,774)</u>	<u>(265,622)</u>
Net cash flows used in investing activities	<u>(354,774)</u>	<u>(265,622)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity	10,028,832	101,000
Interest paid	(86)	-
Interest received	51	3,653
Net cash flows from financing activities	<u>10,028,797</u>	<u>104,653</u>
Effects of exchange rates on cash and cash equivalents	<u>(15,316)</u>	<u>(8,653)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,473,005</b>	<b>559,799</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>559,799</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>2,032,804</u></b>	<b><u>559,799</u></b>

**Notes to the financial statements  
for the year to 31 December 2009****1 Accounting policies**

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

The address of the registered office is given on page 1

The principal activities of the Group are described in page 2

The entity's owners have the power to amend the financial statements after issue, if applicable

The consolidated financial statements of Spotify Limited 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 consolidated financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006. The principal accounting policies are set out below. These, except to the extent noted, have been applied on a consistent basis. The financial statements are presented in GBP Sterling

The company has relied on the exemption to omit its individual profit and loss account from the Group financial statements as conferred by section 408 of Companies Act 2006

**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

The larger Group of which Spotify Limited and its subsidiaries are a part has ambitious growth plans and further funding is currently being negotiated by Spotify Technology S A, to support these growth plans. This funding is not, at present, finalised or confirmed. This condition indicates the existence of a material uncertainty which would affect the Group's ability to continue to continue as a going concern. However, management of the parent entity, Spotify Technology S A, are confident that they will successfully obtain the required funding

Having taken this into account, these financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern

**Basis of consolidation**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group

Inter-company transactions, balances and unrealised gains on transactions between Spotify Limited and its subsidiaries, which are related parties, are eliminated in full. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements

## Notes to the financial statements for the year to 31 December 2009

### 1 Accounting policies (continued)

#### Explanation of transition to the IFRS

The Company's financial statements for the period ended 31 December 2008 were its first and were unaudited. No consolidated financial statements were prepared for the period. As part of the transition to IFRS, the Company has prepared consolidated financial information under IFRS for the period ended 31 December 2008 which has been used for the purposes of the amounts disclosed in these accounts as 2008 comparative figures.

The date of transition to IFRS was 23 November 2007, being the date of incorporation. IFRS 1R defines the date of transition to be the beginning of the earliest period for which an entity presents full comparative information under IFRS in its first IFRS financial statements. As at the transition date, there were no assets or liabilities to report so no comparative figures have been disclosed.

As a result of the transition to IFRS, certain receivables and payables in the Company at 31 December 2008 have been reclassified in these financial statements.

The loss for the year dealt with in the financial statements of the company was £16,607,214 (period ended 31 December 2008: £316,546 loss).

#### Accounting and valuation policies

When preparing the financial statements the amendments to the current IAS, IFRS and/or Interpretations and the newly published Standards and Interpretations were taken into consideration, to the extent they were published in the Official Law Gazette of the European Union by 31 December 2009 and in force as at that date.

#### New standards and interpretations, which are applicable to the Group

The IASB and IFRIC have issued the following standards and interpretations which are specifically relevant to the Group:

Standards affecting presentation and disclosure -

- IAS 1 (revised 2007) Presentation of Financial Statements - IAS 1(2007) – effective 1 January 2009, has introduced a number of changes in the format and content of the financial statements.
- Improving Disclosures about Financial Instruments (Amendments to IFRS & Financial Instruments Disclosures) - The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

Standards with an effective date after the date of these financial statements, which have not been applied:

		Accounting periods commencing after (Effective date)
<b>International Accounting Standards (IAS / IFRS)</b>		
IFRS 1	First-time Adoption of International Financial Reporting Standards	1 July 2009
IFRS 3	Business Combinations	1 July 2009
IAS 27	Consolidated and Separate Financial Statements	1 July 2009
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009

**Notes to the financial statements  
for the year to 31 December 2009****1 Accounting policies (continued)****New standards and interpretations, which are applicable to the Group (continued)**

These revised standards become effective for financial years beginning on or after 1 July 2009. There are substantial revisions in the application of acquisition accounting, notably with respect to the treatment of acquisition costs, step and partial acquisitions, minority interests and contingent consideration. All subsidiary companies were established by the Group and so there will be no impact on the financial statements. The Group and Company will apply this standard from 1 January 2010.

*IFRIC 17 Distributions of Non-Cash Assets to Owners*

The IFRIC contains guidance on how to account for distributions of non-cash assets to owners of the business. This interpretation does not apply to a distribution of a non-cash asset that is ultimately controlled by the same party before and after the distribution and is not expected to have an impact on the Group or Company. The Group and Company will apply this standard from 1 January 2010.

*IAS 27 Consolidated and Separate Financial Statements*

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group and Company will apply this standard from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

*IAS 1 Presentation of financial Statements*

The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides classification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

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

**Business Combinations**

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

**Notes to the financial statements  
for the year to 31 December 2009****1 Accounting policies (continued)****Foreign currency translation****(a) Functional and presentation currency**

The consolidated financial statements are presented in GBP Sterling which is the company's functional and the Group's presentation currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'Finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Administrative expenses'.

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 sterling (using closing rates of exchange) of overseas net assets at the beginning of the year.

**(c) Group companies**

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into Sterling as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date,
- (ii) Income and expenses for each statement of comprehensive income are translated at the year end (unless this average is not a reasonable approximation of the exchange rates at the dates of the transactions, in which case income and expense items are translated at the exchange rates at the dates of the transactions).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the operation and translated at the closing rate at each reporting date.

**Revenue recognition**

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

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

**(a) Sale of advertisements -**

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

**Notes to the financial statements  
for the year to 31 December 2009**

**1 Accounting policies (continued)**

**Revenue recognition (continued)**

(b) Sale of subscriptions -

Subscription revenue is based on an average number of Premium subscription users and recognised on a straight-line basis over the life of the subscription

(c) Interest income -

Interest income is recognised using the effective interest method

(d) Dividend income -

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

**Cash and cash equivalents**

Cash and short term deposits in the statements of financial position comprise cash at bank and on hand

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash at bank only

**Property, plant and equipment**

Property, plant and equipment are 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 Group adds to the carrying amount of an item of property, plant and 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 Group. 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.

Land is not depreciated. 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:

*Computer 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 gains/ (losses) – net' in the statement of comprehensive income.

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

**Notes to the financial statements  
for the year to 31 December 2009****1 Accounting policies (continued)****Impairment of non-financial assets other than inventories**

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.

**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 Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as pre-payment for liquidity services and amortised over the period of the facility to which it relates.

**Current and deferred income tax**

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

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

Deferred income tax is recognised on temporary differences (other than temporary differences associated with unremitted earnings from foreign subsidiaries and associates to the extent that the investment is essentially permanent in duration, or temporary differences associated with the initial recognition of goodwill) arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on unused tax losses or tax credits in the Group. 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.

## Notes to the financial statements for the year to 31 December 2009

### 1 Accounting policies (continued)

#### Trade and other receivables

Trade 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 receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

#### Trade and other payables

Trade 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 Group's financial assets include cash and trade and other receivables and the Group's financial liabilities include trade and other payables.

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 Group 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 Group uses to determine that there is objective evidence of an impairment loss include -

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principle payments;
- The Group, 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 Group first assesses whether objective evidence of impairment exists.

**Notes to the financial statements  
for the year to 31 December 2009****1 Accounting policies (continued)****Financial instruments (continued)***Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the asset have expired, or the Group 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

**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

The Group leases certain items of property, plant and equipment. Leases of property, plant and equipment where the Group 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 are 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 Group's financial statements in the period in which the dividends are approved by the company's shareholders

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 judgement in the process of applying the Group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the consolidated financial statements are disclosed in note 2

**Notes to the financial statements  
for the year to 31 December 2009**

**2. Information about key sources of estimation uncertainty and judgements**

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

**Key sources of estimation uncertainty**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. No estimates and assumptions that have been made have a material effect on the results or assets and liabilities of the Group.

**3 Revenue**

The breakdown of the revenue is as follows

Analysis of revenue by category	Year to 31 December 2009 £	Period from 23 November 2007 to 31 December 2008 £
		Unaudited
Sales of advertisements	4,513,473	2,231
Sales of subscriptions	6,805,946	380,541
<b>Total</b>	<b>11,319,419</b>	<b>382,772</b>

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

**4 Finance income and costs**

	Year to 31 December 2009 £	Period from 23 November 2007 to 31 December 2008 £
		Unaudited
Interest expense on financial liabilities measured at amortised costs	(86)	-
Net foreign exchange losses on financing activities	(259,257)	-
<b>Finance costs</b>	<b>(259,343)</b>	<b>-</b>
Finance income		
Interest income on financial assets measured at amortised cost	51	3,653
Finance income	51	3,653
<b>Net finance costs</b>	<b>(259,292)</b>	<b>3,653</b>

**Notes to the financial statements  
for the year to 31 December 2009**

**5 Employee information**

	Year to 31 December 2009 £	Period from 23 November 2007 to 31 December 2008 £ Unaudited
Wages and salaries	1,017,243	88,477
Social security costs	157,526	10,088
<b>Total</b>	<b>1,174,769</b>	<b>98,565</b>
<b>Number of employees</b>	<b>23</b>	<b>3</b>

Director's emoluments during the year were £151,571 (2008 Nil)

**6 Operating loss**

Operating loss is stated after charging

	Year to 31 December 2009		Period from 23 November 2007 to 31 December 2008	
	Group £	Company £	Group £ Unaudited	Company £ Unaudited
Depreciation on owned assets	131,257	130,782	53,125	53,125
Operating lease rentals – Land & buildings	266,697	209,230	7,097	7,097
Auditors' remuneration – audit	75,802	50,000	-	-
- non audit	14,982	14,982	-	-

The Auditor's remuneration for non audit work relates to VAT consultancy

**7 Tax**

(a) Tax on loss on ordinary activities

	Year to 31 December 2009 Group £	Period from 23 November 2007 to 31 December 2008 Group £ Unaudited
<b>Current tax</b>		
UK corporation tax on loss for the year / period	-	-
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	-	-
<b>Tax charge on loss for the year / period</b>	<b>-</b>	<b>-</b>

**Notes to the financial statements  
for the year to 31 December 2009**

**7 Tax (continued)**

(b) Factors affecting the tax charge for the year / period

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 2009	Period from 23 November 2007 to 31 December 2008
	Group £	Group £ Unaudited
Loss before tax	(16,662,160)	(316,546)
Tax at standard UK rate of 28%	(4,665,405)	(88,633)
Non-deductible expenses	57,861	-
<b>Losses carried forward</b>	<b>4,607,544</b>	<b>88,633</b>
<b>Tax charge on profit for the year / period</b>	<b>-</b>	<b>-</b>

(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.

**8 Dividends**

During the year no dividends were paid on the equity shares

**9 Cash and cash equivalents**

	2009		2008	
	Group £	Company £	Group £ Unaudited	Company £ Unaudited
Cash at bank and on hand	<b>2,032,804</b>	<b>1,846,875</b>	559,799	559,799

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

**Notes to the financial statements  
for the year to 31 December 2009**

**10 Financial instruments**

	2009		2008	
	Group	Company	Group	Company
	£	£	£	£
			Unaudited	Unaudited
<b>Financial assets</b>				
Financial assets measured at cost less impairment	<b>14,173,306</b>	<b>13,604,446</b>	4,285,269	4,264,023
<b>Financial liabilities</b>				
Financial liabilities measured at cost	<b>21,473,546</b>	<b>20,913,809</b>	4,713,313	4,713,313

**11 Trade and other receivables**

	2009		2008	
	Group	Company	Group	Company
	£	£	£	£
			Unaudited	Unaudited & Restated
Trade receivables	<b>2,370,698</b>	<b>1,618,144</b>	192,764	192,764
Prepaid expenses	<b>8,907,713</b>	<b>8,863,455</b>	3,427,359	3,406,113
Receivables from related parties (note 19)	<b>201,654</b>	<b>759,021</b>	8,584	8,584
Accrued income	<b>614,582</b>	<b>491,951</b>	-	-
Other receivables	<b>2,558</b>	-	91,763	91,763
	<b>12,097,205</b>	<b>11,732,571</b>	3,720,470	3,699,224

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 Group does not hold any collateral as security.

**12 Property, plant and equipment**

	Computer Equipment	
	Group	Company
	£	£
<b>Cost</b>		
At 1 January 2009	265,622	265,622
Additions	354,774	349,280
<b>At 31 December 2009</b>	<b>620,396</b>	<b>614,902</b>
<b>Accumulated depreciation and impairment</b>		
At 1 January 2009	53,124	53,124
Annual depreciation	131,257	130,782
<b>At 31 December 2009</b>	<b>184,381</b>	<b>183,906</b>
<b>Carrying amount</b>		
<b>Net book value at 31 December 2009</b>	<b>436,015</b>	<b>430,996</b>
<b>Net book value at 1 January 2009</b>	<b>212,498</b>	<b>212,498</b>

**Notes to the financial statements  
for the year to 31 December 2009**

**13 Investments**  
*Parent company*

	<b>Subsidiary undertakings £</b>
<b>Cost:</b>	
At 1 January 2009	21,246
Additions	63,193
At 31 December 2009	<u><b>84,439</b></u>

**Net book value at 31 December 2009** **84,439**

Net book value at 1 January 2009 **21,246**

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

Name of company	Holding	Proportion of voting rights and shares held	Country of registration
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

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

All the investments in subsidiaries were purchased during the year ended 31 December 2009, apart from Spotify GmbH. The investment in this subsidiary was purchased in the period to 31 December 2008.

**Notes to the financial statements  
for the year to 31 December 2009**

**14 Trade and other payables**

	2009		2008	
	Group	Company	Group	Company
	£	£	£	£
			Unaudited	Unaudited & Restated
Trade payables	1,085,820	1,063,738	16,222	16,222
Amounts due to related parties (note 19)	7,096,407	6,958,575	4,420,843	4,420,843
Social security and other taxes	416,112	230,631	-	-
Accrued expenses	10,582,407	10,447,325	71,403	71,403
Deferred income	2,292,800	2,213,540	204,845	204,845
	<u>21,473,546</u>	<u>20,913,809</u>	<u>4,713,313</u>	<u>4,713,313</u>

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

**15 Issued share capital**

	2009				2008			
	Group		Company		Group		Company	
	No.	£	No.	£	No.	£	No.	£
<b>Allotted, called up and fully paid</b>								
1,000 ordinary shares of £1 each	1,000	<u>1,000</u>		<u>1,000</u>	1,000	<u>1,000</u>		<u>1,000</u>

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

**16 Other reserves and capital contributions**

*Group*

	Foreign currency translation reserve	Shareholder contributions	Total
	£	£	£
<b>At 23 November 2007</b>	-	-	-
Introduction in year	-	100,000	100,000
<b>At 31 December 2008</b>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
<b>At 1 January 2009</b>	-	100,000	100,000
Currency translation differences	(15,351)	-	(15,351)
Introduction in year	-	10,028,832	10,028,832
<b>At 31 December 2009</b>	<u>(15,351)</u>	<u>10,128,832</u>	<u>10,113,481</u>

**Notes to the financial statements  
for the year to 31 December 2009**

**16 Other reserves and capital contributions (continued)**

*Parent Company*

	Foreign currency translation reserve £	Shareholder contributions £	Total £
<b>At 23 November 2007</b>	-	-	-
Introduction in year	-	100,000	100,000
<b>At 31 December 2008</b>	-	100,000	100,000
<b>At 1 January 2009</b>	-	100,000	100,000
Introduction in year	-	10,028,832	10,028,832
<b>At 31 December 2009</b>	-	10,128,832	10,128,832

**16 Other reserves and capital contributions (continued)**

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy on foreign currency translation.

Capital contributions

Capital contributions are stated at the amounts received from Spotify Technology S A.

**17 Obligations under lease**

Operating leases where the Group is lessee

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

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

	2009		2008	
	Group £	Company £	Group £ Unaudited	Company £ Unaudited
Not later than one year	44,727	19,875	-	-
After one year but not more than 5 years	-	-	-	-

**Notes to the financial statements  
for the year to 31 December 2009**

**18 Financial risk management objectives and policies**

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

*Capital management*

The capital management of the Group 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 maximise shareholder value.

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

*Credit risk*

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

At 31 December 2009 the maximum exposure to credit risk from trade and other receivables was £nil. Financial assets that were past due or impaired at 31 December 2009 are detailed in the tables below.

At 31 December 2009 the company held cash and cash equivalents amounting to £1,846,875 (2008 £559,799).

Credit risk means the risk of financial loss if a customer or contracting party of a financial instrument fails to fulfil his contractual duties. The Group endeavours 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 2009 and 31 December 2008

<b>Group</b>	<b>Net 31/12/2009 £</b>	<b>Impairment 2009 £</b>	<b>Net 31/12/2008 £ Unaudited</b>	<b>Impairment 2008 £ Unaudited</b>
Not yet due	1,314,894	-	192,764	-
Overdue 0 – 90 days	912,042	27,457	-	-
Overdue 91 – 180 days	140,537	-	-	-
Overdue 181 – 360 days	3,225	-	-	-
Overdue for more than 1 year	-	-	-	-
	<u>2,370,698</u>	<u>27,457</u>	<u>192,764</u>	<u>-</u>
<b>Company</b>	<b>Net 31/12/2009 £</b>	<b>Impairment 2009 £</b>	<b>Net 31/12/2008 £ Unaudited</b>	<b>Impairment 2008 £ Unaudited</b>
Not yet due	1,001,327	-	192,764	-
Overdue 0 – 90 days	473,054	27,457	-	-
Overdue 91 – 180 days	140,537	-	-	-
Overdue 181 – 360 days	3,226	-	-	-
Overdue for more than 1 year	-	-	-	-
	<u>1,618,144</u>	<u>27,457</u>	<u>192,764</u>	<u>-</u>

**Notes to the financial statements  
for the year to 31 December 2009**

**18 Financial risk management objectives and policies (continued)**

Changes in value adjustments of trade receivables

	<b>31 December 2009</b>		<b>31 December 2008</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
			<b>Unaudited</b>	<b>Unaudited</b>
Carrying amount at 1 January				
Use	<b>27,457</b>	<b>27,457</b>	-	-
Carrying amount at 31 December	<b>27,457</b>	<b>27,457</b>	-	-

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

Maximum credit risk as at 31 December 2009 and 31 December 2008

	<b>31 December 2009</b>		<b>31 December 2008</b>	
	<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
			<b>Unaudited</b>	<b>Unaudited</b>
Other non-current assets	<b>43,297</b>	<b>25,000</b>	5,000	5,000
Accrued receivables from uncompleted contracts	<b>614,582</b>	<b>491,951</b>	-	-
Receivables and advances made	<b>11,482,623</b>	<b>11,240,620</b>	3,720,470	3,699,224
Cash and cash equivalents	<b>2,032,804</b>	<b>1,846,875</b>	559,799	559,799
	<b>14,173,306</b>	<b>13,604,446</b>	4,285,269	4,264,023

*Liquidity risk*

The Group and Company have no borrowings

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

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

<b>31 December 2009</b>	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>Due in 0-6 months</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Group</b>			
Trade and other payables	21,473,546	21,473,546	21,473,546
<b>Company</b>			
Trade and other payables	20,913,809	20,913,809	20,913,809

**Notes to the financial statements  
for the year to 31 December 2009**

**18 Financial risk management objectives and policies (continued)**

31 December 2008 - Unaudited	Carrying amount £	Contractual cash flow £	Due in 0-6 months £
<b>Group</b>			
Trade and other payables	4,713,313	4,713,313	4,713,313
<b>Company</b>			
Trade and other payables	4,713,313	4,713,313	4,713,313

**Fair value of financial instruments**

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

**Group**

	Carrying amount 31/12/2009 £	Fair value 2009 £	Carrying amount 31/12/2008 £ Unaudited	Fair value 31/12/2008 £ Unaudited
<b>Financial assets</b>				
Cash and cash equivalents	2,032,804	2,032,804	559,799	559,799
Accrued receivables from uncompleted contracts	614,582	614,582	-	-
Receivables and advances made	11,482,623	11,482,623	3,720,470	3,720,470
Other non-current assets	43,297	43,297	5,000	5,000
<b>Financial liabilities</b>	£	£	£	£
At amortised cost				
Trade and other payables	21,473,546	21,473,546	4,713,313	4,713,313

**Company**

	Carrying amount 31/12/2009 £	Fair value 2009 £	Carrying amount 31/12/2008 £ Unaudited	Fair value 31/12/2008 £ Unaudited
<b>Financial assets</b>				
Cash and cash equivalents	1,846,875	1,846,875	559,799	559,799
Accrued receivables from uncompleted contracts	491,951	491,951	-	-
Receivables and advances made	11,240,620	11,240,620	3,699,224	3,699,224
Other non-current assets	25,000	25,000	5,000	5,000
<b>Financial liabilities</b>	£	£	£	£
At amortised cost				
Trade and other payables	20,913,809	20,913,809	4,713,313	4,713,313

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

**Notes to the financial statements  
for the year to 31 December 2009**

**18 Financial risk management objectives and policies (continued)**

There was no income and expenses recognised in the consolidated income statement with respect to those financial assets as they do not have an effect on the Consolidated statement of comprehensive income

*Foreign currency risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to UK pound and Euro. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities.

The total revenue for the Group is £11,319,419 of which £1,279,899 is received in Euro currency.

The following table illustrates the sensitivity of the loss for the financial year and the net liabilities to an increase or decrease of 10% in the rate of exchange between the Euro and Sterling. This level of change is considered to be reasonably possible based on an observation of movements in the rate of exchange between the Euro and Sterling during 2009 and current market conditions. The sensitivity analysis is based on the Group's revenues using the average exchange rate for the period. All other variables are held constant.

	2009	2009	2008	2008
	10% appreciation of Sterling	10% depreciation of Sterling	10% appreciation of Sterling	10% depreciation of Sterling
Loss for the financial year	£143,728	£(143,728)	-	-
Net Liabilities	£143,728	£(143,728)	-	-

*Interest rate risk*

The Group is not directly exposed to interest risk as it is funded by equity and interest free loans from the parent company.

**19 Related party transactions**

The Group 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 services

	2009		2008	
	Group	Company	Group	Company
	£	£	£	£
			Unaudited	Unaudited
Sales of advertisements				
Entities over which the entity has control	-	944,749	-	-
Entities controlled by Spotify Technology S A	1,481,130	1,479,079	-	-
	<u>1,481,130</u>	<u>2,423,828</u>	<u>-</u>	<u>-</u>

**Notes to the financial statements  
for the year to 31 December 2009**

**19 Related party transactions (continued)**

(b) Purchases of goods and services

	2009		2008	
	Group	Company	Group	Company
	£	£	£	£
			Unaudited	Unaudited
Purchases of goods				
Entities controlled by Spotify Technology S A	2,633,010	2,627,295	-	-
Purchases of services				
Entities controlled by Spotify Technology S A	3,249,378	3,211,791	-	-
Entities over which the entity has control	-	790,792	-	-
Spotify Technology S A	-	50,383	-	-
<b>Total</b>	<b>5,882,388</b>	<b>6,680,261</b>	<b>-</b>	<b>-</b>

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

(c) Key management compensation

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

	2009		2008	
	Group	Company	Group	Company
	£	£	£	£
			Unaudited	Unaudited
Total key management compensation	151,571	151,571	-	-

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

	2009		2008	
	Group	Company	Group	Company
	£	£	£	£
			Unaudited	Unaudited
<b>Receivables from related parties</b>				
Entities controlled by Spotify Technology S A	201,654	-	8,584	-
Entities over which the entity has control	-	759,021	-	8,584
	<b>201,654</b>	<b>759,021</b>	<b>8,584</b>	<b>8,584</b>
<b>Payables to related parties</b>				
Spotify Technology S A	440,553	440,553	4,420,843	4,420,843
Entities controlled by Spotify Technology S A	6,655,854	6,518,023	-	-
	<b>7,096,407</b>	<b>6,958,576</b>	<b>4,420,843</b>	<b>4,420,843</b>

**Notes to the financial statements  
for the year to 31 December 2009**

**19 Related party transactions (continued)**

The receivables from related parties are due two months after the date of sales and are settled by cash. The receivables are unsecured in nature and bear no interest. There are no provisions held against receivables from related parties (2008: £nil).

The payables to related parties are due two months after the date of purchase and are settled by cash. The payables are unsecured in nature and bear no interest. No amount has been written off during the period in respect of bad or doubtful debts due from related parties.

**20 Profit and loss account**

	Group £	Company £
As at 1 January 2009	(316,546)	(316,546)
Loss for the year	(16,662,160)	(16,607,214)
As at 31 December 2009	<u>(16,978,706)</u>	<u>(16,923,760)</u>

**21 Ultimate parent undertaking and controlling party**

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

**22 Events after the reporting year**

There have been no materially significant events between the end of the reporting year and the signing of these financial statements.