

SPOTIFY Ltd.

Reg. Nr. 06436047

Report and Financial Statements for the
Year 31st December 2015



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COMPANIES HOUSE

Spotify Ltd. Registered number 06436047.

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: Barry McCarthy JR (appointed on 1st January 2016)
Angela Claire Mary Watts
Daniel Ek (resigned on 1st January 2016)

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

Spotify Ltd. Registered number 06436047.

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Strategic report for the year ended 31 December 2015

Principal activities

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

The principal activities of the Company is that of a music management platform providing instant access to millions of tracks through high-quality desktop, mobile phone and other device applications.

The Spotify application, "the App", is a small application users can download to access a huge database of music through a unique streaming protocol.

Review of business and future developments

The Company aggregates content from its various rights holders, distributes to consumers through its technical platform and monetises through a free-to-the-user, advertising-supported service and a paid subscription service.

2015 was a big year for Spotify, and we had some very significant successes. In many ways, it was our best year ever. We became the number one pure play music service - the second largest revenue source to the music industry, both globally and in the US, and continue to be the number one driver of music industry growth as well. We launched Discover Weekly in the summer 2015. With a fantastic start, it delivered 3 billion streams last year.

Total revenue increased from £159,070,999 to £187,186,838. This was mainly due to an increase in subscription revenue from £119,157,973 to £171,697,185. This was partly offset by decrease of intercompany services revenue from £28,080,865 to £4,098,186 This increase can be attributed to the transition from desktop to mobile as today the majority of new users signing up for Spotify are mobile.

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

The Company's primary focus is to continue its rapid growth and increase the number of users and subscribers in the UK. It is crucial that Spotify continues to build on the success which has seen the Company emerge as the largest and fastest growing music subscription service of its kind worldwide.

Financial risk management objectives and policies

Further information on risks and uncertainties is given in note 15 of the financial statements.

On behalf of the board


Barry McCarthy JR
Director

Date: 30.9.16

Report of the Directors for the year ended 31 December 2015

The Directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Going concern

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

Having reviewed the Company and the Group's liquid resources and 2016 and 2017 cash flow forecasts, the Directors believe that the Group has adequate resources to continue as a going concern. For this reason, the financial statements have been prepared on that basis. The Group continues to have ambitious growth plans and has launched in several new countries during 2015 and will continue to do so in 2016.

Results and dividends

The Company generated a profit for the year after taxation of £1,184,272 (2014 £1,209,630 loss). No dividends were declared or proposed for the year ended 31 December 2015.

Directors

The Directors who held office during the year and thereafter are given below:

Barry McCarthy JR (appointed on 1st January 2016)
Angela Claire Mary Watts
Daniel Ek (resigned on 1st January 2016)

Directors' liabilities

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

Events after the reporting year

In March 2016 Spotify Limited issued a company guarantee for the convertible debt issued by the ultimate parent company, Spotify Technology S.A.

Statement of disclosure to auditors

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

Auditors

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

On behalf of the Board

Barry McCarthy JR
Director

Date: 30.9.16

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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 give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditor's report to the members of Spotify Limited

We have audited the financial statements of Spotify Limited for the year ended 31 December 2015 which comprise Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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Gordon Cullen (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 30/9/16

**Statement of comprehensive income
For the year to 31 December 2015**

		2015	2014
	Note	£	£
Continuing operations			
Revenue	2	187 186 838	159 070 999
Cost of sales		(149 186 739)	(124 432 674)
Gross profit		38 000 099	34 638 325
Distribution costs		(3 221 827)	(8 555 301)
Administrative expenses		(28 546 058)	(25 593 749)
Other operating income		(143 260)	185 029
Operating profit	5	6 088 954	674 304
Finance income	3	415 267	1 736 119
Finance costs	3	(4 487 460)	(733 792)
Finance costs - net		(4 072 193)	1 002 327
Profit before tax from continuing operations		2 016 761	1 676 631
Income tax charge	6	(832 489)	(2 886 261)
Profit/(loss) for the year		1 184 272	(1 209 630)

Statement of comprehensive income

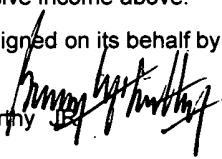
		2015	2014
		£	£
Profit/(loss) for the year		1 184 272	(1 209 630)
Other comprehensive income: Items that will not be reclassified to profit and loss			
Movement on deferred tax related to share options	6	62 132	-
Other comprehensive income for the year, net of tax		62 132	-
Total comprehensive income/(loss) for the year		1 246 404	(1 209 630)

The accompanying notes are an integral part of this statement of comprehensive income. The profit/ (loss) for the year is attributable to owners of the Company.

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

They were signed on its behalf by:

Barry McCarthy
Director



**Statement of financial position
For the year to 31 December 2015**

		2015	2014
	Note	£	£
ASSETS			
Non-current assets			
Property, plant and equipment	10	15 414 560	4 826 016
Investments	11	376 576	376 576
Other non-current assets	12	3 631 074	5 007 646
		19 422 210	10 210 238
Current assets			
Trade and other receivables	9	116 327 461	99 979 590
Deferred Tax	6	2 530 264	2 042 838
		118 857 725	102 022 428
Total assets		138 279 935	112 232 666
LIABILITIES			
Non-current liabilities			
Interest bearing loans	18	-	(28 635 329)
Finance leases liabilities	17	(2 818 132)	(1 602 603)
		(2 818 132)	(30 237 932)
Current liabilities			
Cash overdraft	8	(66 108 899)	(8 334 380)
Trade and other payables	13	(71 893 356)	(81 660 767)
Other current liabilities		(773 311)	(365 138)
Income tax payable	6	(4 425 122)	(4 472 282)
Finance leases liabilities	17	(2 548 217)	(810 369)
		(145 748 905)	(95 642 936)
Net liabilities		(10 287 102)	(13 648 202)
EQUITY			
Share capital	14	1 000	1 000
Shareholder contributions		14 544 300	14 544 300
Retained earnings		(24 832 402)	(28 193 502)
Total equity		(10 287 102)	(13 648 202)

The accompanying notes are an integral part of this Statement of financial position. The financial statements of Spotify Limited, on pages 6 to 32 were approved by the Board of Directors and authorised for issue on 30th September 2016

They were signed on its behalf by:

Barry McCarthy
Director

SPOTIFY Ltd.
Registered number 06436047

**Statement in changes in equity
For the year to 31 December 2015**

Attributable to equity holders of the Company

	Share capital £	Shareholder contributions £	Retained earnings £	Total Equity £
Balance at 31 December 2012	1 000	14 544 300	(31 505 252)	(16 959 952)
Share based payment charge	-	-	688 319	688 319
Total comprehensive profit for the year in 2013	-	-	2 574 838	2 574 838
Balance at 31 December 2013	1 000	14 544 300	(28 242 096)	(13 696 796)
Share based payment charge	-	-	801 407	801 407
Total comprehensive loss for the year in 2014	-	-	(1 209 630)	(1 209 630)
Deferred tax recorded directly in equity (note 7)	-	-	456 817	456 817
Balance at 31 December 2014	1 000	14 544 300	(28 193 502)	(13 648 202)
Share based payment charge	-	-	860 214	860 214
Total Comprehensive profit for the year in 2015	-	-	1 246 404	1 246 404
Deferred tax recorded directly in equity (note 7)	-	-	1 254 482	1 254 482
Balance at 31 December 2015	1 000	14 544 300	(24 832 402)	(10 287 102)

Statement of cash flows for the year to 31 December 2015

		2015	2014
	Note	£	£
Cash flows from operating activities			
Profit before tax from continuing operations		2 016 761	1 676 631
Depreciation	10	3 220 902	529 764
Gain/(Loss) on disposal of property, plant and equipment	10	137 152	(137 149)
Share based payments transactions cost		860 214	801 405
Movements in Provisions		-	(142 000)
Interest expense on long term loans	3	783 725	733 792
		7 018 754	3 462 443
Working capital adjustments			
(Increase)/decrease in receivables		(16 347 872)	(49 578 881)
Increase/(Decrease) in payables		(3 131 744)	32 666 959
		(19 479 616)	(16 911 922)
Interest received		415 267	-
Net cash flows (into)/from operating activities		(12 045 595)	(13 449 479)
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(13 946 598)	(5 124 184)
Loss from sales of intangible assets		-	137 149
Investments		-	(272 756)
Net cash flows used in investing activities		(13 946 598)	(5 259 791)
Financing activities			
Issued Loans to Intercompany		(2 623 114)	(1 030 093)
Deposit at bank		3 999 686	-
Proceeds/(Repayments) of Borrowings		(29 419 054)	2 782 368
Borrowings from overdraft		57 774 519	8 334 380
Net cash flows from financing activities		29 732 037	10 086 655
Effects of exchange rates on cash and cash equivalents		(3 739 844)	(728 942)
Net increase/(decrease) in cash and cash equivalents		-	(9 351 557)
Cash and cash equivalents at beginning of year		-	9 351 557
Cash and cash equivalents at end of year		-	-

Note 1. Accounting policies

Basis of preparation

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

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

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

Going concern

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

Having reviewed the Company and the Group's liquid resources and 2016 and 2017 cash flow forecasts, the Directors believe that the Group has adequate resources to continue as a going concern. For this reason, the financial statements have been prepared on that basis. The Group continues to have ambitious growth plans and has launched in several new countries during 2015 and will continue to do so in 2016.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Revenue recognition

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

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

(a) Sale of advertisements

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

Revenue recognition (continued)

(b) Sale of subscriptions

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

(c) Sale of partner subscriptions

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

Cost of Sales

Cost of sales consists primarily of royalty and distribution costs related to music streaming. The Company incurs royalty costs paid to certain music record labels and other rights holders for the right to stream music to the Company's users. Royalties are calculated using negotiated rates in accordance with master license agreements and are based on subscription and advertising revenue earned usage measures or a combination. Increases or decreases in the provision for unrecoverable royalty costs are recognised in Cost of sales. Cost of sales also consists of other costs incurred to support music distribution such as customer service, certain employee compensation and benefits, facility and equipment costs and payment processing fees.

Property, plant and equipment

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

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

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

Property, plant and equipment	20% - 33% per annum
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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 10). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating expenses – net' in the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Impairment of trade receivables

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

Note 1 Accounting policies (continued)

Impairment of non-financial assets

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

Borrowings

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

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

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

Trade and other receivables

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

Trade and other payables

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

Financial instruments

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

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

Impairment of financial assets

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. The financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset.

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

Significant financial difficulty of the issuer or obligor.

- A breach of contract, such as a default or delinquency in interest or principal payments
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,

Impairment of financial assets (continued)

- 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:
 - Adverse changes in the payment status of borrowers in the portfolio; and
 - National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

Derecognition

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

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

Offsetting financial instruments

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

Cash and cash equivalents

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

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.

Share-based payments

Employees receive remuneration in the form of share-based payment transactions, whereby employees render services in consideration for equity instruments.

The cost of equity-settled transactions with employees is determined by the fair value at the date of grant using an appropriate valuation model. The cost is recognised, together with a corresponding increase in accumulated deficit in equity over the period in which the performance is fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest and the extent to which the vesting period has expired.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition. In these situations awards are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the grantee as measured at the date of modification. There have been no modifications to any share-based payment transactions.

Share-based payments (continued)

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Company or the grantee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally. There were no cancellations of awards during 2015 and 2014.

Social costs are payroll taxes associated with employee salaries and benefits, including share based compensation. Social costs in connection with the grant are accrued over the vesting period based on the intrinsic value of the award that has been earned as of the end of each reporting period. The amount of the liability reflects the amortisation of the award and the impact of expected forfeitures. The social cost rate at which the accrual is made follows the tax domicile within which other compensation charges for a grantee are recognised.

Defined contribution plans

The Company pays contributions to publicly and privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense in the consolidated income statement when they are made.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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 20.25% (2014: 21.49%).

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Leases

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

Leases (continued)

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

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

Dividend distribution

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

Change in accounting policy and restatements

New and amended standards and interpretations adopted by the Group

None of the new or revised standards and interpretations effective for the Group on or after January 1, 2015 has any impact on the Financial Statements of the Group.

New standards and interpretations issued but not yet effective

Recently issued new or revised/amended standards and interpretations effective for the Company on or after January 1, 2015, are as follows:

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is assessing the full impact of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is assessing the full impact of IFRS 15.

In January 2016 IASB published its new leasing IFRS 16 standard which will replace the current guidance in IAS 17 and interpretations IFRIC 4, SIC-15 and SIC-27. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. The standard applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. The EU has not yet endorsed the standard. The Company is assessing the impact of IFRS 16.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Key sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

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

Key sources of estimation uncertainty (continued)

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The significant area for key sources of estimation uncertainty are impairment of accounts receivable which are valued at fair value. See further in note 15.

Share-based payments – the Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is estimated using a model which requires the determination of the appropriate inputs. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in notes 7.

Note 2. Revenue

The breakdown of the revenue is as follows:

Analysis of revenue by category	2015	2014
	£	£
Sales of advertisements	10 847 609	11 087 346
Sales of subscriptions	171 697 185	119 157 973
Intercompany Services	4 098 186	28 080 865
Other	543 858	744 816
Total	187 186 838	159 070 999

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

Note 3. Finance income and costs

	2015	2014
	£	£
Finance income		
Interest income on financial assets measured at amortised cost	415 267	113 804
Net foreign exchange gains	-	1 622 315
Total	415 267	1 736 119
Finance costs		
Interest expense on financial liabilities measured at amortised cost	(783 725)	(733 792)
Net foreign exchange losses	(3 703 735)	-
Total	(4 487 460)	(733 792)
Finance income and costs	(4 072 193)	1 002 327

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Note 4. Employee information

	2015	2014
	£	£
Wages and salaries	9 345 202	8 536 718
Social security costs	2 537 543	2 109 330
Share based compensation costs	860 214	801 405
Pension plan costs	941 804	823 197
Total	13 684 763	12 270 650

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

	2015	2014
	£	£
Sales and Marketing	144	134
General and administration	36	33
Total number of employees	180	167

Directors' emoluments during the year were £151,000 (2014: £153,750).

The highest paid director received £151,000. (2014: £153,750). There is no pension or severance agreements between the Company and the directors.

One director received no emoluments from the company during the year or prior period as he was remunerated by other group companies for services rendered to the company.

Note 5. Operating profit

Operating profit is stated after charging/ (crediting):

	2015	2014
	£	£
Depreciation on owned assets	3 220 902	529 766
Net foreign exchange (gain)/losses	-	(1 622 315)
Loss on disposal of property, plant and equipment	137 152	-
Operating lease rentals - Land and Buildings	1 659 678	1 341 375
Auditor's remuneration – audit	30 000	30 000
<i>*audit remuneration is not recharged from the parent entity to the subsidiaries, instead it is covered by the Transfer pricing</i>		

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Note 6. Tax

(a) Tax on profit on ordinary activities

	2015	2014
	£	£
<i>Current income tax:</i>		
Current income tax charge	(627 817)	(247 753)
Adjustments in respect of prior years	506 179	(4 224 529)
<i>Deferred tax:</i>		
Current year	(449 001)	-
Share based payments	-	943 295
Fixed assets	-	642 726
Adjustment in respect of previous periods	(219 258)	-
Effect of changes in tax rates	(42 592)	-
Income tax expense reported in the statement of comprehensive income	<u>(832 489)</u>	<u>(2 886 261)</u>

	2015	2014
	£	£
<i>Equity Items</i>		
Current tax	(136 157)	-
Deferred tax current year charge/(credit)	(1 088 477)	(456 817)
Deferred tax - prior year	(29 848)	-
	<u>(1 254 482)</u>	<u>(456 817)</u>
<i>Other comprehensive income items</i>		
Deferred tax current year charge/(credit)	(62 132)	-
	<u>(62 132)</u>	<u>-</u>

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(b) Factors affecting the tax charge for the year

The tax assessed for the year is different from the average UK standard rate of corporation tax of 20.25% (2014: 21.49%). The differences are explained as follows:

	2015 £	2014 £
Profit on ordinary activities for the year before tax	2 016 761	1 676 631
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	408 325	360 361
<i>Effects of:</i>		
Non-deductible expenses	295 309	71 627
Movement in deferred tax not recognised	-	(184 235)
Tax loss changes	39 046	-
Share options	376 730	-
Adjustments in respect of prior years	(286 921)	4 224 529
Deferred tax	-	(1 586 021)
Total tax charge for the year	832 489	2 886 261

(c) Factors that may affect future tax charges

The UK rate of corporation tax reduced to 20% from 1 April 2015. Further reductions were announced in the 2015 Summer Budget Statement. The 2015 Finance Act included legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017, and from 19% to 18% from 1 April 2020. These reductions in tax were substantively enacted on 26 October 2015.

On 16 March 2016, a further reduction in the UK corporation tax to 17% from 1 April 2020 was announced in the Chancellor's Budget. At the balance sheet date, this reduction had not been substantively enacted.

(d) Deferred tax

Deferred tax relates to the following:

	Statement of financial position		Statement of income	
	2015 £	2014 £	2015 £	2014 £
Share based payment	2 310 734	1 400 112	287 656	943 295
Fixed Assets	198 785	642 726	207 403	642 726
Temporary differences trading	20 745	-	(3 466)	-
Prior year charge	-	-	219 258	-
Net deferred tax assets	2 530 264	2 042 838	710 851	1 586 021

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£710,851 have been recognized in the Statement of Income; £62,132 was charged to FX and £1,118,325 have been recognized in Retained Earnings.

At December 31, 2015 there are no unrecognized deferred taxes.

Note 7. Share based payments

Restricted Stock Unit Program (RSUP)

During 2014, the Company implemented a Restricted Stock Unit (RSU) Program that granted RSUs to certain employees (accounted for as equity-settled share-based payment transactions).

Under the term of the program, the Company granted two types of awards; Award 1 and Award 2 with a maximum term of 4 or 5 years, and 5 years respectively.

In addition to the time vesting for the Award 2 to fully vest, there are two specified events (IPO or trade sale) that must occur in order for these awards to vest prior to September 1, 2017.

The valuation of the RSA was consistent with the Group's use of the PWERM to value its own shares.

	RSU	
	Number of RSUs	WAEP
Granted	372	N/A
Forfeited	-	N/A
Outstanding at 31 December 2015	372	N/A

Employee share option plans

Under the Employee Share Option Plans ("ESOP"), share options of the Company are granted to executives and certain employees of the Group.

The assumptions and models used for estimating fair value for share based payment transactions are disclosed below:

The exercise price of the options is equal to the fair value of the shares on grant date for employees in the United States and fair value less 30% for the rest of the world. The first vesting period (25% of the initial grant) is up to one year from the grant date and subsequently at a rate of 6.25% each quarter until fully vested. The vesting of certain options will accelerate in the event of an IPO or other change in control event. The exercise price for options is payable in the EUR value of a fixed USD amount; therefore, the Group considers these awards to be USD-denominated. There is one annual exercise window in September each year where vested options can be exercised, plus a final exercise window at the end of the five-year option term.

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Reconciliation of option movements over the year:

	ESOP	
	Number of options	WAEP
		US\$
Outstanding at 1 January 2014	17 048	363
Granted	2 862	831
Forfeited	(824)	461
Exercised	(2 838)	331
Expired	(547)	366
Transferred in	709	402
Transferred out	(251)	529
Outstanding at 31 December 2014	16 159	446
Granted	1 891	1 197
Forfeited	(638)	766
Exercised	(1 377)	310
Expired	(505)	474
Transferred in	541	562
Transferred out	(502)	517
Outstanding at 31 December 2015	15 569	537
Exercisable at 31 December 2014	10 908	342
Exercisable at 31 December 2015	11 589	406

The weighted average contractual life for the share options outstanding as at December 31, 2015 is 1.6 years (2014: 2.2 years).

The weighted average share price for options exercised during 2015 was US\$ 537 (2014: US\$ 446).

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The share options outstanding are comprised of:

	Number of options 31 December 2015	Weighted average remaining contractual life 31 December 2015 (years)	Number of options 31 December 2014	Weighted average remaining contractual life 31 December 2014 (years)
Range of exercise prices (US\$)				
1- 500	9 302	0,5	11 208	1,5
500-1000	4 372	2,8	4 919	3,8
1000-1500	1 866	4,2	32	4,3
Above 1500	29	4,3	-	-
	<u>15 569</u>		<u>16 159</u>	

In determining the fair value of the employee stock-based awards, the Company uses the Black-Scholes option-pricing model. The expected volatility is based on the historical volatility of public companies that are comparable to the Company over the expected term of the award. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends which will not necessarily be the actual outcome. The risk-free rate is based on US Treasury zero-coupon rates as the exercise price is based on a fixed USD amount. The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of actual exercise patterns.

The following table lists the inputs to the Black-Scholes option-pricing models used for employee share-based payments for the years ended December 31, 2015 and 2014:

	2015	2014
Expected volatility (%)	39.4-55.9	44.2 – 80.1
Risk free interest rate (%)	0.01-1.5	0.63 – 1.43
Expected life of share options (years)	2.8-5.2	2.5 – 4.8
Weighted average share price per Spotify SA (USD)	1.448-1.860	669 – 1215

Note 8. Cash overdraft

	2015	2014
	£	£
Cash overdraft	<u>(66 108 899)</u>	<u>(8 334 380)</u>

Cash overdraft earns interest at floating rates based on daily bank deposit rates. Spotify Limited participates in the Spotify group cash pool, which is ultimately controlled by Spotify AB.

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Note 9. Trade and other receivables

		2015	2014
	Note	£	£
Trade receivables		16 426 577	10 329 119
Prepayments and other debtors		4 156 987	1 006 894
Amounts owed by group undertakings	18	89 630 033	83 967 174
Accrued income		6 113 864	4 676 403
Total		116 327 461	99 979 590

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

The fair value of receivables above approximate to their carrying values.

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

Note 10. Property, plant and equipment

	2015	2014
	£	£
Cost		
At 1 January	5 530 834	269 498
Additions	13 946 598	5 261 336
Disposals	(137 152)	-
At 31 December	19 340 280	5 530 834
Accumulated depreciation and impairment		
At January	704 818	175 053
Depreciation	3 220 902	529 765
Disposals	-	-
At 31 December	3 925 720	704 818
Carrying amount		
Net book value at 31 December	15 414 560	4 826 016

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Note 11. Investments

	2015	2014
	£	£
Cost		
At 1 January	1 461 106	1 188 350
Additions	-	272 756
At 31 December	1 461 106	1 461 106
Impairment		
At 1 January	(1 084 530)	(1 084 530)
At 31 December	(1 084 530)	(1 084 530)
Net book value at 31 December	376 576	376 576

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

Name of Company	Holding	Proportion of voting rights and shares held	Country of incorporation
Spotify Norway AS	Ordinary shares	100%	Norway
Spotify Spain SL	Ordinary shares	100%	Spain
Spotify GmbH	Ordinary shares	100%	Germany
Spotify SAS	Ordinary shares	100%	France
Spotify Sweden AB	Ordinary shares	100%	Sweden
Spotify Netherlands B.V	Ordinary shares	100%	Holland
Spotify Finland OY	Ordinary shares	100%	Finland
Spotify Australia Pty Ltd	Ordinary shares	100%	Australia

Note 12. Other non-current assets

	2015	2014
	£	£
Loan to group undertakings:		
Spotify France SAS	-	1 412 768
Spotify Hong Kong	2 623 114	2 477 367
Total loan to group undertakings	2 623 114	3 890 135
Long-term deposits	1 007 960	1 117 511
Total	3 631 074	5 007 646

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Note 13. Trade and other payables

	2015	2014
	£	£
Trade payables	2 966 129	4 275 157
Amounts due to group undertakings (note 18)	31 265 193	58 460 780
Social security and other taxes	8 015 388	5 762 193
Accrued salaries	713 930	-
Accrued expenses	19 912 851	6 375 127
Deferred income	9 019 865	6 787 510
	<u>71 893 356</u>	<u>81 660 767</u>

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

Note 14. Issued share capital

	2015	2014
	£	£
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1 000</u>	<u>1 000</u>

The total authorised number of ordinary shares is 1,000 shares (2014: 1,000 shares).

All issued shares are fully paid and have equal rights to vote at general meetings and receive dividends.

Note 15. Financial risk management objectives and policies

The Company's financial assets and liabilities are as outlined below.

	2015	2014
	£	£
Financial assets		
Other non-current assets	3 631 074	5 007 646
Accrued income	6 113 864	4 676 403
Trade Receivables	16 426 577	10 329 119
Amounts owed by group undertakings (note 18)	89 630 033	83 967 174
Total	115 801 548	103 980 342
Financial liabilities		
Trade payables	2 966 129	4 275 157
Amounts owed to group undertakings (current - note 18)	31 265 193	58 460 780
Social security and other taxes	8 015 388	5 762 193
Accrued salaries	713 930	-
Accrued expenses	19 912 851	6 375 127
Amounts owed to group undertakings (non-current)	-	28 635 329
Finance lease liability	5 366 349	2 412 972
	68 239 840	105 921 558

Capital management

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

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

Credit risk

The Company seeks to minimize its exposure to credit risk by only trading with established companies and performing credit checks as appropriate. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

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

Financial assets that were past due or impaired at 31 December 2015 and 2014 respectively are detailed in the tables below.

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Maturity analysis of trade receivables and accrued revenue as at 31 December 2015 and 31 December 2014:

	Net 2 015 £	Impairment 2015 £	Net 2014 £	Impairment 2014 £
Not yet due	16 611 718	-	9 630 978	-
Overdue 0 – 90 days	4 716 722	-	4 703 905	-
Overdue 91 – 180 days	936 458	259	432 396	183 112
Overdue 181 – 360 days	201 502	86 358	238 243	97 778
Overdue for more than 1 year	74 041	300 834	-	381 309
Total	22 540 441	387 451	15 005 522	662 199

All "Other non-current assets" are not yet due as of year end and impairment test shows that no assets need to be impaired.

Amounts owed by group undertakings are due on demand and no provision is held against these items.

Changes in value adjustments of trade receivables:

	2015 £	2014 £
Carrying amount at 1 January	662 199	953 765
Confirmed bad debt	(26 739)	(449 788)
Charge for the year	(248 009)	158 224
Carrying amount at 31 December	387 451	662 199

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

Maximum credit risk as at 31 December 2015 and 31 December 2014:

	2015 £	2014 £
Other non-current assets	3 631 074	5 007 646
Accrued income	6 113 864	4 676 403
Trade Receivables	16 426 577	10 329 119
Amounts owed by group undertakings (note 18)	89 630 033	83 967 174
Total	115 801 548	103 980 342

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Liquidity risk

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

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

At 31 December 2015 the Company held a cash and cash equivalents overdraft amounting to (£66,108,899) (2014: £8,334,380)

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.

	Carrying amount £	Contractual cash flow £	Due in 0-12 months £
As of 31 December 2015			
Trade and other payables	62 873 491	62 873 491	62 873 491
As of 31 December 2014			
Trade and other payables	74 873 255	74 873 255	74 873 255

	Carrying amount £	Contractual cash flow £	Due in 4 years £	Due in 5 years £
As of 31 December 2015				
Amounts owed to group undertakings	-	-	-	-
	Carrying amount £	Contractual cash flow £	Due in 4 years £	Due in 5 years £
As of 31 December 2014				
Amounts owed to group undertakings (Interest rate: 12 month EURIBOR + 2)	28 635 329	31 292 688	31 292 688	-

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

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	Carrying amount 2015 £	Fair value 2015 £	Carrying amount 2014 £	Fair value 2014 £
Financial assets				
Trade and other receivables	16 426 577	16 426 577	10 329 119	10 329 119
Other non-current assets	3 631 074	3 631 074	5 007 646	5 007 646
Accrued income	6 113 864	6 113 864	4 676 403	4 676 403
Amounts owed by group undertakings	89 630 033	89 630 033	83 967 174	83 967 174
	£	£	£	£
Financial liabilities				
Trade payables	2 966 129	2 966 129	4 275 157	4 275 157
Amounts due to group undertakings (note 18)	31 265 193	31 265 193	58 460 780	58 460 780
Social security and other taxes	8 015 388	8 015 388	5 762 193	5 762 193
Accrued salaries	713 930	713 930	-	-
Accrued expenses	19 912 851	19 912 851	6 375 127	6 375 127
Amounts owed to group undertakings (non-current)	-	-	28 635 329	28 635 329
Finance lease liability	5 366 349	5 366 349	2 412 972	2 412 972

The carrying amounts of financial instruments with maturities in excess of one year correspond to the fair values.

Foreign currency risk

The Company operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to GBP and EUR. From 2013 the Company is no longer exposed to foreign currency risk after entering a new transfer pricing agreement with Spotify AB stating the currency exchange risk to be taken by Spotify AB.

Interest rate risk

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

Note 16. Obligation under operating lease

Operating under leases where the Company is lessee.

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

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

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	2015	2014
	£	£
No later than 1 year	1 146 510	461 930
After one year but not more than 5 years	2 592 480	-
Later than 5 years	2 106 390	-

Note 17. Finance lease liabilities

Total borrowings include finance lease liabilities. Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Gross finance lease liabilities - minimum lease payments:	2015	2014
	£	£
No later than 1 year	2 655 100	834 923
Later than 1 year and no later than 5 years	2 851 573	1 651 162
Later than 5 years	-	-
	<u>5 506 673</u>	<u>2 486 085</u>
Future finance charges on finance lease liabilities	(140 324)	(73 113)
Present value of finance lease liabilities	<u>5 366 349</u>	<u>2 412 972</u>

The present value of finance lease liabilities is as follows:	2015	2014
	£	£
No later than 1 year	2 548 217	810 369
Later than 1 year and no later than 5 years	2 818 132	1 602 603
Later than 5 years	-	-
	<u>5 366 349</u>	<u>2 412 972</u>

Note 18. Related parties transactions

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

(a) Sales

	2015	2014
	£	£
<i>Parent entity:</i>		
Spotify AB (services and royalty)	74 296 890	28 080 865
Total	<u>74 296 890</u>	<u>28 080 865</u>

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(b) Purchases	2015	2014
	£	£
Spotify Finance Ltd	-	2 667 577
Total	-	2 667 577

Goods and services are bought from fellow subsidiary undertakings and subsidiary undertakings controlled by Spotify Technology S.A on normal commercial terms.

Key management includes the Directors, all members of Company Management and the Company Secretary.

The compensation paid or payable to key management for employee services is shown below.

	£	£
Short term employee benefits	151 000	153 750
Total key management compensation	151 000	153 750

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

	2015	2014
	£	£
Short term receivables from related parties		
Spotify AB	17 529 831	28 486 348
Spotify USA Inc	-	17 562
Spotify Japan	4 121	4 121
Spotify France	5 697	-
Spotify Hong Kong Limited	182 382	172 975
Spotify Italy	-	1 801
Spotify Services AB	831	831
Spotify Norway	5 740	-
Spotify Finance Limited	71 817 085	54 796 129
Receivables from subsidiary undertakings:		
Spotify Australia PTY Limited	78 833	76 111
Spotify Netherlands B.V	5 513	-
Spotify Spain SL	-	411 296
Total	89 630 033	83 967 174
Long term receivables from related parties		
Spotify Hong Kong Limited	2 623 114	-

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Short term payables from related parties	2015	2014
	£	£
Spotify AB	-	52 931 158
Spotify Finance Limited	1 312 337	3 241 401
Spotify USA Inc	-	6 742
Spotify Italy	16 572	16 705
Spotify Poland sp. z o. o.	19 623	19 623
Spotify Technology S.A	5 408	-
Spotify Germany GmbH	2 066 420	2 176 025
Spotify Spain SL	62 944	-
Spotify Finland OY	297	297
Spotify France	-	18 826
Spotify Netherlands B.V	5 823	95
Spotify Norway	-	15 941
Spotify Sweden AB	-	33 967
Spotify USA LLC (USA)	27 775 769	-
Total	31 265 193	58 460 780

Long term payables from related parties	2015	2014
	£	£
Spotify Finance Limited	-	(28 635 329)
	-	(28 635 329)

There are no provisions for related parties receivables in 2015 and 2014.

Note 19. Ultimate parent undertaking and controlling party

Spotify Ltd. is a wholly owned subsidiary of Spotify AB, incorporated in Sweden. Spotify Technology S.A., incorporated in Luxembourg is the ultimate parent undertaking and the controlling entity. It is also the parent undertaking of the largest and smallest group of undertakings of which the Company is a member and for which group financial statements are drawn up. Copies of the financial statements of Spotify Technology S.A can be obtained from the Company secretary at 18, rue de l'Eau L-1449 Luxembourg.

Note 20. Subsequent events

In March 2016 Spotify Limited issued a company guarantee for the convertible debt issued by the ultimate parent company, Spotify Technology S.A.