

SoundCloud Limited

Annual Report

For the year ended 31 December 2020

Registered number 06343600



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Company information

Directors	Joseph Puthenveetil (since 31 December 2020) Alexander Ljung (until 30 December 2020) Fred Wilson (until 30 December 2020)
Secretary	Eriska Secretaries Limited
Company number	06343600
Registered office	5 th Floor 25 Berkeley Square London W1J 6HN
Banker	Deutsche Bank CIB GTB Ost Unter den Linden 13-15 10117 Berlin Germany

Strategic report

About SoundCloud Limited

SoundCloud is a next generation music entertainment company powered by a community of artists and fans on the pulse of what's next in music. Through its subscription offerings for both creators and listeners, as well as through advertising and artist services, it has a diverse mix of revenue streams. Its strategy is built around leveraging its singular market position as both a music-streaming service for fans and an artist services business.

SoundCloud Limited (the "Company") is a wholly owned subsidiary of SoundCloud Holdings GmbH which serves as the parent company for the purposes of consolidated annual financial filings. Until 30 December 2020, SoundCloud Limited was the main operating entity within SoundCloud. Since then, and in response to the UK's departure from the European Union, SoundCloud Limited is serving as the general partner of a limited partnership under German law and no longer conducts any operational activities: On 31 December 2020, all operating activities have been transferred to SoundCloud Global Limited & Co KG in Germany and the Company's principle activity since then is to hold its investment in SoundCloud Global Limited & Co KG.

Given this restructuring, the financial information presented below reflects the activities of SoundCloud Limited on a stand-alone basis. Information consolidated at the level of SoundCloud Holdings GmbH is made available in Germany.

Business Review

Before transferring the operational business to SoundCloud Global Limited & Co KG on 30 December 2020, the Company has continued to make substantial progress towards meeting its KPIs. Indeed, despite the outbreak of the Covid19-induced global pandemic, it has largely met its 2020 financial targets, generating €128m in revenue, which meant an increase of 22% versus 2019. The Company has generated an operating loss €21m which represents an increase of 49% versus 2019, though this increase is solely the result of the updated corporate structure and does not include contributions from other entities as they are consolidated at the level of SoundCloud Holdings GmbH.

KPIs

	2020	2019	Change vs
	€'000	€'000	2019 in %
Revenue	127,793	104,378	+22%
Operating loss	(20,965)	(14,051)	-49%

Risks and uncertainties

Operational risks

Given its principle activity of holding its investment in SoundCloud Global Limited & Co KG, SoundCloud Limited is mainly exposed to the financial performance of its core asset. Its sole shareholder, SoundCloud Holdings GmbH, as well as its directors have put in place adequate processes and tools to monitor the performance of its investment and to adequately manage any financial risks resulting from the financial performance of its investment.

Currency risk

Until 30 December 2020 SoundCloud Limited operated internationally and was exposed to foreign currency risk across the two business lines it operated. The prime risk was the exposure to the USD exchange rate, though other currencies also impacted gains and losses. Since 31 December SoundCloud Limited's foreign currency transactions are fading out and with that the Company's currency risk is limited.

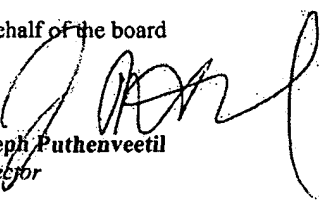
Directors' duties under section 172 of Companies Act 2006

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

Until the transfer of all operating activities to SoundCloud Limited & Co KG on 30 December 2020, the directors maintained a clear understanding of the needs of the Company and have promoted its operational activities in good faith.

Since the transfer, the directors continue to act in the way they consider to be most likely to promote the Company's principal activity since 31 December 2020, namely the holding of its investment in SoundCloud Global Limited & Co KG.

On behalf of the board


Joseph Puthenveetil
Director

5th Floor 25 Berkeley Street
London
W1J 6HN

Date: 17 January 2022

Directors' report

The Directors present their Report and the Financial Statements of SoundCloud Limited ("SoundCloud" or "the Company") for the year ended 31 December 2020.

On 30 December 2020 SoundCloud Limited has transferred its entire business including employees to SoundCloud Global Limited & Co. KG, a legal entity based in Berlin, Germany. SoundCloud Limited is therefore no longer carrying out any operational activities from that date. SoundCloud Limited's continues to act as a holding company within the SoundCloud Group.

Directors of the company

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

Joseph Puthenveetil (appointed on 31 December 2020)
Alexander Ljung (resigned on 30 December 2020)
Fred Wilson (resigned on 30 December 2020)

Principal activities

Until 30 December 2020, together with its subsidiary undertakings, SoundCloud Limited's principal activity was the provision of an online platform enabling its users to easily upload and share their music, podcasts, and other audio content with a global audience. The Company operated from Germany and had subsidiaries in the United States, Bulgaria (not operational) and Australia (not operational), which provided business and technical support.

Since 31 December 2020 SoundCloud Limited the principle activity of SoundCloud Limited is to hold and manage its investment in SoundCloud Global Limited & Co KG.

Research and development

Research and development were concentrated on the development of the platform (until 30 December 2020).

Future developments

Since 31 December 2020 SoundCloud Limited continues to act as a holding company within the SoundCloud Group.

Donations

Charitable donations did not exceed €20,410 in the year (2019: €2,000).

Employees

Until 30 December 2020 UK based employees have played an important role in SoundCloud Limited's daily business. In addition to engaging actively in building and running the platform, staff in the UK have benefited from a number of policies aimed at proactively involving them. Since then, all employee relationships have been transferred to SoundCloud Global Limited & Co KG.

Directors' report (continued)

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

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

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

Since the transfer of its operational business, SoundCloud Limited does not employ any staff anymore.

Disabled employees

Until 30 December 2020 the Company gave full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities were consistent with adequately meeting the requirements of the job. Opportunities have been available to disabled employees for training, career development and promotion.

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

Going Concern

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

On behalf of the board


Joseph Ruthvenveetil
Director

5th Floor 25 Berkeley Street
London
W1J 6HN

Date: 17 January 2022

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

Statement of comprehensive income
for the year ended 31 December 2020

	<i>Note</i>	2020 €000	2019 €000
Revenue	2	127,793	104,378
Cost of sales		(93,601)	(78,710)
		<hr/>	<hr/>
Gross profit		34,192	25,668
Administrative expenses		(55,157)	(39,719)
		<hr/>	<hr/>
Operating loss	3	(20,965)	(14,051)
Interest receivable and similar income	7	2,244	1,554
Interest payable and similar expenses	8	(46)	(99)
		<hr/>	<hr/>
Loss before taxation		(18,767)	(12,596)
Tax on loss		(13)	63
		<hr/>	<hr/>
Loss for the financial year		(18,780)	(12,533)
		<hr/>	<hr/>

Balance sheet
As at 31 December 2020

	Note	2020	2019
		€000	€000
Fixed assets			
Intangible assets	9	-	543
Tangible assets	10	-	1,755
Investments	11	101,458	4,234
		<u>101,458</u>	<u>6,532</u>
Current assets			
Debtors (see note 12 for amount due after one year)	12	655	62,834
Cash at bank and in hand		14,715	25,578
		<u>15,370</u>	<u>88,412</u>
Creditors: amounts falling due within one year	13	<u>(13,349)</u>	<u>(37,343)</u>
Net current assets		<u>2,021</u>	<u>51,069</u>
Total assets less current liabilities		<u>103,479</u>	<u>57,601</u>
Net assets		<u>103,479</u>	<u>57,601</u>
Capital and reserves			
Called up share capital	14	218,328	149,848
Share premium account		178,520	178,520
Profit and loss account		(293,369)	(270,767)
Total equity		<u>103,479</u>	<u>57,601</u>

For the financial year in question SoundCloud Limited was entitled to exemption under section 479A of the Companies Act 2006. No shareholders have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements on pages 7 to 23 were approved by the board of directors on 17 January 2022 and were signed on their behalf by:


Joseph Puthenveetil
Director
Company number: 06343600

Statement of changes in equity
for the year ended 31 December 2020

Company	Called up share capital	Share premium account	Profit and loss account	Total equity
	€000	€000	€000	€000
At 1 January 2019	149,498	178,504	(258,846)	69,156
Loss for the financial Year	-	-	(12,533)	(12,533)
Capital contribution for equity-settled share based payments	-	-	612	612
New shares issued	350	16	-	366
At 31 December 2019	149,848	178,520	(270,767)	57,601
Loss for the financial year	-	-	(18,780)	(18,780)
Capital contribution for equity-settled share based payments	-	-	367	367
Shareholder withdrawal	-	-	(4,189)	(4,189)
New shares issued	68,480	-	-	68,480
At 31 December 2020	218,328	178,520	(293,369)	103,479

Notes (forming part of the financial statements)

1 Accounting policies

General information

Until 30 December 2020, SoundCloud Limited and its subsidiaries operated an open audio platform, enabling anyone to easily upload and share their music, podcasts, and other audio content with a global audience.

On 30 December 2020 SoundCloud Limited has transferred its operating business to SoundCloud Global Limited & Co. KG, a legal entity based in Berlin, Germany. SoundCloud is therefore no longer carrying out any operational activities from that date. SoundCloud Limited continues to act as a holding company within the SoundCloud Group.

For the purpose of intra-group restructuring, SoundCloud Holdings GmbH was acquired as a shell company and incorporated as the parent company of SoundCloud Limited. The consolidated financial statements have therefore been prepared at the level of SoundCloud Holdings GmbH.

The shares of SoundCloud Global Ltd. & Co. KG are held by Soundcloud Limited and Soundcloud Management GmbH, and limited liability company under German law. Soundcloud Limited acts as the general partner whilst Soundcloud Management GmbH is the sole limited partner.

All shares in SoundCloud Limited were transferred to SoundCloud Holdings GmbH as of 30 December 2020. As a result, all operating subsidiaries under SoundCloud Limited were transferred to SoundCloud Global Limited & Co. KG. The accounting principles used in the agreement to transfer SoundCloud's operating business differs from the accounting principles used in these financial statements. The difference arising in the book values of the transferred shares of a subsidiary is recognised as a "shareholder withdrawal" in the Company's statement of changes in equity.

SoundCloud Limited is a private company limited by shares and is incorporated in the United Kingdom and registered in England. The Registered Office is at 5th Floor, 23 Berkeley Street, London W1J 6HN.

Audit exemption under section 479A of the Companies Act 2006

The directors consider that SoundCloud Limited is exempt from the requirement to have an audit under the provision of section 479A of the Companies Act 2006 ("the Act") and shareholders have not required the company to obtain an audit for the period in question in accordance with section 476 of the Act.

SoundCloud Holdings GmbH has provided a parental guarantee for the liabilities of SoundCloud Limited in order to qualify for the exemption from audit under section 479A of the Act in respect of the period ended 31 December 2020.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the financial statements.

Statement of compliance

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

Basis of preparation

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

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

The financial statements are prepared on a going concern basis, under the historical cost convention.

The company has taken advantage of the exemption in the Companies Act from the requirement to produce a cash flow statement on the grounds that its cash flow is included within the cash flow statement in the consolidated financial statements of SoundCloud Holdings GmbH.

Notes (continued)

1 Accounting policies (continued)

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

Going concern

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

As part of their Going Concern review, the Directors have reviewed SoundCloud's business activities as well as the risks and uncertainties described in the Strategic Report.

After transferring the business SoundCloud Limited is no longer carrying out any operational activities since 31 December 2020. SoundCloud Limited continues to act as a holding company within the SoundCloud Group.

The Directors have concluded that the Company has adequate resources to continue as a going concern. The financial statements have been prepared accordingly.

Tangible assets

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

Technical equipment	over 3 to 5 years
Computer and office equipment	over 3 to 5 years

Intangible assets

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

Software, Patents and Licences	over 3 to 7 years
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Amortisation is included in 'administrative expenses' in the profit and loss account.

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

Revenue recognition

Until the transfer of its operational business, the Company has generated revenues from its Listener and Creator business lines, selling subscription-based products, inventory-based advertising and relevant services in a number of countries.

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

Notes (continued)

1 Accounting policies (continued)

Advertising revenue was generated through various advertising formats delivered on the platform. Sales efforts were predominantly generated through indirect partnerships, targeting the Company's geographical expansion plans.

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

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

Research and development

Research and development expenditure is written off as incurred.

Provisions for liabilities

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

Debtors

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

Investments

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

Foreign currencies

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

Cash and cash equivalents

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

Notes (continued)

1 Accounting policies (continued)

Financial assets

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

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

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

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

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

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

Financial liabilities

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

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

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

Leases

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

Post-retirement benefits

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

Notes (continued)

1 Accounting policies (continued)

Share based payments

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

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

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

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

Critical accounting judgements and estimation uncertainty

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

Share based payments

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

Legal provisions

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

Notes (continued)

2 Revenue

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

	Listener Business €000	Creator Business €000	2020 Total €000	Listener Business €000	Creator Business €000	2019 Total €000
USA	45,813	26,314	72,127	40,158	21,505	61,663
Europe & Other	29,984	25,682	55,666	23,317	19,398	42,715
	<u>75,797</u>	<u>51,996</u>	<u>127,793</u>	<u>63,475</u>	<u>40,903</u>	<u>104,378</u>

3 Operating loss

The operating loss is stated after charging/(crediting):

	2020 €000	2019 €000
Depreciation of owned assets (see note 10)	1,102	1,081
Amortisation of software & technology (see note 9)	203	162
Foreign exchange differences	10,482	(934)
Auditors' remuneration (see note 4)	69	238
Operating lease charges	<u>2,324</u>	<u>1,083</u>

Foreign exchange differences mainly arise from the swing in the foreign exchange rates between Euro and US Dollar in 2020. The rates at the end of the year 2019 stood at 1.12 versus 1.23 at the end of the year 2020.

4 Auditors' remuneration

	2020 €000	2019 €000
Audit of the financial statements	-	118
Non-audit related services	<u>69</u>	<u>120</u>

Notes (continued)

5 Remuneration of directors

	2020 €000	2019 €000
Total directors' emoluments (3 directors (2019: 3))	-	366
Of which highest paid director	-	266

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

6 Staff costs

	2020 €000	2019 €000
Wages and salaries	22,176	18,466
Share based payments (see note 15)	367	612
Social security costs	3,248	2,720
Other pension costs	160	139
	<u>25,951</u>	<u>21,937</u>

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

	2020	2019
Product & Technology	184	156
Operations	34	35
Business	15	11
	<u>233</u>	<u>202</u>

7 Interest receivable and similar income

	2020 €000	2019 €000
Interest receivable and similar income	2,244	1,554

Interest income is derived from loans to a subsidiary bearing interest of 6%. Before the operating business was transferred the loan amount had increased in 2020 leading to higher interest income vs. prior year.

Notes *(continued)*

8 Interest payable and similar expenses

	2020 €000	2019 €000
Interest payable and similar expenses	46	99
	<u>46</u>	<u>99</u>

9 Intangible assets

	Software €000	Total €000
Cost		
At 1 January 2020	971	971
Additions	238	238
Disposals	1,209	1,209
	<u>-</u>	<u>-</u>
At 31 December 2020	-	-
Accumulated amortisation		
At 1 January 2020	428	428
Charge for the year	203	203
Disposals	631	631
	<u>-</u>	<u>-</u>
At 31 December 2020	-	-
	<u>-</u>	<u>-</u>
Net book value		
At 31 December 2020	-	-
	<u>-</u>	<u>-</u>
At 31 December 2019	543	543
	<u>543</u>	<u>543</u>

Notes (continued)

10 Tangible assets

	Computer and office equipment €000	Total €000
<i>Cost</i>		
At 1 January 2020	15,914	15,914
Additions	1,837	1,837
Disposals	17,751	17,751
	<hr/>	<hr/>
At 31 December 2020	-	-
	<hr/>	<hr/>
<i>Accumulated depreciation</i>		
At 1 January 2020	14,159	14,159
Charge for the year	1,102	1,102
Disposals	15,263	15,263
	<hr/>	<hr/>
At 31 December 2020	-	-
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 December 2020	-	-
	<hr/>	<hr/>
At 31 December 2019	1,755	1,755
	<hr/>	<hr/>

Notes (continued)

11 Investments

	Shares in group undertakings €000	Total Investments €000
Cost and net book value		
At 1 January 2020	6,314	6,314
Additions	101,429	101,429
Disposals	6,285	6,285
	<hr/>	<hr/>
At 31 December 2020	101,458	101,458
	<hr/>	<hr/>
Provisions		
At 1 January 2020	2,080	2,080
Disposals	2,080	2,080
	<hr/>	<hr/>
At 31 December 2020	-	-
	<hr/>	<hr/>
Net book value		
At 31 December 2020	101,458	101,458
	<hr/>	<hr/>
At 31 December 2019	4,234	4,234
	<hr/>	<hr/>

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

	Country of incorporation	Principal activity	% of shares held	Registered Office
Subsidiary undertakings				
SoundCloud Global Limited & Co. KG	Germany	Operating SoundCloud's platform	100%	Rheinsberger Str. 76/77, 10115 Berlin
SoundCloud Management GmbH	Germany	Management Services	100%	Rheinsberger Str. 76/77, 10115 Berlin
SoundCloud EOOD	Bulgaria	dormant	100%	46-48 Opalchenka Street, 1303 Sofia
SoundCloud Pty. Limited	Australia	dormant	100%	c/o KPMG 38 Barangaroo Ave, Sydney NSW 2000

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

Notes (continued)

12 Debtors

	2020 €000	2019 €000
Trade debtors	-	2,797
Amounts owed by group undertakings	-	48,296
Corporation tax	-	160
Prepayments and accrued income	-	1,472
Other debtors	655	10,109
	<u>655</u>	<u>62,834</u>

Other debtors of the Company include €0 thousand (2019: €756 thousand) falling due after more than one year. In the amounts owed by group undertakings loans to a subsidiary (2019: €38,417 thousand) and bearing interest of 6% had been issued.

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

13 Creditors: amounts falling due within one year

	2020 €000	2019 €000
Trade creditors	-	2,904
Amounts owed to ultimate controlling party	-	439
Amounts owed to group undertakings	7,928	4
Other creditors	1,009	4,768
Taxation and social security	655	386
Accruals and deferred income	3,757	28,842
	<u>13,349</u>	<u>37,343</u>

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

Notes (continued)

14 Called up share capital

The increase in called up share capital during 2020 derives from a financing round in the amount of €68,480 thousand.

	2020 €000	2019 €000
<i>Allotted, called up and fully paid:</i>		
21,829,279,893 Ordinary shares of €0.01 each	218,293	149,813
419,140 A Ordinary shares of €0.01 each	4	4
678,333 A preferred shares of €0.01 each	7	7
818,195 B preferred shares of €0.01 each	8	8
341,846 C preferred shares of €0.01 each	4	4
42,074 C1 preferred shares of €0.01 each	-	-
474,616 D preferred shares of €0.01 each	5	5
724,459 E preferred shares of €0.01 each	7	7
	<hr/>	<hr/>
	149,848	149,848
	<hr/>	<hr/>

15 Commitments

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

	Land and buildings	
	2020 €000	2019 €000
Within one year	-	2,158
In two to five years	-	10,407
More than five years	-	222
	<hr/>	<hr/>
	-	12,787
	<hr/>	<hr/>

The company had no other off-balance sheet arrangements.

Notes *(continued)*

16 Share schemes for employees and non-employees

Whilst the operational business has been transferred from SoundCloud Limited to SoundCloud Limited & Co KG, SoundCloud's share option programme continues to be issued by its ultimate controlling party, SoundCloud Holdings LLC. Relevant expenses for the financial year in review have been reflected at SoundCloud Limited until the transfer of its operations on 30 December 2020, amounting to €367 thousand relating to non-employee and employee share based expenses (2019: €612 thousand).

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

A reconciliation of the share option movements at the level of SoundCloud Limited is omitted given the transfer to SoundCloud Global Limited & Co KG. Movements for the year can be found in the filing of the Company's parent company. Following the transfer of its operational business to SoundCloud Global Limited & Co KG, SoundCloud Limited no longer recognises expense related to share based payments.

Notes *(continued)*

17 Pension scheme

The Company operated a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to €160 thousand (2019: €139 thousand).

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

18 Ultimate controlling party

The immediate parent undertaking is SoundCloud Holdings GmbH, Berlin, Germany. The ultimate parent and controlling party is SoundCloud Holdings LLC, Grand Cayman, Cayman Islands.

19 Related party transactions

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

Key management personnel

All directors and certain senior employees who have the authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals was €0 thousand (2019: €366 thousand).

There were no other material transactions with related parties entered into in 2020.

20 Events after the end of the reporting period

Having completed a corporate reorganisation in response to the UK's departure from the European Union, the Company is acting as a holding company within the SoundCloud Group.