

Spotify Finance Limited

Reg. Nr. 07598438

Report and Financial Statements for the

Year 31st December 2017



Spotify Finance Limited
Registered number 07598438

The Company is incorporated in England and Wales.

Company number: 07598438

Registered office: 4th Floor 25 Argyll Street
London
United Kingdom
W1F 7TU

Current Directors: Barry McCarthy JR
Jens Christian Grejs Svolgaard
Thomas Wolfe Tone Connaughton

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

SPOTIFY Finance Limited
Registered number 07598438

Strategic report for the year ended 31 December 2017

This is Spotify

Spotify is the largest global music streaming subscription service that provides millions of people around the world access to over 35 million tracks, whenever and wherever they want. Our mission is to unlock the potential of human creativity by giving a million creative artists the opportunity to live off their art and billions of fans the opportunity to enjoy and be inspired by these creators. Spotify Finance Ltd ("Company") is wholly owned by Spotify Technology S.A. Which has its registered office in Luxembourg and which also delivers consolidated accounts.

The Company existed to pay payment service provider costs. Going forward the Company will continue to pay payment service provider costs.

Review of Business and future developments

The total revenue related to commission fees for the financial year amounts to £8,088,560 (2016 as restated: £28,337,999). The result for the year before tax from continuing operations is a profit of £nil (2016: £nil). The decrease in revenue is due to the fact that the majority of payment server provider contracts have been transferred to Spotify AB. This has led to a reduction in intercompany reseller fees and therefore, a decrease in intercompany revenue earned.

The entity is expected to operate as a going concern for the foreseeable future.

Financial risk management objectives and policies

Our operations are exposed to financing and financial risks, which are managed under the control and supervision of the Board of Directors of the Company. To manage these risks efficiently, we have established guidelines in the form of a treasury policy that serves as a framework for the daily financial operations of the Spotify group. The treasury policy stipulates the rules and limitations for the management of financial risks within the Company.

Further information on risks and uncertainties is given in note 11 of the financial statements.

On behalf of the board

Barry McCarthy

Director

Date: 25 / 9 / 2018

Spotify Finance Limited
Registered number 07598438

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SPOTIFY Finance Limited
Registered number 07598438

Report of the Directors for the year ended 31 December 2017

The Directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Directors

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

Barry McCarthy JR
Angela Claire Mary Watts (resigned on 30 April 2018)
Jens Christian Grejs Svolgaard (appointed on 16 July 2018)
Thomas Wolfe Tone Connaughton (appointed on 1 August 2018)

Going concern

The Directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements.

Results and dividends

The Company generated a loss for the year after taxation of £32,201 (2016: £nil). No dividends were declared or proposed for the year ended 31 December 2017 (2016: none).

Political donations

The Company made no political donations during the year (2016: £nil).

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

No significant events have occurred after the end of the fiscal year.

Restatement of prior period financial statements

A prior period adjustment was identified in relation to costs that were originally recognised within the Spotify AB parent company accounts. These costs relate to historical contracts established with our payment service providers which were incorrectly transferred to Spotify AB.

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 ensuing 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: 25/9/2018

SPOTIFY Finance Limited
Registered number 07598438

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.

- to select suitable accounting policies in accordance with IAS 8 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; 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 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 FINANCE LIMITED

Opinion

We have audited the financial statements of Spotify Finance Limited for the year ended 31 December 2017 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 14, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its result 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept by the parent company, 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Gordon Cullen (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 27/9/18

SPOTIFY Finance Limited
Registered number 07598438

**Statement of comprehensive income
For the year ended 31 December 2017**

	Note	2017 £	Restated* 2016 £
Continuing operations			
Revenue	4	8 088 560	28 337 999
Cost of sales		(8 088 845)	(23 912 140)
Gross (loss)/profit		(285)	4 425 859
Administrative expenses		285	(77 302)
Other operating income		-	682 273
Operating profit	5	-	5 030 830
Finance costs	6	-	(5 030 830)
(Loss)/Profit before tax from continuing operations		-	-
Income tax charge	7	(32 201)	-
(Loss)/Profit for the year		(32 201)	-

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

The 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.

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made, refer to note 14.

They were signed on its behalf by:

Barry McCarthy JR

Director

25/9/2018

SPOTIFY Finance Limited
Registered number: 07598438

Statement of financial position
For the year to 31 December 2017

	Note	2017 £	Restated* 2016 £
ASSETS			
Current assets			
Trade and other receivables	8	172 063 218	14 940 981
		<u>172 063 218</u>	<u>14 940 981</u>
Total assets		<u><u>172 063 218</u></u>	<u><u>14 940 981</u></u>
LIABILITIES			
Current liabilities			
Trade and other payables	9	(170 739 052)	(13 617 057)
Tax liabilities	7	(32 204)	239
		<u>(170 771 256)</u>	<u>(13 616 818)</u>
Net assets		<u><u>1 291 962</u></u>	<u><u>1 324 163</u></u>
EQUITY			
Share capital	10	1	1
Retained earnings		<u>1 291 961</u>	<u>1 324 162</u>
Total equity		<u><u>1 291 962</u></u>	<u><u>1 324 163</u></u>

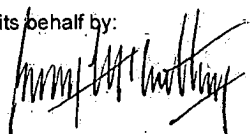
The accompanying notes are an integral part of this Statement of financial position.

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made, refer to note 14.

The financial statements of Spotify Finance Limited (Registration number: 07598438) were approved by the Board of Directors and authorised for issue on 25/9/2018.

They were signed on its behalf by:

Barry McCarthy JR
Director



SPOTIFY Finance Limited
Registered number 07598438

Statement in changes in equity
For the year to 31 December 2017

Attributable to equity holders of the Company

	Share capital £	Retained earnings £	Total capital and reserves £
Balance at 31 December 2014	1	1 322 434	1 322 435
Total comprehensive profit for the year	-	1 489	1 489
Foreign exchange difference	-	239	239
Balance at 31 December 2015	1	1 324 162	1 324 163
Total comprehensive profit for the year	-	-	-
Balance at 31 December 2016	1	1 324 162	1 324 163
Total comprehensive loss for the year	-	(32 201)	(32 201)
Balance at 31 December 2017	1	1 291 961	1 291 962

SPOTIFY Finance Limited
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Statement of cash flows
For the year ended 31 December 2017

	2017 £	Restated* 2016 £
Profit before tax from continuing operations	-	-
Working capital adjustments		
(Increase)/decrease in trade receivables	(157 122 237)	55 086 505
Increase/(decrease) in trade payables	157 121 995	(385 722 590)
Tax liability	242	-
Net cash flows into operating activities	-	(330 636 085)
Net decrease in cash and cash equivalents	-	(330 636 085)
Cash and cash equivalents at beginning of year	-	330 636 085
Cash and cash equivalents at end of year	-	-

*Certain amounts shown do not correspond to the 2016 financial statements and reflect adjustments made, refer to note 14.

SPOTIFY Finance Limited
Registered number 07598438
Notes to the Financial Statements

Note 1. Accounting policies

Basis of preparation

Spotify Finance is a Company limited by shares incorporated in England.

The financial statements of Spotify Finance 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 Finance Ltd have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

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

Going concern

The Directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual financial statements. In the future the company will start to cease operations.

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

The Company recognises revenue when the service has been performed. Revenue consists of commission fees, 100% of revenue relates to other companies within the Group.

Cash and cash equivalents

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

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 19.25%.

Current and deferred income tax (continued)

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

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

Trade and other receivables

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

Trade and other payables

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

Financial instruments

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

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 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 principle payments;
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the Borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) Adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The company first assesses whether objective evidence of impairment exists.

Note 1. Accounting policies (continued)

Derecognition

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

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

Offsetting financial instruments

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

Share capital

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividend distribution

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

Key sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 3.

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

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

Note 2. Changes in accounting policies

Important accounting principles are summarized above in Note 1.

New and amended

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*, which establishes principles for reporting 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 Company adopted IFRS 15, and all related amendments, on January 1, 2017 on a full retrospective basis. The 2016 comparatives, in respect of IFRS 15, have been presented on a full retrospective basis as required. These amendments did not have a material impact on the financial statements.

Changes in accounting policies (continued)

In January 2016, the IASB issued *Recognition of Deferred Tax Assets for Unrealised Losses* (Amendments to IAS 12) which amended IAS 12, *Income Taxes*. The amendments primarily were issued to clarify the recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value. The Company adopted these amendments on January 1, 2017 and it did not have a material impact on the financial statements.

In January 2016, the IASB issued *Disclosure Initiative* (Amendments to IAS 7) which amended IAS 7, *Statement of Cash Flows*. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company adopted these amendments on January 1, 2017 and it did not have a material impact on the financial statements.

New standards and interpretations issued not yet effective

Recently issued new or revised/amended standards and interpretations effective for the Company on or after January 1, 2018 are as follows:

- In July 2014, the ISAB 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, *Financial Instruments*. The standard introduces new requirements for classifications and measurements, 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 EU has not yet endorsed the standard. Upon adoption on January 1, 2018, the Company does not expect IFRS 9, *Financial Instruments* to have any additional material impact on the consolidated financial statements.
- In January 2016, the IASB published IFRS 16, *Leases*, its new leasing standard which will replace the current guidance in IAS 17, *Leases*, and interpretations IFRIC 4, SIC-15 and SIC-27. The new standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. 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 expects the valuation of right-of-use assets and lease liabilities, previously described as operating leases, to be the present value of its forecasted future lease commitments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Company is continuing to assess the overall impacts of the new standard, including the discount rate to be applied in these valuations.

There are no other IFRS or IFRIC interpretations that are not effective that are expected to have a material impact.

Note 3. Judgements in applying policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgments about carrying value of assets and liabilities that are not readily apparent from other sources.

The directors have reviewed the estimates and assumptions used in the preparation of the financial statements. The directors do not believe that there is a significant risk which would lead to material adjustments to the carrying value of any assets and liabilities in the next financial year due to the changes on the estimates or assumptions.

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Notes to the Financial Statements

Note 4. Revenue

Analysis of revenue by category	2017 £	2016 £
Sales of services, commission fees	8 088 560	28 337 999
Total	8 088 560	28 337 999

For a split of revenue by geographical areas see note 12 (a).

Note 5. Operating profit

Operating profit is stated after (charging)/ crediting:

	2017 £	2016 £
Other operating income	-	(682 273)
Auditor's remuneration – audit	(4 000)	(4 000)

The Company had nil employees in the year. (2016: nil).

Directors' remuneration

The directors of the Company are also directors of a number of subsidiaries of the ultimate parent undertaking. The directors do not believe that it is practicable to apportion the remuneration between remuneration as directors of the Company and their remuneration as directors of the fellow subsidiary companies. The director's remuneration is therefore disclosed in the accounts of the fellow subsidiaries that make the remuneration payments.

Note 6. Finance costs

	2017 £	2016 £
Finance costs		
Net foreign exchange losses	-	(5 030 830)
Total	-	(5 030 830)
Finance income and costs	-	(5 030 830)

Note 7. Tax

(a) Tax on profit on ordinary activities

	2017 £	2016 £
Current income tax:		
Current income tax charge	-	-
Adjustments in respect of prior years	(32 201)	-
Income tax expense reported in the statement of comprehensive income	(32 201)	-

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Notes to the Financial Statements

Note 7. Tax (continued)

(b) Factors affecting the tax charge for the year

A reconciliation between the actual tax charge and the tax charge at the standard UK rate of corporation tax is shown below:

	2017 £	2016 £
Profit/(Loss) on ordinary activities for the year before tax	-	-
Tax on profit at standard UK tax rate of 19.25% (2016: 20%)	-	-
<i>Effects of:</i>		
Adjustments in respect of prior years	(32 201)	-
Total tax charge for the year	(32 201)	-

(c) Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 20% to 19.25% from 1 April 2015.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The future reductions in the rate of UK corporation tax will reduce the amount of any corporation tax payable by the company in future years.

Note 8. Trade and other receivables

	2017 £	Restated 2016 £
Other receivables	31 674	91 184
Amounts owed by group undertakings	172 031 544	14 849 797
Total	172 063 218	14 940 981

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.

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Notes to the Financial Statements

Note 9. Trade and other payables

	2017 £	Restated 2016 £
Amounts due to group undertakings (note 12)	170 739 052	13 570 744
Accrued expenses	-	46 313
	<u>170 739 052</u>	<u>13 617 057</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 10. Issued share capital

	2017 £	2016 £
Allotted, called up and fully paid 1 ordinary shares of £1 each	<u>1</u>	<u>1</u>

Note 11. Financial risk management objectives and policies

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

	2017 £	Restated 2016 £
Financial assets		
Other receivables	31,674	91 184
Short-term Intercompany receivable	172 031 544	14 849 797
Total	<u>172 063 218</u>	<u>14 940 981</u>
Financial liabilities		
Amounts owed to group undertakings	170 739 052	13 570 744
Accrued expenses	-	46 313
Total	<u>170 739 052</u>	<u>13 617 057</u>

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 Finance Limited is sufficient to support its business and maximize shareholder value.

All Financial Assets are due on demand and impairment tests show that no assets need to be impaired.

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Credit risk

The credit risk for the Company is limited as it only trades within the Spotify Group.

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

All Financial assets are not yet due as of year end and impairment test shows that no assets need to be impaired.

Maximum credit risk as at 31 December 2017 and 31 December 2016:

	2017 £	Restated 2016 £
Other receivables	31 674	91 184
Short-term Intercompany receivable	172 031 544	14 849 797
Total	172 063 218	14,940,981

Liquidity risk

The Company only has Group internal borrowings.

All financial liabilities of the Company are due within one year.

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 2017			
Trade and other payables	170 739 052	170 739 052	170 739 052
As of 31 December 2016			
Restated trade and other payables	13 617 057	13 617 057	13 617 057

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

	Carrying amount 2017 £	Fair value 2017 £	Restated carrying amount 2016 £	Restated Fair value 2016 £
Financial assets				
Short-term Intercompany receivable (note 12)	172 031 544	172 031 544	14 849 797	14 849 797
Other receivables	31 674	31 674	91 184	91 184
	<u>172 063 218</u>	<u>172 063 218</u>	<u>14 940 981</u>	<u>14 940 981</u>
	£	£	£	£
Financial liabilities				
Amounts owed to group undertakings (note 12)	170 739 052	170 739 052	13 570 744	13 570 744
Accrued expenses	-	-	46 313	46 313
	<u>170 739 052</u>	<u>170 739 052</u>	<u>13 617 057</u>	<u>13 617 057</u>

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. The company is not exposed to foreign currency risk as this is taken by Spotify AB as part of the transfer pricing agreement.

The Company is not directly exposed to interest risk as it is funded by equity from the parent undertaking.

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Note 12. Related parties transactions

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

(a) Sales

	2017	Restated 2016
	£	£
Spotify AB	8 088 560	28 337 999
Total	8 088 560	28 337 999

(b) Purchases

	2017	2016
	£	£
Spotify AB	-	77 406
Total	-	77 406

Services are bought from the parent company, Spotify AB which is controlled by Spotify Technology S.A., on normal commercial terms.

(c) Key management compensation

Key management includes the Directors and all members of Company Management.
Key management are remunerated through Spotify Limited, which is where their remuneration is disclosed.

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Note 12. Related parties transactions (continued)

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

Receivables from related parties

	2017	Restated 2016
	£	£
Spotify Ltd	242	1 316 750
Spotify Spain SL	-	73 995
Spotify GmbH	-	367 360
Spotify France SAS	-	188 736
Spotify Norway AS	-	819 792
Spotify AB	172 031 302	11 324 855
Spotify Finland OY	-	98 653
Spotify Austria GmbH	-	30 269
Spotify Belgium NV	-	75 395
Spotify Italy	-	69 355
Spotify Poland sp. z o. o.	-	54 481
Spotify USA	-	35 987
Spotify Australia PTY LTD	-	394 169
Total	172 031 544	14 849 797

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Note 12: Related parties transactions (continued)

Payables from related parties

	2017	Restated 2016
	£	£
Spotify Spain SL	-	9
Spotify GmbH	-	1 851 206
Spotify France SAS	-	5 036
Spotify Norway AS	-	17 356
Spotify AB	170 739 052	3 932 820
Spotify Sweden AB	-	470 271
Spotify Netherlands B.V	-	192
Spotify Finland OY	-	14 414
Spotify Denmark AS	-	336 148
Spotify Austria GmbH	-	868
Spotify Belgium NV	-	4 382
Spotify Switzerland AG	-	3 070
Spotify Italy	-	6 311
Spotify Poland sp. z o. o.	-	2 680
Spotify USA	-	1 112 046
Spotify Canada	-	7
Spotify Australia PTY,LTD	-	5 813 928
Total	170 739 052	13 570 744

There are no provisions for related parties receivables in 2017 and 2016.

Note 13. Ultimate parent undertaking and controlling party

Spotify Finance Limited 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.

Note 14. Restatement of prior period financial statements

A prior period adjustment was identified in relation to costs that were originally recognised within the Spotify AB parent company accounts. These costs relate to historical contracts established with our payment service providers which were incorrectly transferred to Spotify AB.

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Note 14. Restatement of prior period financial statements (continued)

Statement of comprehensive income for the year ended 31 December 2016

	As originally reported £	Adjustment £	As restated £
Continuing operations			
Revenue	24 999 714	3,338,285	28 337 999
Cost of sales	(20 573 855)	(3,338,285)	(23 912 140)
Gross profit/(loss)	4 425 859	-	4 425 859
Administrative expenses	(77 302)	-	(77 302)
Other operating income	682 273	-	682 273
Operating profit/(loss)	5 030 830	-	5 030 830
Finance costs	(5 030 830)	-	(5 030 830)
Profit/(Loss) before tax from continuing operations	-	-	-
Income tax charge	-	-	-
Total equity	-	-	-

Statement of financial position for the year to 31 December 2016

	As originally reported £	Adjustment £	As restated £
ASSETS			
Current assets			
Trade and other receivables	11 511 511	3 429 470	14 940 981
Total assets	11 511 511	3 429 470	14 940 981
Current liabilities			
Trade and other payables	(10 187 587)	(3 429 470)	(13 617 057)
Tax liabilities	239	-	239
	(10 187 348)	(3 429 470)	(13 616 818)
Net assets	1 324 163	-	1 324 163
EQUITY			
Share capital	1	-	1
Retained earnings	1 324 162	-	1 324 162
Total equity	1 324 163	-	1 324 163