

Now That's What I Call Music LLP

Members' report and financial statements

Registered number OC382805

31 March 2017



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Members' report

The members present their report and the audited financial statements of the limited liability partnership ('LLP') for the year ended 31 March 2017.

Principal activities

The principal activity of the LLP continued to be the production and exploitation of musical recordings.

Future developments

The members intend to take every opportunity to develop and enhance the business.

Disclosure of information to auditors

The members confirm that, so far as they are each aware, there is no relevant audit information of which the LLP's auditors are unaware; and each member has taken all the steps that they ought to have taken to make them self aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

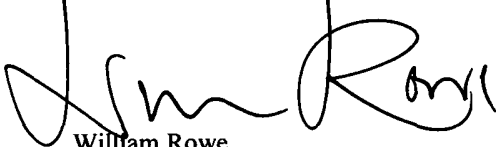
This report has been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Members

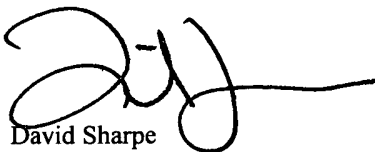
The members of the LLP during the year and up to the date of signing the financial statements were:

Sony Music Entertainment UK Limited
Universal Music Operations Limited

On behalf of the members of the LLP



William Rowe
Chief Financial Officer – Sony Music Entertainment UK Limited



David Sharpe
Chief Operating Officer – Universal Music Operations Limited

26 October 2017

Strategic report

The members present their strategic report for the year ended 31 March 2017.

Business review and results

The LLP made a profit for the financial year before members' remuneration and profit shares of £6,555,000 (2016: £9,224,000 profit). During the year, profit distributions of £1,941,000 (2016: £6,103,000) were made to the members of the LLP. The remaining profits of the LLP were held in Members' reserves at the end of the financial year.

Principal risks and uncertainties

The LLP considers its key risks and uncertainties to be physical music market decline and piracy, in addition to the strength of the release schedule.

Key Performance Indicators (KPIs)

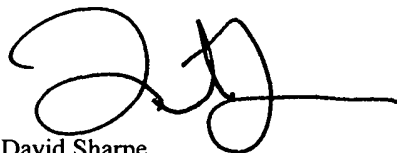
The LLP considers its KPIs to include turnover and profit before distribution. Turnover and profit before distribution for the year ended 31 March 2017 are £34,045,000 (2016: £40,062,000) and £6,555,000 (2016: £9,224,000) respectively.

On behalf of the members of the LLP



William Rowe

Chief Financial Officer – Sony Music Entertainment UK Limited



David Sharpe

Chief Operating Officer – Universal Music Operations Limited

26 October 2017

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Members' report and the financial statements in accordance with applicable law and regulations.

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year.

Under that law the director has prepared the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Report Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)."

Under company law as applied to limited liability partnerships the members 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 partnership and of the profit or loss of the partnership for that year. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 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 partnership will continue in business.

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

Independent auditors' report to the members of Now That's What I Call Music LLP

Report on the financial statements

Our opinion

In our opinion, Now That's What I Call Music LLP's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

What we have audited

The financial statements, included within the Members' report and financial statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 March 2017;
- the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Now That's What I Call Music LLP *(continued)*

Responsibilities for the financial statements and the audit

Our responsibilities and those of the members

As explained more fully in the Statement of members' responsibilities in respect of the financial statements set out on page 3, the members 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the members; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

27 October 2017

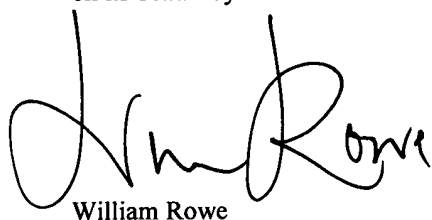
Statement of comprehensive income
for the year ended 31 March 2017

	<i>Note</i>	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Turnover	<i>5</i>	34,045	40,062
Cost of sales		(13,717)	(15,894)
Gross Profit		20,328	24,168
Distribution costs		(6,465)	(7,654)
Administrative expenses		(7,265)	(7,367)
Operating Profit	<i>6</i>	6,598	9,147
Other non-operating (expenses)/income		(43)	77
Profit for the financial year before members' remuneration and profit shares	<i>13</i>	6,555	9,224
Members' remuneration charged as an expense	<i>13</i>	(1,941)	(6,103)
Profit for the financial year available for discretionary division among members		4,614	3,121

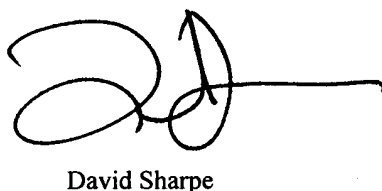
Balance sheet
as at 31 March 2017

	<i>Note</i>	31 March 2017 £000	31 March 2016 £000
Current assets			
Debtors	8	7,330	7,180
Cash at bank and in hand	12	12,054	9,659
		19,384	16,839
Current liabilities			
Creditors: amounts falling due within one year	9	(11,050)	(13,119)
		8,334	3,720
Net current assets		8,334	3,720
Net assets attributable to members		8,334	3,720
Represented by			
Members' other interests			
Other reserves		8,334	3,720
Total members' interests		8,334	3,720
Other reserves		8,334	3,720

The financial statements on pages 6 to 15 were approved by the Board of Members on 26 October 2017 and signed on its behalf by:



William Rowe



David Sharpe

Statement of cash flows
for the year ended 31 March 2017

	<i>Note</i>	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Cash flows from operating activities			
Cash generated from operations	<i>11</i>	8,836	12,139
Net cash inflow from operating activities		8,836	12,139
Transactions with members			
Distributions to members		(1,941)	(6,103)
Advances to members		(4,500)	-
Net cash outflow from transactions with members		(6,441)	(6,103)
Net increase in cash		2,395	6,036
Reconciliation to net cash			
Net cash at beginning of year	<i>12</i>	9,659	3,623
Increase in net cash		2,395	6,036
Net cash at the end of the year	<i>12</i>	12,054	9,659

Statement of changes in equity
for the year ended 31 March 2017

	Members' Other Interests	Loans / advances from / (to) members	Total
	Other Reserves £000	£000	£000
Balance at 1 April 2015	599	-	599
Profit for the financial year available for discretionary division among members	9,224	-	9,224
	<hr/>	<hr/>	<hr/>
Members' interests after profit for the year	9,823	-	9,823
 Other divisions of profits / losses	 (6,103)	 -	 (6,103)
	<hr/>	<hr/>	<hr/>
Amounts due to members	3,720	-	3,720
Amounts due from members	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	3,720	-	3,720
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
 Balance at 1 April 2016	 3,720	 -	 3,720
Profit for the financial year available for discretionary division among members	6,555	-	6,555
	<hr/>	<hr/>	<hr/>
Members' interests after profit for the year	10,275	-	10,275
 Other divisions of profits / losses	 (1,941)	 -	 (1,941)
	<hr/>	<hr/>	<hr/>
Amounts due to members	8,334	-	8,334
Amounts due from members	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	8,334	-	8,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements *(forming part of the financial statements)*

1 General Information

Now That's What I Call Music LLP ('the LLP') has the principal activity of producing and exploiting musical recordings within the United Kingdom.

The LLP is a partnership in which the members have limited liabilities and is incorporated in England. The address of its registered office is 9 Derry Street, London, W8 5HY.

2 Statement of compliance

The individual financial statements Now That's What I Call Music LLP 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.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The LLP has adopted FRS 102 in these financial statements.

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with Companies Act 2006 as applied to Limited Liability Partnerships, the Statement of Recognised Practice (SORP) for Limited Liability Partnerships.

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Foreign currencies

(i) Functional and presentational currency

The LLP's functional and presentation currency is the Pound Sterling.

(ii) Transactions and balances

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Turnover and revenue recognition

Turnover comprises the value of sales (excluding VAT and net of trade discounts) of physical goods, digital products and of services sold in the normal course of business. Turnover relating to goods is recognised when the product has been dispatched or, if goods are dispatched on a consignment basis, at the time when title has passed to the customer. Turnover relating to digital products is recognised when the products are sold based on reports from digital service providers. Turnover relating to services is recognised once the services have been performed.

Royalties

Royalties payable are recognised on an accruals basis.

Notes to the financial statements *(continued)*

3 Summary of significant accounting policies *(continued)*

Taxation

Income tax payable on the profits of the LLP is solely the personal liability of the individual members and consequently is not dealt with in these financial statements.

Financial instruments

(i) 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.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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.

Members capital and current accounts

Members' capital contributions are classified in creditors due within one year. Members' current accounts represent the allocated net profits less drawings earned by the Members in their capacity as owners of the LLP, and are not included within creditors. The average number of members of the LLP was two for the financial year. In accordance with the members' agreement governing the LLP, on a winding up the amounts owed to members would, prima facie, rank below other unsecured creditors.

4 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.

Key accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Returns provision (note 9)

Provision is made for the expected level of returns of physical products sold before the end of the year under review.

5 Turnover

The turnover for the year is attributable to the principal activities of the LLP and is sourced within the UK.

6 Operating profit

Operating profit is stated after charging:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Auditors' remuneration:		
- Audit of LLP's financial statements	16	15

Notes to the financial statements *(continued)*

7 Staff numbers and costs

The monthly average number of persons employed by the company during the year / period, analysed by category, was as follows:

Number of employees:

	Year ended 31 March 2017	Year ended 31 March 2016
Sales and distribution	2	2
Administration	3	2
	<hr/> 5	<hr/> 4
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Wages and salaries	243	183
Social security costs	33	25
Other pension costs	28	14
	<hr/> 304	<hr/> 222
	<hr/> <hr/>	<hr/> <hr/>

8 Debtors

	31 March 2017 £000	31 March 2016 £000
Taxation and social security	802	2,356
Other debtors	4,946	609
Prepayments and accrued income	1,582	4,215
	<hr/> 7,330	<hr/> 7,180
	<hr/> <hr/>	<hr/> <hr/>

9 Creditors: amounts falling due within one year

	31 March 2017 £000	31 March 2016 £000
Accrued royalties	840	1,913
Other creditors	10,210	11,206
	<hr/> 11,050	<hr/> 13,119
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements *(continued)*

10 Members' profit shares

The average profit per member based on these financial statements was £3,277,500 (2016: £4,612,000), calculated by dividing the total profits available for distribution equally among members.

The final allocation and distribution of profit to members is made after the financial statements have been approved. Based on these financial statements, the estimated profit attributable to the members is £4,614,000 (2016: £3,121,000).

11 Cash flow from operating activities

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Operating profit	6,555	9,224
Decrease in debtors	4,350	1,683
(Decrease) / increase in creditors	(2,069)	1,232
	<hr/>	<hr/>
Net cash inflow from operating activities	8,836	12,139
	<hr/>	<hr/>

12 Analysis of net cash

	As at 1 April 2016 £000	Cash flow £000	As at 31 March 2017 £000
Cash in hand and at bank	9,659	2,395	12,054
	<hr/>	<hr/>	<hr/>

13 Profit and loss account

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Opening balance	3,720	599
Profit for the financial year before members' remuneration and profit shares	6,555	9,224
Members' remuneration charged as an expense	(1,941)	(6,103)
	<hr/>	<hr/>
Closing balance	8,334	3,720
	<hr/>	<hr/>

Notes to the financial statements (*continued*)

14 Members' capital

Profits and losses

Allocation of profits and losses

The profits of the LLP shall be divided between the Members in accordance with their respective profit sharing percentages, and shall be credited to the Members' current accounts as soon as the annual financial statements for the relevant accounting year are approved by the Members.

The Members may from time to time determine, by unanimous resolution, that profits of the LLP are required to provide working capital for the LLP, or otherwise in connection with the business, in which case the resolution shall specify the proportion of profit that would otherwise be credited to members' current accounts that shall instead, as soon as the annual financial statements for the relevant accounting year are approved by the Members, be credited to a working capital reserve to be used for the purposes of the business. Such amounts shall be allocated between the Members in accordance with their respective profit sharing percentages.

The Members may from time to time determine, by unanimous resolution, that profits in the working capital reserve are no longer required for the purposes of the business, in which case such profits shall be divided between the Members in accordance with their respective profit sharing percentages, and the LLP shall promptly credit such profits to the Members' current accounts and distribute them to the Members.

Distributions of profits

The LLP shall distribute the share of profits allocated to any Member in respect of any accounting year to the relevant Member at various intervals throughout the year in accordance with and to the economic effect of their respective equal profit sharing percentages stated in the Members' Agreement.

Allocation of losses

The losses of the LLP shall be divided between the Members in accordance with their respective profit sharing percentages, and shall be debited to the Members' current accounts as soon as the annual financial statements for the relevant accounting year are approved by the Members, provided that if a Member's current account has a negative balance in an amount equal to or greater than the amount of the Member's capital contribution, no further losses may be allocated to that Member.

15 Related party transactions

Sony Music Entertainment UK Limited is a related party as it has a 50% interest in the LLP. Sony Music Entertainment UK Limited provided the LLP with certain distribution and administrative services during the year. The net charge from these transactions with the LLP was £5,368,000 (2016: £7,335,000) during the year.

The LLP also owed Sony Music Entertainment UK Limited at 31 March 2017 its 50% share of undistributed profits which is £2,307,000 (2016: £1,560,500). The amount owed to Sony Music Entertainment UK Limited by the LLP at 31 March 2017 was £300,000 (2016: £490,000). The amount owed to the LLP by Sony Music Entertainment UK Limited at 31 March 2017 was £nil (2016: £nil)

Universal Music Operations Limited is a related party as it has a 50% interest in the LLP. Universal Music Operations Limited provided certain manufacturing, distribution and administrative services to the LLP during the year. The net charge from these transactions with the LLP was £8,104,000 (2016: £3,670,000) during the year.

The amount owed by Universal Music Operations Limited to the LLP at 31 March 2017 was £4,918,000 (2016: £3,104,000). The LLP also owes Universal Music Operations Limited 50% of its share of undistributed profits which is £2,307,000 (2016: £1,560,500).

Notes to the financial statements *(continued)*

15 Related party transactions *(continued)*

During the year, the LLP processed and paid royalties and collected digital income on behalf of the NOW joint venture that operated between Sony Music Entertainment Ireland Limited and Universal Music Ireland Limited.

The LLP collected a fee from the joint venture which amounted to £98,000 (2016: £nil). The amount owed by Sony Music Entertainment Ireland Limited to the LLP at 31 March 2017 was £130,000 (2016: £59,000) in respect of royalties payable onto licensors.