

Registration number: OC382805

Now That's What I Call Music LLP

Members' report and Financial Statements

for the Year Ended 31 March 2018



Now That's What I Call Music LLP
Members' report and financial statements
31 March 2018

Contents

Strategic Report	1
Members' Report	2
Statement of Members' Responsibilities in respect of the financial statements	3
Independent Auditors' Report	4 to 6
Statement of comprehensive income	7
Balance Sheet	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 to 17

Strategic Report for the Year Ended 31 March 2018

The members present their strategic report for the year ended 31 March 2018.

Business review and results

The LLP made a profit for the financial year before members' remuneration and profit shares of £3,065,000 (2017: £6,555,000). During the year, profit distributions of £8,302,000 (2017: £1,941,000) 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)

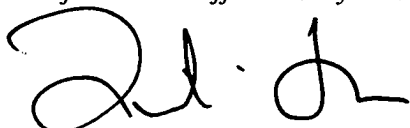
The LLP considers its KPIs to include turnover and profit before distribution. Turnover and profit before distribution for the year ended 31 March 2018 are £30,584,000 (2017: 34,045,000) and £3,065,000 (2017: £6,555,000) respectively.

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

29 October 2018

Members' report for the Year Ended 31 March 2018

The members present their report and the financial statements for the year ended 31 March 2018.

Principal activities

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

Future developments

The members intend to take every opportunity to utilise the NOW brand equity to enhance the business. Currently showing encouraging signs of growth is the NOW Music App, a mid-tier streaming service tailored towards a more casual music consumer, continued development in growth is of key strategic focus

Disclosure of information to the 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

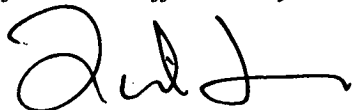
The members of the LLP during the year and up to the date of signing the financial statements were:

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

29 October 2018

Statement of members' responsibilities in respect of the financial statements

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

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 members have prepared the 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, 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 limited liability partnership and of the profit or loss of the limited liability partnership for that period. In preparing the 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 also responsible for safeguarding the assets of the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the limited liability 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.

Independent Auditors' Report to the members of Now That's What I Call Music LLP

Opinion

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

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2018 and of its loss and cash flows for the year then ended;
- have been properly prepared 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); 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.

We have audited the financial statements, included within the Members' report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the limited liability partnership'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern.

Independent Auditors' Report to the members of Now That's What I Call Music LLP (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities set out on page 3, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they 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 members are responsible for assessing the limited liability partnership'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 members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

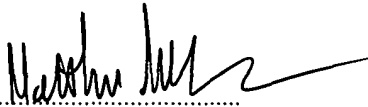
**Independent Auditors' Report to the members of Now That's What I Call Music LLP
(continued)**

Companies Act 2006 exception reporting

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 by the limited liability partnership, 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.



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

29 October 2018

Statement of comprehensive income
for the Year Ended 31 March 2018

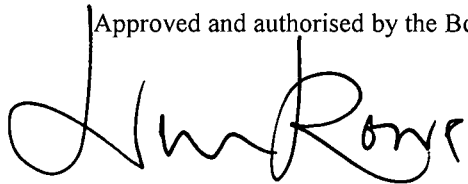
	Note	2018 £ 000	2017 £ 000
Turnover	5	30,584	34,045
Cost of sales		<u>(13,261)</u>	<u>(13,717)</u>
Gross profit		17,323	20,328
Distribution costs		(7,872)	(6,465)
Administrative expenses		<u>(6,401)</u>	<u>(7,265)</u>
Operating profit	6	3,050	6,598
Other non-operating income/(expenses)		<u>15</u>	<u>(43)</u>
Profit for the financial year before members' remuneration and profit shares	13	3,065	6,555
Members' remuneration charged as an expense	13	<u>(8,302)</u>	<u>(1,941)</u>
(Deficit)/Surplus for the financial year available for discretionary division among members		<u><u>(5,237)</u></u>	<u><u>4,614</u></u>

[Handwritten signature]

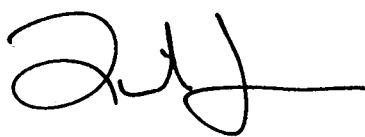
Balance Sheet
as at 31 March 2018

	Note	2018 £ 000	2017 £ 000
Current assets			
Debtors	8	4,734	7,330
Cash at bank and in hand		<u>17,520</u>	<u>12,054</u>
		22,254	19,384
Current liabilities			
Creditors: amounts falling due within one year	9	<u>(19,157)</u>	<u>(11,050)</u>
Net assets attributable to members		<u>3,097</u>	<u>8,334</u>
Represented by Members' other interests			
Other reserves		<u>3,097</u>	<u>8,334</u>
Total members' interests		<u>3,097</u>	<u>8,334</u>

Approved and authorised by the Board of Members on 29 October 2018 and signed on its behalf by:



William Rowe



David Sharpe

Statement of Changes in Equity
for the Year Ended 31 March 2018

	Other Reserves £ 000	Total members' interests £ 000
At 1 April 2017	8,334	8,334
Profit for the financial year available for discretionary division among members	3,065	3,065
Other divisions of profits	<u>(8,302)</u>	<u>(8,302)</u>
At 31 March 2018	<u>3,097</u>	<u>3,097</u>

	Other Reserves £ 000	Total members' interests £ 000
At 1 April 2016	3,720	3,720
Profit for the financial year available for discretionary division among members	6,555	6,555
Other divisions of profits	<u>(1,941)</u>	<u>(1,941)</u>
At 31 March 2017	<u>8,334</u>	<u>8,334</u>

Statement of Cash Flows
for the Year Ended 31 March 2018

	Note	2018 £ 000	2017 £ 000
Cash flows from operating activities			
Profit for the year		3,065	6,555
Working capital adjustments			
(Increase)/decrease in trade debtors	8	(1,904)	4,350
Increase/(decrease) in trade creditors	9	<u>8,107</u>	<u>(2,069)</u>
Net cash inflow from operating activities		<u>9,268</u>	<u>8,836</u>
Cash flows from financing activities			
Distributions to members		(3,802)	(1,941)
Advances to members		<u>-</u>	<u>(4,500)</u>
Net cash outflow from financing activities		<u>(3,802)</u>	<u>(6,441)</u>
Net increase in cash and cash equivalents		5,466	2,395
Cash and cash equivalents at 1 April		<u>12,054</u>	<u>9,659</u>
Cash and cash equivalents at 31 March		<u><u>17,520</u></u>	<u><u>12,054</u></u>

Notes to the Financial Statements

for the Year Ended 31 March 2018

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.

Notes to the Financial Statements

for the Year Ended 31 March 2018 (continued)

3 Summary of significant accounting policies (continued)

(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.

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.

Notes to the Financial Statements

for the Year Ended 31 March 2018 (continued)

3 Summary of significant accounting policies (continued)

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 8)

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:

	2018 £ 000	2017 £ 000
Auditors' remuneration		
- Audit of LLP's financial statements	<u>16</u>	<u>16</u>

Notes to the Financial Statements
for the Year Ended 31 March 2018 (continued)

7 Staff numbers and costs

The aggregate payroll costs were as follows:

	2018 £ 000	2017 £ 000
Wages and salaries	276	243
Social security costs	35	33
Pension costs, defined contribution scheme	23	28
	<u>334</u>	<u>304</u>

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

	2018 No.	2017 No.
Administration and support	3	3
Sales, marketing and distribution	2	2
	<u>5</u>	<u>5</u>

8 Debtors

	2018 £ 000	2017 £ 000
Other debtors	108	4,946
Prepayments and accrued income	2,784	1,582
Taxation and social security	1,842	802
	<u>4,734</u>	<u>7,330</u>

9 Creditors

	2018 £ 000	2017 £ 000
Amounts falling due within one year		
Other creditors	14,560	10,210
Accrued royalties	4,597	840
	<u>19,157</u>	<u>11,050</u>

Notes to the Financial Statements

for the Year Ended 31 March 2018 (continued)

10 Members' profit shares

The average profit per member based on these financial statements was £1,532,500 (2017: £3,277,500), calculated by dividing the total profits available for distribution equally among members.

The final allocation and distribution of profits to members is made after the financial statements have been approved. In the current year the full profits of £3,065,000 have been distributed equally to members. In addition, a further £5,237,000 has been distributed to members from existing reserves.

In the year ended 31 March 2017 profits of £1,941,000 were distributed equally to members, leaving undistributed profits of £4,614,000 for the year.

11 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.

Notes to the Financial Statements
for the Year Ended 31 March 2018 (continued)

11 Members' capital (continued)

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.

12 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 £6,852,000 (2017: £5,368,000) during the year.

The LLP also owed Sony Music Entertainment UK Limited at 31 March 2018 its 50% share of cumulative undistributed profits which is £1,548,500 (2017: £4,167,000). The amount owed to Sony Music Entertainment UK Limited by the LLP at 31 March 2018 was £2,941,000 (2017: £300,000).

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 £3,947,000 (2017: £8,104,000) during the year.

The amount owed by Universal Music Operations Limited to the LLP at 31 March 2018 was £2,502,000 (2017: £4,918,000). The LLP also owes Universal Music Operations Limited its 50% share of cumulative undistributed profits which is £1,548,500 (2017: £4,167,000).

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.

In the prior year the LLP collected a fee from the joint venture which amounted to £98,000. The amount owed by Sony Music Entertainment Ireland Limited to the LLP at 31 March 2018 was £125,000 (2017: £130,000) in respect of royalties payable onto licensors.

Notes to the Financial Statements
for the Year Ended 31 March 2018 (continued)

13 Profit and loss account

	2018 £ 000	2017 £ 000
Opening balance	8,334	3,720
Profit for the financial year before members' remuneration and profit shares	3,065	6,555
Members' remuneration charged as an expense	<u>(8,302)</u>	<u>(1,941)</u>
Closing balance	<u><u>3,097</u></u>	<u><u>8,334</u></u>