

Company Registration No. 056942

Novello and Company Limited

Report and Financial Statements

31 December 2020



Novello and Company Limited

Report and financial statements 2020

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Novello and Company Limited

Report and financial statements 2020 Officers and professional advisers

Directors

R Wise
W I Busch
C M Butler
D B Rockberger
M B Wise
S J Francis
G E Graham
J A B Smith

Company Secretary

N J M Kemp

Registered Office

14/15 Berners Street
London
United Kingdom
W1T 3LJ

Bankers

Coutts and Co.
440 Strand
London
United Kingdom
WC2R 0QS

Novello And Company Limited

Strategic report Year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Business review and principal activities

The Company continues to trade in music copyright and publishing and hiring of orchestral music.

As shown in the Company's profit and loss account on page 5, the Company made a profit after taxation for the year of £113 (2019: £32,023).

The balance sheet on page 6 shows that the Company's net assets at 31 December 2020 are £1,990,105 compared with £1,989,992 at 31 December 2019. The Company's cash levels at 31 December 2020 were £90,007 (2019: £203,349). Further information on the use of the going concern basis is provided in note 1 to the financial statements.

Key performance indicators

Wise Music Group manages its operations on the basis of business units which span legal entities. For this reason, the Company's directors do not consider that presentation of non-financial indicators for the Company are necessary or appropriate for an understanding of the development, performance or position of the business.

The Company takes care to minimise the impact of its operation on the environment.

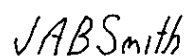
Principal risks and uncertainties

The Company operates in a highly competitive market which is a continuing risk to the Company and could result in losing sales to its key competitors. The Company's results may also potentially be impacted by the general economic climate. The Company manages these risks by providing high quality services to its customers, having fast response times to customer queries and maintaining strong relationships with its customers.

Future Developments

No material changes to the nature of the company's business are expected in the coming period. The level of underlying business is satisfactory and the Directors look to the future with confidence.

This report was approved by the board on 20 June 2022 and signed on its behalf.



J A B Smith

Director

14/15 Berners Street
London
United Kingdom
W1T 3LJ

Novello and Company Limited

Directors' report Year ended 31 December 2020

The directors present their annual report and the unaudited financial statements for the year ended 31 December 2020.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption. The directors have not prepared a separate strategic review in accordance with the exemption set out on s414A of the Companies Act 2006 for small companies.

Principal activities

The Company is principally engaged in music publishing.

The results for the year to 31 December 2020 show a profit on ordinary activities after tax of £113 (2019: £32,023).

Principal risks and uncertainties

The Company, like all others, is susceptible to changes in the market and to economic pressures. These are external factors outwith the control of management, however the board monitors performance closely against expectation in order to be able to make informed operational and strategic decisions. The music industry in general faces the ongoing challenge of the move by customers from physical to digital product, along with illegal downloading and piracy. Management monitors industry and market developments closely and seeks to mitigate the impact of changes in consumer behaviour by focusing on growing a broad range of revenue streams as well as developing new ways to exploit content.

Directors

The directors who served throughout the year and to the date of this report, except as noted, were as follows:

R Wise	J T C Rushton (resigned 31 December 2020)
C M Butler	D B Rockberger
M B Wise	G E Graham
S J Francis	J A B Smith
W I Busch (appointed 1 January 2021)	

Dividends

The directors do not recommend payment of a dividend on the ordinary shares for 2020 (2019: £nil).

Charitable donations

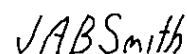
During the year the Company made charitable donations of £100,000 (2019: £100,000).

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. More information is provided in note 1 to the financial statements.



J A B Smith
Director

20 June 2022

14/15 Berners Street
London
United Kingdom
W1T 3LJ

Novello and Company Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are 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 to 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.

Novello and Company Limited

Profit and loss account Year ending 31 December 2020

	Notes	2020 £	2019 £
Turnover	3	1,263,309	1,534,018
Cost of sales		(374,874)	(496,644)
Gross profit		888,435	1,037,374
Distribution costs		-	-
Administrative expenses		(845,865)	(985,434)
Operating profit/(loss)	5	42,570	51,940
Interest receivable and similar income	6	-	-
Interest payable and similar charges	7	-	-
Profit/(loss) on ordinary activities before taxation		42,570	51,940
Tax on profit/(loss) on ordinary activities	8	(42,457)	(19,917)
Profit/(loss) for the financial year/period	15	113	32,023

All activities derive from continuing operations.

There are no recognised gains or losses other than as stated above. Accordingly, no separate statement of total recognised gains or losses is given.

Novello and Company Limited

Balance Sheet 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Intangible assets	9	232,927	294,622
Investments	10	53,757	53,757
		<u>286,684</u>	<u>348,379</u>
Current assets			
Debtors	11	6,435,969	6,307,386
Cash at bank and in hand		90,007	203,349
		<u>6,525,976</u>	<u>6,510,735</u>
Creditors: amounts falling due within one year	13	<u>(4,822,555)</u>	<u>(4,869,122)</u>
Net current assets		<u>1,703,421</u>	<u>1,641,613</u>
Total assets less current liabilities		<u>1,990,105</u>	<u>1,989,992</u>
Capital and reserves			
Called-up share capital	14	270,000	270,000
Profit and loss account	15	1,720,105	1,719,992
Shareholder's funds	16	<u>1,990,105</u>	<u>1,989,992</u>

For the year ending 31 December 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- the directors acknowledge their responsibilities for complying with the requirements of this Act with respect to accounting records and the preparation of accounts.

These financial statements of Novello and Company Limited, registered number 056942, were approved by the Board of Directors and authorised for issue on 20 June 2022.

Signed on behalf of the Board of Directors

JABSmith

J A B Smith
Director

Novello and Company Limited

Statement of changes in equity 31 December 2020

	Called-up share capital	Profit and loss account	Total
	£	£	£
At 1 January 2019	270,000	1,687,969	1,957,969
Loss for the financial year	-	32,023	32,023
Total comprehensive income	-	32,023	32,023
At 31 December 2019	270,000	1,719,992	1,989,992
Profit for the financial year	-	113	113
Total comprehensive income	-	113	113
At 31 December 2020	270,000	1,720,105	1,990,105

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding period.

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with United Kingdom accounting standards, applicable to Smaller Entities.

Going concern disclosure

The Company has a strong balance sheet with net current assets of £1,703,421 and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The Company has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 not to prepare group financial statements. The Company is a wholly-owned subsidiary of a Company registered in the United Kingdom which prepares group financial statements, into which the results of the Company are consolidated.

Cash flow statement

The Company has taken advantage of the exemption in FRS 102 and has not prepared a cash flow statement. A consolidated cash flow statement, including the results of the Company, is shown in the consolidated accounts of Wise Music Group Limited.

Turnover

Turnover comprises hire fees, performing rights and royalties receivable by the Company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT. Hire fees and performing rights income are recognised upon the fulfilment of contractual obligations to a customer through the supply of goods and services. Royalty income is recognised once the amount is reliably measured.

Intangible fixed assets

Amortisation initially recognised at cost is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Copyrights	10-20 years
Goodwill	5-17 years

Provision is made for any impairment.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Taxation

Current tax is provided at amounts expected to be recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

1. Accounting policies (continued)

(c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

(d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

(e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

(f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) *Equity instruments*

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty – impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value.

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

3. Turnover

The turnover and profit before tax are attributable to the principal activity of the Company.

An analysis of turnover by destination is given below:

	2020 £	2019 £
United Kingdom	543,581	629,208
Overseas	719,728	904,810
	<u>1,263,309</u>	<u>1,534,018</u>

4. Information regarding directors and employees

The Company had no employees during the current year and preceding financial period.

No emoluments were payable to the directors by the Company during the current year and preceding financial period.

5. Operating profit/loss

	2020 £	2019 £
Operating profit/loss is after charging:		
Amortisation of owned intangible assets	61,694	62,357
Fees paid to the Company's auditor for the audit of the financial statements	<u>10,000</u>	<u>10,000</u>

6. Interest receivable and similar income

	2020 £	2019 £
Bank interest received	<u>-</u>	<u>-</u>

7. Interest payable and similar charges

	2020 £	2019 £
Other interest paid	<u>-</u>	<u>-</u>

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

8. Tax on profit/(loss) on ordinary activities

	2020 £	2019 £
Current tax		
United Kingdom corporation tax based on the result for the year at 19% (2019: 19%)	6,753	566
Group relief payable/(receivable)	11,074	18,620
Adjustment in respect of prior periods	22,713	4,512
	<hr/>	<hr/>
Total current tax	40,540	23,698
Double taxation relief	(6,753)	(566)
	<hr/>	<hr/>
	33,787	23,132
Foreign tax		
Current tax on income for the year/period	6,753	565
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax charge/(credit)	40,540	23,697
Deferred tax		
Origination and reversal of timing differences	1,917	2,337
Adjustments in respect of prior periods	-	(4,250)
Effect of tax rate change on opening balance	-	(1,867)
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities	42,457	19,917
	<hr/>	<hr/>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19% (2019: 19%).
The actual tax charge for the current year and the previous period differs from the standard tax rate for the reasons set out in the following reconciliation:

	2020 £	2019 £
Profit/(loss) on ordinary activities before tax	42,570	51,940
	<hr/>	<hr/>
Tax on profit/(loss) on ordinary activities at standard rate	8,088	9,869
Factors affecting charge for the period:		
Capital allowances in excess of depreciation	(2,780)	(7,678)
Other fixed asset timing differences	864	5,341
Expenses not deductible for tax purposes	11,655	11,655
Adjustments to tax charge in respect of previous periods	22,713	4,512
Higher rate of tax on overseas earnings	-	-
Lower rate of tax on overseas earnings	-	(1)
Unexplained difference	-	(1)
	<hr/>	<hr/>
Total actual amount of current tax	40,540	23,697
	<hr/>	<hr/>

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

9. Intangible fixed assets

	Copyrights £	Goodwill £	Total £
Cost			
At 1 January 2020 and 31 December 2020	<u>1,284,522</u>	<u>1,226,808</u>	<u>2,511,330</u>
Amortisation			
At 1 January 2020	1,284,169	932,539	2,216,708
Charge for the year	353	61,342	61,695
At 31 December 2020	<u>1,284,522</u>	<u>993,881</u>	<u>2,278,403</u>
Net book value			
At 31 December 2020	<u>-</u>	<u>232,927</u>	<u>232,927</u>
At 31 December 2019	<u>353</u>	<u>294,269</u>	<u>294,622</u>

In the opinion of the directors the aggregate value of the purchased copyrights is not less than the amount at which those assets are stated in the Company's balance sheet.

10. Investments

	Subsidiary undertakings £
Cost	
At 1 January 2020 and 31 December 2020	<u>53,757</u>
Net book value	
At 31 December 2019 and 31 December 2020	<u>53,757</u>

At 31 December 2020 the Company held more than 20% of the ordinary share capital of the following undertakings:

Subsidiaries	Country of incorporation/ registration	Proportion held	Nature of business
Arrgee Music Limited	United Kingdom	100% directly	Dormant
Bosworth and Co. Limited	United Kingdom	100% directly	Dormant
Elkin & Co. Limited	United Kingdom	100% directly	Dormant
Goodwin & Tabb Limited	United Kingdom	100% directly	Dormant
Novello Records Limited	United Kingdom	100% directly	Dormant
Patersons Publications Limited	United Kingdom	100% directly	Dormant
Paxton Music Limited	United Kingdom	100% directly	Dormant

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

11. Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	46,077	42,660
Amounts owed by group undertakings	6,376,412	6,217,443
Other debtors	-	31,886
Deferred taxation (note 12)	13,480	15,397
	<u>6,435,969</u>	<u>6,307,386</u>

12. Deferred taxation

The deferred tax included in the balance sheet is as follows:

	£
At 1 January 2020	15,397
Profit and loss account credit	(1,917)
At 31 December 2020	<u>13,480</u>

The balance consists of:

	Recognised	
	31 December 2020 £	31 December 2019 £
Fixed asset timing differences	8,730	10,647
Short term timing differences	4,750	4,750
	<u>13,480</u>	<u>15,397</u>

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

13. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	645,093	704,953
Amounts owed to group undertakings	3,932,069	3,994,333
Corporation tax	-	9,172
Other creditors	184,393	114,364
Accruals and deferred income	61,000	46,300
	<u>4,822,555</u>	<u>4,869,122</u>

14. Called-up share capital

	2020 £	2019 £
Authorised, called up, allotted and fully paid		
270,000 ordinary shares of £1 each	<u>270,000</u>	<u>270,000</u>

15. Profit and loss account

	£
At 1 January 2020	1,719,992
Profit for the financial year	<u>113</u>
At 31 December 2020	<u>1,720,105</u>

16. Reconciliation of movements in shareholder's funds

	2020 £	2019 £
Profit/(loss) for the financial year	<u>113</u>	<u>32,023</u>
Net increase/(decrease) in shareholder's funds	113	32,023
Opening shareholder's funds	<u>1,989,992</u>	<u>1,957,969</u>
Closing shareholder's funds	<u>1,990,105</u>	<u>1,989,992</u>

17. Contingent liabilities

The Company is included in a group registration for UK VAT purposes and is therefore jointly and severally liable for Novello Publishing Limited's unpaid debts in this connection.

Certain of the Wise Music Group companies have provided cross-guarantees to a bank under which such companies guarantee to the bank on a joint and several bases, all present and future group indebtedness in respect to the group overdraft facility.

Novello and Company Limited

Notes to the financial statements Year ended 31 December 2020

18. Related party transactions

As a wholly-owned subsidiary the Company has taken advantage of the exemption within FRS 102 with respect to the disclosure of transactions with related parties which are part of the Wise Music group.

Details of other related party transactions are given below:

	2020 £	2019 £
Royalties received from:		
Premiere Music Group	57,666	52,623
Connelly Basart Muziek Uitgeverij B.V.	11,028	7,144
Music Sales Corporation	68	93
G Schirmer Inc	154,471	152,065
G Schirmer Australia Pty	9,439	10,743

All companies noted above are related to Novello and Company Limited by common management.

19. Ultimate controlling party

The Company's ultimate controlling party is Newman Street Investments Limited, a Jersey registered company. Wise Music Group Limited is the largest and smallest undertaking for which group financial statements are prepared. Group financial statements are available from 14/15 Berners Street, London, United Kingdom, W1T 3LJ.

The immediate parent Company is Novello Publishing Limited, a Company registered in the United Kingdom.