

Parent of 10285526
Note on Page 30

Company Registration No. 03795835 (England and Wales)

CUTTING EDGE MUSIC (HOLDINGS) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

WEDNESDAY



AAWIIU08

A11

26/01/2022

#334

COMPANIES HOUSE

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

COMPANY INFORMATION

Directors
P Moross
D P Hockman
D S Blumenthal
A J Smith

Secretary
A J Smith

Company number
03795835

Registered office
Unit 9, First Floor
Westworks
195 Wood Lane
London
England
W12 7FQ

Auditors
Wilson Wright LLP
Chartered Accountants
Thavies Inn House
3-4 Holborn Circus
London
EC1N 2HA

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Consolidated statement of comprehensive income	8
Consolidated statement of financial position	9
Company statement of financial position	10
Consolidated statement of changes in equity	11
Company statement of changes in equity	12
Consolidated statement of cash flows	13 - 14
Notes to the financial statements	15 - 37

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their strategic report for the group for the year ended 30 June 2021.

Principal activities

The principal activities of the group continue to be that of music production and music publishing.

Review of the business

A summary of the results of the year's trading is given on page 8 of the financial statements.

During the financial year The Cutting Edge Group ("Cutting Edge") achieved considerable EBITDA growth (after minority interests) due to a mix of organic growth and acquisitions. Cutting Edge made further acquisitions during the year, including White Stork Music Ltd and the purchase of further intangible assets as part of their continuing acquisition strategy.

The newest live theatre events division of the Group has been severely affected by the global pandemic, but plans have been put in place regarding future periods including touring shows, which have been booked in several countries.

Some other areas of trading have also been affected by the global pandemic with Film, TV and advertising productions across the globe experiencing delays. The industry has however picked up during the second half of the Group's financial year.

The overheads of the group were underbudget for the financial year and these overheads will continue to be monitored and controlled as the Covid-19 crisis unwinds.

Key performance indicators

The directors consider that the key financial performance indicators are those that communicate the financial performance and strength of the group as a whole, these being revenue and gross profit margin.

Business Analysis of Group Financials

	Revenue	
	2021	2020
	£000's	£000's
Music Services	1,090	1,906
Asset Management	20	242
Publishing/Copyright	4,711	1,868
Record Label Income	10,157	8,615
Live Event Income	520	-
Total	16,498	12,631

Geographical Analysis of Group Financials

	Revenue	
	2021	2020
	£000's	£000's
United Kingdom	1,466	1,809
Continental Europe	5,174	4,172
North America & Rest of the World	9,858	6,650
Total	16,498	12,631

	2021	2020
Gross profit margin	54%	47%

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Principal risks and uncertainties

The group is exposed to a number of business and financial risks from its operating activities. The board of directors is responsible for ensuring that the business risks are actively managed. The business does not trade financial instruments nor does it currently use financial derivatives. The key financial risks are identified below:-

Currency risk - Due to the global nature of the business, with sales and operations in multiple countries, the business is exposed to fluctuations of sterling, against our other trading currencies, namely the Euro and the US Dollar. Currency exposure is managed by matching, as far as possible, income and expenditure in these currencies.

Credit risk - The board manages its credit risk by ensuring that it only engages with counterparties that have high credit ratings. The group sets and actively monitors credit limits for its counterparties based on reference checks and payment history.

Liquidity (cash flow) risk - The business manages its cash flow to ensure it can meet its obligations and requirements.

Future developments

The business aims to continue its acquisition strategy in order to achieve not only growth from the acquisitions but further organic growth by achieving profit from strategic synergies between current operations and the new acquisitions.

On behalf of the board



P Moross
Director

Date: 06/12/2021

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

GROUP DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and financial statements for the group for the year ended 30 June 2021.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P Moross

D P Hockman

D S Blumenthal (resigned 12 July 2021, appointed 24 August 2021)

A J Smith (appointed 7 September 2021)

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and 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 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 group and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends

No dividend (2020 - £nil) was paid during the year. No final dividend (2020 - £nil) is proposed.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

GROUP DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Future developments

Details of future developments are set out in the strategic report on page 2.

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. They therefore continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

The directors have considered the impact of the Covid-19 outbreak and do not believe this to have a material impact on going concern. Further details on how Covid-19 has impacted the company can be found in the strategic report on page 1.

Auditors

The auditors, Wilson Wright LLP, will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

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 of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


P Moross

Director

Date: 06/12/2021

Unit 9, First Floor
Westworks
195 Wood Lane
London
England
W12 7FQ

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CUTTING EDGE MUSIC (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Cutting Edge Music (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2021 and of its comprehensive loss 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.

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. We are independent of the group 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibility and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CUTTING EDGE MUSIC (HOLDINGS) LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 the 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 group and of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where 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 parent company 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 required 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 group's and the parent 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 group or the parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CUTTING EDGE MUSIC (HOLDINGS) LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with tax regulations, health and safety regulations, environmental regulations, and anti-bribery and anti-corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risk were related to posting inappropriate journal entries and management bias in accounting estimates.

Audit procedures performed by the auditors included:

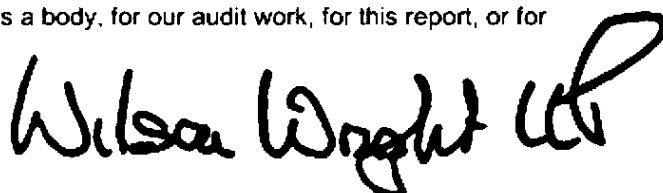
- Discussions with the directors, including consideration of known or suspected instances of non-compliance with laws and regulations, and fraud.
- Assessing management's significant judgements and estimates in particular those relating to the impairment of intangible assets, accruals of royalties, and recoverability of investments and receivables.
- Identifying and testing manual journal entries, in particular any journal entries posted with unclear rationale.

There are inherent limits in the audit procedures described above, and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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 directors as a body, for our audit work, for this report, or for the opinions we have formed.



Warren Baker FCA (Senior Statutory Auditor)
for and on behalf of Wilson Wright LLP
Chartered Accountants and Statutory Auditors
Thavies Inn House
3-4 Holborn Circus
London
EC1N 2HA

Date: 14/12/2021

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021 £	2020 £
Revenue	2	16,498,453	12,630,662
Cost of sales		(7,597,785)	(6,677,881)
Gross profit		8,900,668	5,952,781
Administrative expenses		(8,386,084)	(7,742,437)
Other operating income	3	13,499	289,566
Operating profit/(loss)		528,083	(1,500,090)
Profit/(loss) on disposal of investment		343,732	(225,300)
Loss from associated undertakings		-	(38,095)
Investment (expense)/income		(71,902)	1,353,192
Finance costs		(382,530)	(216,650)
Profit/(loss) before taxation	4	417,383	(626,943)
Tax on (loss)/profit on ordinary activities	8	(83,637)	45,865
Profit/(loss) for the financial year after taxation	5	333,746	(581,078)
Other comprehensive income			
Exchange differences arising on consolidation		(681,075)	164,419
Total comprehensive loss for the year		(347,329)	(416,659)
Profit/(loss) for the year attributable to:			
Non-controlling interest		(722,334)	(976,966)
Equity shareholders of the company		1,056,080	395,888
		333,746	(581,078)
Total comprehensive loss for the year attributable to:			
Non-controlling interest		(722,334)	(976,966)
Equity shareholders of the company		375,005	560,307
		(347,329)	(416,659)

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		2021	£	2020	£
Fixed assets					
Goodwill	9	201,096		229,731	
Negative goodwill	9	(1,834,471)		(498,628)	
Goodwill - net balance		(1,633,375)		(268,897)	
Intangible assets	10	25,751,476		10,753,040	
Property, plant and equipment	11	139,223		193,957	
Investments	12	229,981		531,900	
		<u>24,487,305</u>		<u>11,210,000</u>	
Current assets					
Inventories	13	179,818		201,092	
Trade and other receivables due in less than 1 year	14	7,351,330		4,225,041	
Trade and other receivables due in more than 1 year	14	369,986		518,781	
Cash at bank and in hand		<u>9,991,444</u>		<u>7,949,583</u>	
		17,892,578		12,894,497	
Current liabilities	15	<u>(11,719,888)</u>		<u>(7,618,791)</u>	
Net current assets		6,172,690		5,275,706	
Total assets less current liabilities		<u>30,659,995</u>		<u>16,485,706</u>	
Non-current liabilities	16	<u>(17,200,317)</u>		<u>(9,496,753)</u>	
Net assets		<u>13,459,678</u>		<u>6,988,953</u>	
Equity					
Called up share capital	18	17,133		14,400	
Share premium account		3,934,070		3,922,070	
Capital redemption reserve		8,199		7,932	
Share option reserve		-		335,000	
Retained earnings		<u>4,105,522</u>		<u>3,652,966</u>	
Shareholders' funds		8,064,924		7,932,368	
Non-controlling interests		5,394,754		(943,415)	
Total capital employed		<u>13,459,678</u>		<u>6,988,953</u>	

The financial statements were approved by the board of directors and authorised for issue on 06/12/2021 and are signed for issue on its behalf by:

↓
P Moross
Director

Company Registration No. 03795835

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Notes	2021		2020	
		£	£	£	£
Fixed assets					
Intangible assets	10	190,683		188,205	
Property, plant and equipment	11	87,893		103,780	
Investments	12	1,310,098		1,606,861	
		<u>1,588,674</u>		<u>1,898,846</u>	
Current assets					
Trade and other receivables less than 1 year	14	5,678,844	2,821,910		
Cash at bank and in hand		<u>2,101,677</u>	<u>3,017,432</u>		
		7,780,521	5,839,342		
Current liabilities	15	<u>(2,461,035)</u>	<u>(1,431,839)</u>		
Net current assets		5,319,486		4,407,503	
Total assets less current liabilities		<u>6,908,160</u>		<u>6,306,349</u>	
Non-current liabilities	16	-		(81,169)	
Net assets		<u>6,908,160</u>		<u>6,225,180</u>	
Equity					
Called up share capital	18	17,133		14,400	
Share premium account		3,934,070		3,922,070	
Capital redemption reserve		8,199		7,932	
Share option reserve		-		335,000	
Retained earnings		2,948,758		1,945,778	
Total equity		<u>6,908,160</u>		<u>6,225,180</u>	

The financial statements were approved by the board of directors and authorised for issue on 06/12/2021 and are signed for issue on its behalf by:

P Moross
Director

Company Registration No. 03795835

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Equity attributable to equity shareholders of the company						Non-controlling interests (NCI)	
	Called up share capital £	Share premium account £	Capital redemption reserve £	Share options reserve £	Retained earnings £	Total £	£	Total £
Balance at 1 July 2019	14,854	3,922,070	7,478	335,000	5,139,009	9,418,411	(356,746)	9,061,665
Year ended 30 June 2020								
Profit/(loss) for the financial year	-	-	-	-	395,888	395,888	(976,966)	(581,078)
Exchange differences arising on consolidation	-	-	-	-	164,419	164,419	-	164,419
Total comprehensive income/(loss)	-	-	-	-	560,307	560,307	(976,966)	(416,659)
Exercise of share options	-	-	-	-	-	-	-	-
Cancellation of shares	(454)	-	454	-	(436,475)	(436,475)	-	(436,475)
Grant of share options	-	-	-	-	(1,609,875)	(1,609,875)	390,297	(1,219,578)
Balance at 30 June 2020	14,400	3,922,070	7,932	335,000	3,652,966	7,932,368	(943,415)	6,988,953
Year ended 30 June 2021								
Profit/(loss) for the financial year	-	-	-	-	1,056,080	1,056,080	(722,334)	333,746
Exchange differences arising on consolidation	-	-	-	-	(681,075)	(681,075)	-	(681,075)
Total comprehensive income/(loss)	-	-	-	-	375,005	375,005	(722,334)	(347,329)
Cancellation of shares	(267)	-	267	-	(257,449)	(257,449)	-	(257,449)
Issue of new shares	3,000	12,000	-	-	-	15,000	-	15,000
Lapse of share options	-	-	-	(335,000)	335,000	-	-	-
Changes in minority interest	-	-	-	-	-	-	7,060,503	7,060,503
Balance at 30 June 2021	17,133	3,934,070	8,199	-	4,105,522	8,064,924	5,394,754	13,459,678

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Equity attributable to equity shareholders of the company					
	Called up share capital £	Share premium account £	Capital redemption reserve £	Share options reserve £	Retained earnings £	Total £
Balance at 1 July 2019	14,854	3,922,070	7,478	335,000	5,921,945	10,201,347
Year ended 30 June 2020						
Loss for the financial year	-	-	-	-	(3,539,692)	(3,539,692)
Total comprehensive loss	-	-	-	-	(3,539,692)	(3,539,692)
Cancellation of shares	(454)	-	454	-	(436,475)	(436,475)
Balance at 30 June 2020	14,400	3,922,070	7,932	335,000	1,945,778	6,225,180
Year ended 30 June 2021						
Profit for the financial year	-	-	-	-	925,429	925,429
Total comprehensive income	-	-	-	-	925,429	925,429
Cancellation of shares	(267)	-	267	-	(257,449)	(257,449)
Issue of new shares	3,000	12,000	-	-	-	15,000
Lapse of share options	-	-	-	(335,000)	335,000	-
Balance at 30 June 2021	17,133	3,934,070	8,199	-	2,948,758	6,908,160

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	Cash flow notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	1	2,260,689		1,083,227	
Investing activities					
Purchase of intangible fixed assets		(5,618,611)		(3,732,186)	
Purchase of property, plant and equipment		(5,369)		(41,552)	
Purchase of investments		(8,541,994)		(1,138,346)	
Proceeds from disposal of investments		791,222		526,755	
Return on investments		-		1,329,748	
Repurchase of shares		(257,449)		(436,475)	
Sale of investments		3,303,351		-	
Advance made to other parties		-		(399,416)	
Interest received		15,306		55,566	
Net cash used in investing activities		(10,313,544)		(3,835,906)	
Financing activities					
Proceeds from loans/advances		9,580,660		11,533,825	
Repayments of loans/advances		(288,808)		(6,727,011)	
Net cash generated from financing activities		9,291,852		4,806,814	
Net increase in cash and cash equivalents		1,238,997		2,054,135	
Cash and cash equivalents at the beginning of year		7,949,583		5,895,448	
Difference on foreign exchange		(524,228)		-	
Cash in acquired companies		1,327,092		-	
Cash and cash equivalents at the end of year		<u>9,991,444</u>		<u>7,949,583</u>	

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

	2021 £	2020 £
1 Reconciliation of operating profit/(loss) to cash used in operations		
Operating profit/(loss)	528,083	(1,500,090)
Adjustments for:		
Depreciation of property, plant and equipment	55,140	59,654
Amortisation of intangible fixed assets including goodwill and negative goodwill	1,872,182	1,217,913
Fair value adjustment of fixed asset investments	87,208	(87,208)
Loss from associate	-	38,095
Exchange differences on cash at bank and in hand	524,228	-
Exchange differences on consolidation	108,597	(148,442)
Decrease/(increase) in inventories	21,274	(123,285)
(Increase)/decrease in debtors	(2,230,854)	889,362
Increase in creditors	1,617,227	906,738
Income taxes received	36,721	38,584
Interest paid	(359,117)	(208,094)
Net cash inflow from operating activities	2,260,689	1,083,227

1.1 Analysis of changes in net debt

	1 July 2020 £	Cash flow £	Cash in acquired companies £	Other non-cash changes £	30 June 2021 £
Cash at bank and in hand	7,949,583	1,238,997	1,327,092	(524,228)	9,991,444

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Company information

Cutting Edge Music (Holdings) Limited (registration number 03795835) is a company limited by shares incorporated in England and Wales. The registered office is at Unit 9, First Floor Westworks, 195 Wood Lane, London, W12 7FQ.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the group.

Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 and 2.

At the time of approving the financial statements, the directors have a reasonable expectation that the company and the group has access to adequate resources to continue in operational existence for the foreseeable future. They have also considered the impact of the Covid-19 outbreak and do not believe this to have a material impact on going concern. Thus the directors continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

1.3 Basis of consolidation

The group financial statements include the audited financial statements of the company and of its subsidiary undertakings drawn up to 30 June 2021. The results of subsidiaries sold or acquired are included in the consolidated statement of comprehensive income up to, or from the date control passes. Intra-group sales and profits are eliminated in full on consolidation.

1.4 Revenue

Revenue represents amounts receivable for sales of records, consultancy, royalties, licencing fees charged and live event income during the year. Revenue is recognised at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Royalties receivable and the sale of rights to future income during the year are recognised on an accruals basis in accordance with amounts receivable as a result of intangible asset use during the year.

1.5 Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between three and twenty years. Provision is made for any impairment.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.5 Goodwill (continued)

Negative goodwill is similarly included in the consolidated statement of financial position and is credited to the income statement in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the income statement in the periods expected to benefit.

1.6 Intangible fixed assets - Software and copyrights

Software is written off over 3 years on a straight line basis.

Music copyrights intended for films are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives of 20 years, commencing on the first anniversary of the first royalty income being receivable for copyrights created in-house and 10-20 years from the date of acquisition or first release for copyrights that are acquired. Amortisation is credited or charged to the income statement under administrative expenses.

1.7 Intangible fixed assets - Development costs

Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised within administrative expenses so as to write off the cost on a systematic basis over its estimated useful economic life of 10 years.

Identifiable development expenditure is capitalised where there is expected to be a benefit to future periods, its technical, commercial and financial feasibility can be demonstrated and it can be reliably measured. All other development expenditure is recognised as an expense in the period in which it is incurred.

Where development costs are not yet ready for use they have not been amortised.

1.8 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of the assets less their residual values over their useful lives:

Land and buildings leasehold	- straight line over life of asset
Plant & machinery	- 20% reducing balance
Fixtures, fittings & equipment	- 20% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the income statement under administrative expenses.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.9 Non-current investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the income statement.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Interests in unlisted investments are measured at fair value through profit and loss, by reference to third party documentation.

1.10 Associates

In the group financial statements investments in associates are accounted for using the equity method. Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss and other comprehensive income of the associate. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates. In the company financial statements investments in associates are accounted for at cost less impairment.

1.11 Impairment of non-current assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated revaluation decrease.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.11 Impairment of non-current assets (continued)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

1.12 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where appropriate, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in the income statement.

1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

income statement.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and changes in fair value are recognised in the income statement.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.13 Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the income statement.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Classifications of financial liabilities

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's obligation are discharged, cancelled, or they expire.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.14 Equity Instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are off set when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.16 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.17 Share-based payments

The company has issued share options to certain employees of the group. Equity-settled share based payment transactions are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share based payment is expensed on a straight line basis over the vesting period, based on the group's estimate of the number of share options that will eventually vest.

1.18 Leases

Rentals payable or receivable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.19 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.20 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the opening rate ruling for the month in which the transaction occurred. All differences are taken to the income statement. The rate of exchange ruling at the statement of financial position date is used for translating into sterling the assets and liabilities of the overseas subsidiaries whilst the results and cash flows are translated at the average rate of exchange for the year. Exchange differences arising on consolidation are taken directly to reserves.

1.21 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.22 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.22 Judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Estimated useful lives of intangible assets

Intangible assets (copyrights) are amortised over their useful lives of 10 or 20 years.

Recoverability of debtors and other receivables

When assessing provisions against trade and other receivables, management consider a number of factors including the ageing profile of the receivables and historical information.

Accrued royalties payable

When estimating accrued royalties payable, management consider a number of factors including historical information and management's experience of such costs.

Recoverability of investments

When assessing provisions against investments, management consider a number of factors including the net assets or liabilities of the investment and analysis of future profitability.

2 Revenue

Segmental analysis by class of business

	2021	2020
	£	£
Music services	1,089,663	1,905,595
Asset management	20,370	241,843
Publishing/copyright administration	4,711,419	1,868,295
Record label income	10,157,170	8,614,929
Live event income	519,831	-
Total	16,498,453	12,630,662

Segmental analysis by geographical area

	2021	2020
	£	£
United Kingdom	1,466,212	1,809,057
Europe	5,173,600	4,172,216
North America & Rest of the World	9,858,641	6,649,389
Total	16,498,453	12,630,662

Segmental analysis by class of business

3 Other operating income

	2021	2020
	£	£
Coronavirus Job Retention Scheme	13,499	7,820
Paycheck Protection Programme	-	281,746
	13,499	289,566

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

4 Profit before taxation

	2021 £	2020 £
Profit is stated after charging/(crediting):		
Exchange losses	(478,683)	77,532
Auditors' remuneration		
- Audit	74,425	70,000
- Other services	20,600	10,000
Amortisation of goodwill	28,635	28,635
Amortisation of negative goodwill	(100,763)	(55,403)
Depreciation of owned property, plant and equipment	55,140	59,654
Amortisation of intangible assets	1,944,310	1,244,681
Gain/loss on disposal of fixed assets	(346,372)	104,875
Change in fair value of investments	87,208	(87,208)
Government grants	(13,499)	(289,566)
Operating lease charges		
- land and buildings	297,273	264,484
- other	3,403	5,470

Changes in fair value of investments are included in investment income.

Government grants are included in other operating income.

All other items are included in administrative expenses.

5 Profit for the financial year

The company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements.

The group profit for the financial year includes a profit of £925,429 (2020: loss of £3,539,692) which is dealt with in the financial statements of the company.

6 Employees

Number of employees

The average monthly number of employees (including directors) employed by the group during the year was:

	2021 Number	2020 Number
Operations	34	30
Administration	6	5
Finance	4	4
	<u>44</u>	<u>39</u>

Employment costs (excluding directors' emoluments)

	2021 £	2020 £
Salaries	3,147,756	2,360,965
Social security costs	268,928	389,384
	<u>3,416,684</u>	<u>2,750,349</u>

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

7	Directors' emoluments	2021 £	2020 £
	Emoluments for qualifying services	435,682	584,058
	Sums paid to third parties in respect of services	759,821	735,000
		<u>1,195,503</u>	<u>1,319,058</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

	£	£
Emoluments	<u>869,206</u>	<u>852,550</u>

8	Taxation	2021 £	2020 £
	Domestic current tax		
	UK corporation tax charge/(credit)	69,625	(55,448)
	Non UK tax charge	14,012	9,583
	Total tax	<u>83,637</u>	<u>(45,865)</u>

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2021 £	2020 £
Profit/(loss) before taxation	<u>417,383</u>	<u>(626,943)</u>
Expected tax debit based on the effective rate of corporation tax in the UK of 19% (2020 - 19%)	79,303	(119,119)
Effects of:		
Non deductible expenses	(1,978)	823,976
Tax-exempt (income)/expenditure	(65,424)	19,926
Enhanced expenditure	(36,690)	(73,334)
Depreciation	3,326	3,945
Capital allowances	(1,273)	(1,248)
Chargeable gains	50,239	182
Brought forward tax losses utilised	(201,332)	(167,496)
Prior year tax charge/(credit)	-	(3,700)
Current year tax credit	(26,985)	(51,748)
Losses utilised for R&D claim	36,690	67,808
Other tax effects	233,749	(554,640)
Foreign tax paid	14,012	9,583
Tax charge/(credit) for the year	<u>83,637</u>	<u>(45,865)</u>

The group has estimated UK tax losses of £3,100,000 (2020 - £3,400,000) available for carry forward against future profits.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

9 Goodwill and negative goodwill

Group	Goodwill	Negative goodwill	Total
	£	£	£
Cost			
At 1 July 2020	292,870	(555,619)	(262,749)
Additions	-	(1,436,606)	(1,436,606)
Disposals	-	-	-
At 30 June 2021	<u>292,870</u>	<u>(1,992,225)</u>	<u>(1,699,355)</u>
Amortisation			
At 1 July 2020	63,139	(56,991)	6,148
Charge for the year	28,635	(100,763)	(72,128)
Eliminated on disposals	-	-	-
At 30 June 2021	<u>91,774</u>	<u>(157,754)</u>	<u>(65,980)</u>
Carrying amount			
At 30 June 2021	<u>201,096</u>	<u>(1,834,471)</u>	<u>(1,633,375)</u>
At 30 June 2020	<u>229,731</u>	<u>(498,628)</u>	<u>(268,897)</u>

On 2nd March 2021, Cutting Edge Music Publishing Limited, a 75.19% owned subsidiary of Cutting Edge Music (Holdings) Limited, acquired 70% of the share capital of White Stork Music Ltd for £7,570,234.

The following assets and liabilities were recognised at the acquisition date:

	Note	Carrying value	Fair value Adjustment	Fair value
		£	£	£
Copyrights	(i)	-	12,114,695	12,114,695
Trade and other receivables		48,117	-	48,117
Cash at bank and in hand		1,233,820	-	1,233,820
Trade and other payables		(638,024)	-	(638,024)
Total identifiable net assets		<u>643,913</u>	<u>12,114,695</u>	<u>12,758,608</u>
Non-controlling interest on acquisition				(3,827,582)
Negative goodwill				(1,360,792)
Total				<u>7,570,234</u>

Adjustments were made on acquisition of the following:

(i) The uplift in value of intangible assets was based on an independent valuation.

The trading results for White Stork Music Ltd included within these financial statements were as follows: Revenue: £739,533, Loss before tax: £392,976.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

9 Goodwill and negative goodwill (continued)

On 30th June 2021, Conduct Inc, a 100% owned subsidiary of Cutting Edge Music (Holdings) Limited, acquired 100% of the share capital of Starr Score Holdings LLC for £742,022. Starr Score Holdings LLC owns 40% of the share capital of Caast Limited. In the prior year, Caast Limited was an associate through Conduct Inc who owned 37.96% of the share capital. Caast Limited is now a 77.96% subsidiary.

Caast Limited owns 100% of the share capital of Caast US Inc.

The following assets and liabilities of these companies were recognised at the acquisition date:

	Starr Score Holdings LLC £	Caast Limited £	Caast US Inc £
Trade and other receivables	722,272	4,157	3,330
Cash at bank and in hand	93,272	-	-
Trade and other payables	(3,545)	-	-
Total identifiable net assets	<u>811,999</u>	<u>4,157</u>	<u>3,330</u>
Non-controlling interest on acquisition			(1,650)
Negative goodwill			(75,814)
Total			<u><u>742,022</u></u>

No fair value adjustments were made on the acquisition of these subsidiaries.

The trading results for each company included within these financial statements were as follows:

Revenue: £nil, Loss before tax: £nil.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

10 Intangible assets

10.1 Group	Software £	Copyrights £	Development Costs £	Total £
Cost				
At 1 July 2020	809,817	11,369,181	638,400	12,817,398
Additions	135,286	4,483,325	1,000,000	5,618,611
Addition of subsidiary	-	12,114,695	-	12,114,695
Difference on exchange	-	(919,170)	-	(919,170)
At 30 June 2021	<u>945,103</u>	<u>27,048,031</u>	<u>1,638,400</u>	<u>29,631,534</u>
Amortisation				
At 1 July 2020	555,550	1,508,808	-	2,064,358
Charge for the year	162,216	1,782,094	-	1,944,310
Difference on exchange	-	(128,610)	-	(128,610)
At 30 June 2021	<u>717,766</u>	<u>3,162,292</u>	<u>-</u>	<u>3,880,058</u>
Carrying amount				
At 30 June 2021	<u>227,337</u>	<u>23,885,739</u>	<u>1,638,400</u>	<u>25,751,476</u>
At 30 June 2020	<u>254,267</u>	<u>9,860,373</u>	<u>638,400</u>	<u>10,753,040</u>

10.2 Company

	Copyrights £
Cost	
At 1 July 2020	190,683
Additions	-
At 30 June 2021	<u>190,683</u>
Amortisation	
At 1 July 2020	2,478
Charge for the year	(2,478)
At 30 June 2021	<u>-</u>
Carrying amount	
At 30 June 2021	<u>190,683</u>
At 30 June 2020	<u>188,205</u>

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

11 Property, plant and equipment

11.1 Group

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 July 2020	69,503	24,674	267,010	361,187
Additions	-	200	5,169	5,369
Difference on exchange	-	-	(27,563)	(27,563)
At 30 June 2021	<u>69,503</u>	<u>24,874</u>	<u>244,616</u>	<u>338,993</u>
Depreciation				
At 1 July 2020	15,314	9,326	142,590	167,230
Charge for the year	5,442	4,209	45,489	55,140
Difference on exchange	-	-	(22,600)	(22,600)
At 30 June 2021	<u>20,756</u>	<u>13,535</u>	<u>165,479</u>	<u>199,770</u>
Carrying amounts				
At 30 June 2021	<u>48,747</u>	<u>11,339</u>	<u>79,137</u>	<u>139,223</u>
At 30 June 2020	<u>54,189</u>	<u>15,348</u>	<u>124,420</u>	<u>193,957</u>

11.2 Company

	Leasehold improvements £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 July 2020	69,503	16,908	64,295	150,706
Additions	-	200	-	200
Disposals	-	-	-	-
At 30 June 2021	<u>69,503</u>	<u>17,108</u>	<u>64,295</u>	<u>150,906</u>
Depreciation				
At 1 July 2020	15,314	6,279	25,333	46,926
Charge for the year	5,442	2,866	7,779	16,087
Eliminated on disposals	-	-	-	-
At 30 June 2021	<u>20,756</u>	<u>9,145</u>	<u>33,112</u>	<u>63,013</u>
Carrying amounts				
At 30 June 2021	<u>48,747</u>	<u>7,963</u>	<u>31,183</u>	<u>87,893</u>
At 30 June 2020	<u>54,189</u>	<u>10,629</u>	<u>38,962</u>	<u>103,780</u>

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

12 Fixed asset investments

12.1 Group

	Investment in associates £	Unlisted investments £	Listed investments £	Total £
Cost				
At 1 July 2020	38,145	8	444,684	482,837
Additions	-	229,973	-	229,973
Disposals	-	-	(444,684)	(444,684)
At 30 June 2021	<u>38,145</u>	<u>229,981</u>	<u>-</u>	<u>268,126</u>
Fair value adjustment				
At 1 July 2020	38,145	-	(87,208)	(49,063)
Fair value adjustment on disposal	-	-	87,208	87,208
At 30 June 2021	<u>38,145</u>	<u>-</u>	<u>-</u>	<u>38,145</u>
Carrying amounts				
At 30 June 2021	<u>-</u>	<u>229,981</u>	<u>-</u>	<u>229,981</u>
At 30 June 2020	<u>-</u>	<u>8</u>	<u>531,892</u>	<u>531,900</u>

12.2 Company

	Investment in associates £	Shares in group undertakings £	Unlisted investments £	Listed investments £	Total £
Cost					
At 1 July 2020	38,096	1,036,873	-	531,892	1,606,861
Additions	-	273,277	190,409	-	463,686
Disposals	-	-	-	(444,684)	(444,684)
Fair value adjustment on disposal	-	-	-	(87,208)	(87,208)
Impairment of investment	(38,096)	(190,461)	-	-	(228,557)
At 30 June 2021	<u>-</u>	<u>1,119,689</u>	<u>190,409</u>	<u>-</u>	<u>1,310,098</u>
Carrying amounts					
At 30 June 2021	<u>-</u>	<u>1,119,689</u>	<u>190,409</u>	<u>-</u>	<u>1,310,098</u>
At 30 June 2020	<u>38,096</u>	<u>1,036,873</u>	<u>-</u>	<u>531,892</u>	<u>1,606,861</u>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount in the company statement of financial position.

Listed investments have been revalued at the reporting date in line with market values.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

12 Fixed asset investments (continued)

12.3 Subsidiaries

Details of the company's subsidiaries at 30 June 2021 are as follows:

Name of Company	Country of registration or incorporation	Shares Held Class	%	Principal activity
* Cutting Edge Music Services Ltd	UK	Ordinary	100	Music Supervision for UK projects
✓ * CEG Analytics Limited	UK	Ordinary	60	Music software development and consultancy
EZ Music Holdings LLC	US	Ordinary	100	Exploitation of film rights and copyrights
Cutting Edge Music Services LLC	US	Ordinary	100	Music Supervision
* AE2 Music Limited	UK	Ordinary	100	Exploitation of music rights and copyrights
Conduct Inc.	US	Ordinary	100	Management and advisory services
Starr Score Holdings LLC	US	Ordinary	100	Exploitation of music rights and copyrights
* Caast Limited	UK	Ordinary	78	Holding company of Caast US Inc
Caast US Inc	US	Ordinary	78	Music software development
Cord US LLC	US	Ordinary	100	Music consultancy
Supe Troop LLC	US	Ordinary	100	Music supervision
Cutting Edge Music Publishing Limited	UK	Ordinary	75	Exploitation of music rights and copyrights
Real Music Acquisitions Inc.	US	Ordinary	75	Holding company of Earthsea Management Inc.
Earthsea Management Inc.	US	Ordinary	75	Record label, releases and exploits music rights and copyrights
Soundtrack Records Inc.	US	Ordinary	75	Record label, releases and exploits music rights and copyrights
* MFCE Entertainment (Holdings) Limited	UK	Ordinary B	50	Entertainment rights and production
* MFCE Productions Limited	UK	Ordinary	50	Live production
Broadway Records Inc.	US	Ordinary	75	Holding company of Broadway Records LLC
Broadway Records LLC	US	Ordinary	75	Record label, releases and exploits music rights and copyrights
* CEG Media Music Limited	UK	Ordinary	75	Exploitation of music rights and copyrights
* White Stork Music Ltd	UK	A Ordinary	53	Music composition and production

The UK subsidiaries have the same registered office as the parent company apart from MFCE Productions Limited which has a registered office of 5th Floor, 104 Oxford Street, Fitzrovia, London, W1D 1LP.

* These subsidiaries took advantage of the exemption from audit under section 479A of the Companies Act 2006. X

The registered office of the US subsidiaries is 9100 Wilshire Boulevard, 455E, Beverley Hills, California, 90212.

Although Cutting Edge Music (Holdings) Limited only owns 50% of MFCE Entertainment (Holdings) Limited, Cutting Edge Music (Holdings) Limited has the casting vote over financial decisions and therefore the directors deem that Cutting Edge Music (Holdings) Limited has control over MFCE Entertainment (Holdings) Limited.

MFCE Entertainment (Holdings) Limited owns 100% of the share capital of MFCE Productions Limited.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

12 Fixed asset investments (continued)

12.4 Associates

Details of the company's associates at 30 June 2021 are as follows:

Name of Company	Country of registration or incorporation	Class	Shares Held %
LotD Holding Ltd (dormant)	Liechtenstein	Ordinary	50

The company has not begun trading.

LotD Holding Limited has a registered office of Meierhofstrasse 5, 9490 Vaduz, Liechtenstein.

13 Inventories

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Finished goods and goods for resale	179,818	201,092	-	-
	<u>179,818</u>	<u>201,092</u>	<u>-</u>	<u>-</u>

14 Trade and other receivables less than 1 year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade receivables	2,733,702	1,355,421	55,278	64,476
Amounts owed by subsidiaries	-	-	4,010,416	1,024,066
Other receivables	1,242,629	699,988	24,093	77,777
Prepayments and accrued income	3,374,999	2,169,632	1,589,057	1,655,591
	<u>7,351,330</u>	<u>4,225,041</u>	<u>5,678,844</u>	<u>2,821,910</u>

Trade and other receivables more than 1 year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade receivables	-	141,849	-	-
Prepayments and accrued income	369,986	376,932	-	-
	<u>369,986</u>	<u>518,781</u>	<u>-</u>	<u>-</u>

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

15 Current liabilities

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank loans (secured) and overdrafts	603,409	343,143	-	-
Trade payables	1,864,696	627,963	120,323	110,048
Amounts owed to subsidiary undertakings	-	-	1,156,223	36,526
Amounts owed to associate undertakings	-	4,476	-	4,476
Corporation tax	230,600	-	-	-
Other taxes and social security	175,703	26,378	100,861	22,356
Other payables	693,550	676,611	13,356	277,512
Accruals and deferred income	8,151,930	5,940,220	1,070,272	980,921
	<u>11,719,888</u>	<u>7,618,791</u>	<u>2,461,035</u>	<u>1,431,839</u>

16 Non-current liabilities

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank loans (secured)	17,200,317	9,415,584	-	-
Other payables	-	81,169	-	81,169
	<u>17,200,317</u>	<u>9,496,753</u>	<u>-</u>	<u>81,169</u>

At the balance sheet date Cutting Edge Music Publishing Limited had 2 loans with Pinnacle Bank. The 'Principal' loan of \$3,600,000 is repayable over the period until 9 June 2025. The 'Revolving' loan of \$21,000,000 is repayable on 9 June 2025.

The rate of interest on the loans is the Prime Rate (Wall Street Journal).

The loan is secured over the assets of Cutting Edge Music Publishing Limited and its subsidiaries.

During the year Cutting Edge Music Publishing Limited has increased its loan facility with Pinnacle Bank to \$40,000,000 which is comprised of \$8,000,000 for the 'Principal' loan and \$32,000,000 for the 'Revolving' loan.

17 Retirement benefit schemes

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the schemes are held separately from those of the group in independently administered funds.

The charge to the income statement in respect of defined contribution pension schemes was £10,610 (2020 - £12,286) of which £817 (2020 - £885) was unpaid at 30 June 2021.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

18	Share capital	2021 £	2020 £
	Ordinary share capital		
	Issued and fully paid		
	14,133 Ordinary shares of £1 each (2020 - 14,400)	14,133	14,400
	3,000 Ordinary B shares of £1 each (2020 - nil)	3,000	-
		<u>17,133</u>	<u>14,400</u>

On 5 August 2020 98 Ordinary shares were repurchased for £94,495 and subsequently cancelled.

On 19 August 2020 a further 98 Ordinary shares were repurchased for £94,495 and subsequently cancelled.

On 2 October 2020 71 Ordinary shares were repurchased for £68,460 and subsequently cancelled.

On 16 November 2020 3000 Ordinary B shares were issued for total consideration of £15,000.

All shares have attached to them full voting rights, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

18.1 Share premium

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses.

18.2 Capital redemption reserve

The capital redemption reserve is a non distributable reserve representing the nominal value of shares which have been repurchased.

18.3 Retained earnings - Group

The retained earnings reserve represents the company's and the subsidiaries' relevant proportion of cumulative profits and losses, net of the parent company's dividends paid and other adjustments.

18.4 Retained earnings - Parent company

The retained earnings reserve represents cumulative profits and losses, net of dividends paid and other adjustments.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

19 Share-based payments

The company has granted options to employees of the group to subscribe for ordinary shares in Cutting Edge Music (Holdings) Limited. A summary of the principal terms and conditions of all options that existed during the year is as follows:

Granted to UK employees under the terms of an Enterprise Management Incentive scheme.

Grant date	Brought forward	Granted	Lapsed	Exercised	Carried forward	Vested at 30 June 2021	Number of employees	Exercise price
28.03.2013	386	-	(386)	-	-	-	2	£390.00
28.03.2013	150	-	-	-	150	150	2	£400.00
24.08.2016	200	-	-	-	200	200	2	£390.00
01.12.2016	330	-	-	-	330	330	1	£390.00

Qualifying options granted to non qualifying employees.

28.03.2013	200	-	-	-	200	200	1	£400.00
16.05.2013	400	-	-	-	400	400	1	£400.00
10.09.2015	330	-	-	-	330	330	1	£390.00
18.02.2019	581	-	(581)	-	-	-	2	£390.00

The principal conditions of all of the options are that they are exercisable by the option holder for up to ten years from the option-vesting date provided that the employee remains in employment within the group.

Options are split between those which vest immediately on grant and those which vest in equal proportions over three years from the grant date.

During the year a total of 967 options lapsed.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

20 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Within one year - land and buildings	337,428	379,277	62,400	62,400
Within one year - other	-	3,729	-	-
Between two and five years - land and buildings	321,900	621,629	249,600	249,600
After five years - land and buildings	91,000	153,400	91,000	153,400
	<u>750,328</u>	<u>1,158,035</u>	<u>403,000</u>	<u>465,400</u>

Lessor

At the reporting end date the group had contracted with tenants for the following minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Within one year - land and buildings	47,362	56,745	-	-
Between two and five years - land and buildings	-	62,760	-	-
	<u>47,362</u>	<u>119,505</u>	<u>-</u>	<u>-</u>

21 Related party disclosures

Group

The group has taken advantage of the exemption available in accordance with section 33.1A of Financial Reporting Standard 102 whereby it has not disclosed transactions between the parent and any wholly owned subsidiary.

CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

21 Related party disclosures (continued)

At 30 June 2021 the group had the following balances with related parties:

	2021 £	2020 £
Amounts due to associates	-	4,476

During the year there was no income (2020: £Nil) received from associates.

Company

During the year the following transactions were undertaken in the normal course of the business, with companies in which Cutting Edge Music (Holdings) Limited is the ultimate controlling party:

	2021 £	2020 £
Management fees charged to subsidiaries	2,912,975	250,000
Expense recognised in respect of bad or doubtful debts due from subsidiaries	350,887	-

At 30 June 2021 the company had the following balances with related parties:

	2021 £	2020 £
Amounts due from subsidiaries	3,155,971	218,707
Provision on amounts due from subsidiaries	(834,324)	-
Amounts due to subsidiaries	870,802	-
Amounts due to associates	-	4,476
Amounts due from connected companies	-	8,153

21.1 Entitles that provide key management personnel to Cutting Edge Music (Holdings) Limited

An amount of £759,821 (2020: £735,000) was payable to Waterford Property Investments Limited, a company in which P Moross has a material interest.

22 Key management personnel

Key management personnel are considered to be the directors only. Disclosure of their compensation has been included within the directors' emoluments note.

23 Control

At the statement of financial position date P Moross was regarded as the company's ultimate controlling party.



CUTTING EDGE MUSIC (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

24 Events after the reporting date

Disposal of subsidiary

After the balance sheet date, Cutting Edge Music Publishing Limited disposed all of its shares in CEG Media Music Limited to a company with common directors.