

Company registration number 11434244 (England and Wales)

CUTTING EDGE MUSIC PUBLISHING LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

CUTTING EDGE MUSIC PUBLISHING LIMITED

COMPANY INFORMATION

Directors	D Blumenthal T R Hegarty A D Ross J F Mighell
Secretary	J D Moross
Company number	11434244
Registered office	Westworks White City Place London W12 7FQ
Auditor	Wilson Wright LLP Chartered Accountants 5 Fleet Place London EC4M 7RD

CUTTING EDGE MUSIC PUBLISHING LIMITED

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CUTTING EDGE MUSIC PUBLISHING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present the strategic report for the year ended 30 June 2022.

Principal activities

The principal activities of the Company 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.

Cutting Edge Music Publishing Limited ("CEMP") has grown by investing in artists and repertoire (A&R), along with sales and marketing initiatives to generate income from their assets, and by executing a "roll up " strategy coupled with organic growth, CEMP should see significant multiple expansion and an increase in the value of CEMP's assets.

Consumers find it easier than ever before to access music via the ever expanding distribution channels that are available. This has provided a tail wind for the rights owners demonstrated by the fact that revenue from recorded music grew 9% in the first half of 2022. This coupled with the general view that music royalties are a "non correlated" asset class have motivated significant Institutional investors to continue to have an interest in owning these rights. Fewer deals are being done and valuations are generally more sensible, but there is a short supply of larger catalogues.

During the year a YouTube Content Manager Studio (CMS) was acquired with a strategy to increase distribution channels for CEMP's existing music copyrights

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 new acquisitions.

Principal risks and uncertainties

The Company 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 Company 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.

Key performance indicators

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

Revenue analysed by class of business

	2022 £000's	2021 £000's
Royalty income	2,179	1,431
Licensing	17	1
Management recharges	700	596
	<u>2,896</u>	<u>2,028</u>

CUTTING EDGE MUSIC PUBLISHING LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

Revenue analysed by geographical market

	2022 £000's	2021 £000's
United Kingdom	701	597
Europe	2,161	1,431
United States	34	-
	<hr/>	<hr/>
	2,896	2,028
	<hr/>	<hr/>
	2022	2021
Gross profit margin	41%	46%

On behalf of the board

A D Ross
Director

22 March 2023

CUTTING EDGE MUSIC PUBLISHING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2022

The directors present their annual report and financial statements for the year ended 30 June 2022.

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Preference dividends were paid amounting to £731,953.

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	(Resigned 14 March 2022)
D Blumenthal	
T R Hegarty	
A D Ross	
J F Mighell	

Post reporting date events

After the balance sheet date, Cutting Edge Music Publishing Limited acquired a music copyright catalogue for consideration of approximately £4,900,000.

Future developments

There have been no significant changes in the company's principal activities since the date of the statement of financial position.

Auditor

In accordance with the company's articles, a resolution proposing that Wilson Wright LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of directors' responsibilities

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 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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

CUTTING EDGE MUSIC PUBLISHING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

Strategic report

The strategic report contains details of the principal activities of the Company and includes a business review which provides information on the development of the Company's business during the year, together with details of the risks and uncertainties that affect the Company's business.

Statement of disclosure to auditor

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 auditor is 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 auditor is aware of that information.

On behalf of the board

A D Ross

Director

22 March 2023

CUTTING EDGE MUSIC PUBLISHING LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CUTTING EDGE MUSIC PUBLISHING LIMITED

Opinion

We have audited the financial statements of Cutting Edge Music Publishing Limited (the 'company') for the year ended 30 June 2022 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 company's affairs as at 30 June 2022 and of its profit 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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.

CUTTING EDGE MUSIC PUBLISHING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CUTTING EDGE MUSIC PUBLISHING LIMITED

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the failure to comply with tax regulations, 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 fraud manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the auditors included:

- discussions with the director, 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 intangibles, 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 limitations 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 is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

CUTTING EDGE MUSIC PUBLISHING LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CUTTING EDGE MUSIC PUBLISHING LIMITED

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Warren Baker FCA (Senior Statutory Auditor)

For and on behalf of Wilson Wright LLP

Chartered Accountants and Statutory Auditor

5 Fleet Place

London

EC4M 7RD

23 March 2023

CUTTING EDGE MUSIC PUBLISHING LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 £	2021 £
Revenue	3	2,896,451	2,028,216
Cost of sales		(1,702,319)	(1,105,061)
Gross profit		1,194,132	923,155
Administrative expenses		(1,678,310)	(617,340)
Operating (loss)/profit	4	(484,178)	305,815
Investment income	8	1,367,262	157,053
Finance costs	9	(764,816)	(383,905)
Profit before taxation		118,268	78,963
Tax on profit	10	-	-
Profit for the financial year		118,268	78,963

CUTTING EDGE MUSIC PUBLISHING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	2022 £	2021 £
Profit for the year	118,268	78,963
Other comprehensive income	-	-
Total comprehensive income for the year	<u>118,268</u>	<u>78,963</u>

CUTTING EDGE MUSIC PUBLISHING LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	2022 £	£	2021 £	£
Non-current assets					
Intangible assets	12	1,364,070		1,342,682	
Investments	13	7,570,365		7,570,465	
			8,934,435		8,913,147
Current assets					
Trade and other receivables	15	18,776,985		10,631,693	
Cash and cash equivalents		770,516		3,726,101	
		19,547,501		14,357,794	
Current liabilities	16	(4,786,591)		(2,353,939)	
Net current assets			14,760,910		12,003,855
Total assets less current liabilities			23,695,345		20,917,002
Non-current liabilities	17	(20,592,345)		(17,200,317)	
Net assets			3,103,000		3,716,685
Equity					
Called up share capital	19	1,330		1,330	
Share premium account		3,560,405		3,560,405	
Retained earnings		(458,735)		154,950	
Total equity			3,103,000		3,716,685

The financial statements were approved by the board of directors and authorised for issue on 22 March 2023 and are signed on its behalf by:

A D Ross
Director

Company Registration No. 11434244

CUTTING EDGE MUSIC PUBLISHING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Notes	Share capital £	Share premium account £	Retained earnings £	Total £
Balance at 1 July 2020		108	-	75,987	76,095
Year ended 30 June 2021:					
Profit and total comprehensive income for the year		-	-	78,963	78,963
Issue of share capital	19	1,222	3,560,405	-	3,561,627
Balance at 30 June 2021		1,330	3,560,405	154,950	3,716,685
Year ended 30 June 2022:					
Profit and total comprehensive income for the year		-	-	118,268	118,268
Dividends	11	-	-	(731,953)	(731,953)
Balance at 30 June 2022		1,330	3,560,405	(458,735)	3,103,000

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

Company information

Cutting Edge Music Publishing Limited is a private company limited by shares incorporated in England and Wales. The registered office is Westworks, White City Place, 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 company. 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.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

Cutting Edge Music Publishing Limited is a subsidiary of Cutting Edge Group Limited and the results of Cutting Edge Music Publishing Limited are included in the consolidated financial statements of Cutting Edge Group Limited. These consolidated financial statements are available from its registered office, Unit 9, First Floor, Westworks, 195 Wood Lane, London, England, W12 7FQ.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

The Company's business activities, together with 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 has adequate resources to continue in operational existence for the foreseeable future.

1.3 Revenue

Revenue comprises royalties receivable and licensing income. Revenue is recognised at the fair value of the consideration received or receivable for rights 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.

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is provided at the following rate:

Music copyrights	5% straight line commencing on the first anniversary of the first royalty income being receivable for copyrights created in-house and from the date of acquisition for copyrights that are acquired
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1.5 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.

1.6 Impairment of non-current assets

At each reporting period end date, the company reviews the carrying amounts of its investments 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.7 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.

1.8 Financial instruments

The company 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 company's statement of financial position when the company 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.

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 using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

Classification 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 company 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. Amounts 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 using the effective interest method.

1.9 Equity instruments

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

1.10 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 company'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.

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 offset when the company 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.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

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 company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

1 Accounting policies

(Continued)

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the company'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.

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 estimated useful lives of 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.

3 Revenue

	2022	2021
	£	£
Revenue analysed by class of business		
Royalty income	2,178,976	1,431,060
Licensing	17,475	947
Management recharges	700,000	596,209
	<u>2,896,451</u>	<u>2,028,216</u>

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

3	Revenue	(Continued)	
		2022	2021
		£	£
	Revenue analysed by geographical market		
	United Kingdom	701,244	597,156
	Europe	2,161,203	1,431,060
	United States	34,004	-
		<u>2,896,451</u>	<u>2,028,216</u>
4	Operating (loss)/profit	2022	2021
		£	£
	Operating (loss)/profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	1,031,759	(134,114)
	Amortisation of intangible assets	84,307	75,540
	Operating lease charges	14,690	14,690
		<u>1,130,756</u>	<u>(1,903,984)</u>
5	Auditor's remuneration	2022	2021
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the company	27,800	10,000
		<u>27,800</u>	<u>10,000</u>
6	Employees		
	The average monthly number of persons (including directors) employed by the company during the year was:		
		2022	2021
		Number	Number
	Administration	5	5
		<u>5</u>	<u>5</u>
	Their aggregate remuneration comprised:		
		2022	2021
		£	£
	Wages and salaries	37,236	36,592
		<u>37,236</u>	<u>36,592</u>
7	Directors' remuneration	2022	2021
		£	£
	Remuneration for qualifying services	10,000	9,356
		<u>10,000</u>	<u>9,356</u>

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

8 Investment income

	2022 £	2021 £
Interest income		
Interest receivable from group companies	195,321	157,053
Other interest income	339,612	-
Total interest revenue	534,933	157,053
Income from fixed asset investments		
Income from shares in group undertakings	832,329	-
Total income	1,367,262	157,053

9 Finance costs

	2022 £	2021 £
Interest on bank overdrafts and loans	764,816	383,905

10 Taxation

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	118,268	78,963
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	22,471	15,003
Tax effect of expenses that are not deductible in determining taxable profit	729	27,842
Tax effect of income not taxable in determining taxable profit	(158,142)	-
Group relief	134,942	(42,845)
Taxation charge for the year	-	-

11 Dividends

	2022 £	2021 £
Final paid	731,953	-

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

12 Intangible fixed assets

	Music copyrights
	£
Cost	
At 1 July 2021	1,526,468
Additions	105,695
	<u>1,632,163</u>
At 30 June 2022	1,632,163
Amortisation and impairment	
At 1 July 2021	183,786
Amortisation charged for the year	84,307
	<u>268,093</u>
At 30 June 2022	268,093
Carrying amount	
At 30 June 2022	<u>1,364,070</u>
At 30 June 2021	<u>1,342,682</u>

13 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	14	<u>7,570,365</u>	<u>7,570,465</u>
Movements in non-current investments			
			Shares in subsidiaries £
Cost or valuation			
At 1 July 2021			7,570,465
Disposals			(100)
			<u>7,570,365</u>
At 30 June 2022			7,570,365
Carrying amount			
At 30 June 2022			<u>7,570,365</u>
At 30 June 2021			<u>7,570,465</u>

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2022 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held	
			Direct	Indirect
White Stork Music Ltd	UK	A Ordinary	70.00	-
Cutting Edge Media Music Limited	UK	Ordinary	100.00	-
Soundtrack Records Inc	US	Ordinary	100.00	-
Broadway Records Inc	US	Ordinary	100.00	-
Broadway Records LLC	US	Ordinary	0	100.00
Real Music Acquisitions Inc	US	Ordinary	100.00	-
Earthsea Management Inc	US	Ordinary	0	100.00

The UK subsidiaries have the same registered office as the parent company.

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

15 Trade and other receivables

	2022 £	2021 £
Amounts falling due within one year:		
Trade receivables	541,309	541,617
Amounts owed by group undertakings	11,508,910	9,202,478
Other receivables	1,151,717	363,393
Prepayments and accrued income	692,027	524,205
	<u>13,893,963</u>	<u>10,631,693</u>
	2022 £	2021 £
Amounts falling due after more than one year:		
Other receivables	4,883,022	-
	<u>4,883,022</u>	<u>-</u>
Total debtors	<u>18,776,985</u>	<u>10,631,693</u>

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

16 Current liabilities

	Notes	2022 £	2021 £
Bank loans - secured	18	773,167	603,042
Trade payables		19,664	19,363
Amounts owed to group undertakings		2,917,199	728,084
Taxation and social security		615	582
Other payables		650	584
Accruals and deferred income		1,075,296	1,002,284
		<u>4,786,591</u>	<u>2,353,939</u>

17 Non-current liabilities

	Notes	2022 £	2021 £
Bank loans - secured	18	<u>20,592,345</u>	<u>17,200,317</u>

18 Borrowings

	2022 £	2021 £
Bank loans	<u>21,365,512</u>	<u>17,803,359</u>
Payable within one year	773,167	603,042
Payable after one year	<u>20,592,345</u>	<u>17,200,317</u>

At the balance sheet date Cutting Edge Music Publishing Limited had 2 loans with Pinnacle Bank. The 'Principal' loan of \$7,400,000 is repayable over the period until 9 June 2025. The 'Revolving' loan of \$18,356,790 is repayable on 9 June 2025.

The rate of interest on the loans is the greater of the Prime Rate (Wall Street Journal) or 3.5%.

The loan is secured over the assets of Cutting Edge Music Publishing Limited and its subsidiaries by way of a fixed and floating charge over the companies' assets.

At the reporting date, the loan facility with Pinnacle Bank remained at \$40,000,000 which is comprised of \$8,000,000 for the 'Principal' loan and \$32,000,000 for the 'Revolving' loan.

During the year Cutting Edge Music Publishing Limited drew down an additional \$1,856,790 in funding.

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2022

19 Share capital

	2022 Number	2021 Number	2022 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Preference share capital Issued and fully paid				
Preference Shares of £1 each	330	330	330	330
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Preference shares classified as equity			330	330
			<u> </u>	<u> </u>
Total equity share capital			1,330	1,330
			<u> </u>	<u> </u>

All shares have attached to them full voting rights and rights to a dividend distribution; they do not confer any rights of redemption.

20 Events after the reporting date

After the balance sheet date, Cutting Edge Music Publishing Limited acquired a music copyright catalogue for consideration of approximately £4,900,000.

21 Related party transactions

At the reporting date £1,492,486 (2021 - £861,030) was due from the parent company.

At the reporting date £949,863 (2021 - £450,000) was due from its subsidiary company which is not a wholly owned subsidiary.

At the reporting date £508 (2021 - £nil) was due from fellow group companies.

At the reporting date £440,655 (2021 - £109,001) was due to fellow group companies which are not wholly owned subsidiaries.

At the reporting date £5,222,633 (2021 - £nil) was due from Music Holdings Ltd, a company in which Cutting Edge Group Limited has a minority interest.

During the year fees amounting to £700,000 (2021 - £450,000) were charged in the normal course of business to its subsidiary companies.

An amount of £16,667 (2021 - £nil) was payable to Cherry Pick Monaco SARL, a company in which P Moross has a material interest.

The company has taken advantage of the exemption available in accordance with Section 33.1A of Financial Reporting Standard 102 whereby it has not disclosed transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.

CUTTING EDGE MUSIC PUBLISHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2022

22 Ultimate controlling party

The directors consider the immediate parent undertaking to be Cutting Edge Group Limited.

The directors consider the ultimate parent undertaking to be Cutting Edge Group Limited. Cutting Edge Group Limited is the smallest and largest group for which consolidated accounts including Cutting Edge Music Publishing Limited are prepared. These consolidated financial statements are available from its registered office, Unit 9, First Floor, Westworks, 195 Wood Lane, London, England, W12 7FQ.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.