

• **Go Your Own Way** • Don't Stop Believin' • **Something Just Like This** • Shape Of You • **Closer** • Girls Like You • **Don't Let Me Down** • Castle on the Hill • **Sweet Dreams (Are Made Of This)** • Whatever It Takes • **New Rules** • **The Middle** • Havana • **In My Blood** • What About Us • **Love Yourself** • There's Nothing Holdin' Me Back • **No Tears Left To Cry** • High Hopes • **Look What You Made Me Do** • **Under The Bridge** • Beautiful Trauma • **Treat You Better** • What Lovers Do • **Uptown Funk!** • Photograph • **Happier** • Youngblood • **Separate Ways (Worlds Apart)** • Faithfully • **Breathin** • Single Ladies (Put A Ring On It) • **Love Shack** • **Californication** • Memories • **Don't Stop** • Livin' On A Prayer • **Sorry** • Wanted Dead Or Alive • **Royals** • Black Hole Sun • **Any Way You Want It** • God Is A Woman • **Señorita** • River • **Locked Out Of Heaven** • These Days • **All I Want For Christmas Is You** • The Chain • **Roses** • Shallow • **Otherside** • Scar Tissue • **Whenever, Wherever** • Young Dumb & Broke • **Sick Boy** • Let It Go • **Me Enamoré** • Supermarket Flowers • **Paris** • Your Love • **Want To Want Me** • **Break Up With Your Girlfriend, I'm Bored** • Bad Romance • **Smooth** • Umbrella • **In Da Club** • Dark Necessities • **A Thousand Years** • Set Fire To The Rain • **Super Freak** • Skin • **Bangarang** • Chantaje • **Holiday Road** • Snow (Hey Oh) • **Can't Stop** • U Can't Touch This • **Close To Me** • Green Light • **Galway Girl** • Dani California • **Baby** • Feels • **Poker Face** • You Need To Calm Down • **Higher Love** • Rockabye • **Hey, Soul Sister** • I Don't Wanna Live Forever (Fifty Shades Darker) • **It Ain't Me** • #SELFIE • **We Are Young** • Stone In Love • **All Time Low** • Best Of Me • **Story Of My Life** • It's My Life • **You Give Love A Bad Name** • Hero • **Wolves** • Just The Way You Are • **What Makes You Beautiful** • Give It Away • **Don't Get Me Wrong** • HandClap • **Great Are You Lord** • **When I Was Your Man** • **What Do You Mean?** • Waka Waka (This Time for Africa) • **Candy Shop** • **Mama** • **Marry You** • **For You (Fifty Shades Freed)** • **Judas** • **So Far Away** • **Don't Wanna Know** • **Now Or Never** • Lost In Japan • **Hey Look Ma, I Made It** • DJ Got Us Fallin' In Love • **Stitches** • All We Know • **Barracuda** • Heart Of Glass • **Wait** • Torn • **Live In The Moment** • Here Comes The Rain Again • **Hips Don't Lie** • Lonely Together • **Let's Stay Together** • **Treasure** • Beautiful Now • **Wheel in the Sky** • **Hearts Don't Break Around Here** • Despacito - Remix • **Brass In Pocket (I'm Special)** • We Are Family • **2000 Miles** • P.I.M.P. • **Give It To Me Baby** • Hurt Somebody • **Message Of Love** • Suga Suga • **Wrecking Ball** • Look What God Gave Her • **La Tortura** • I Predict A Riot • **Naked** • Just Give Me A Reason • **Anywhere** • Team • **Heart Of Gold** • Old Man • **Needed Me** • Bad To The Bone • **Blame** • Love My Life • **Go Robot** • Big Love • **Private Idaho** • Kickstart My Heart • **Brave** • Love You Like A Love Song • **Just Dance** • Never Going Back Again • I Like It • I Only Want to Be With You • **Familiar** • Titanium • **Roar** • Graveyard • **Hot In Herre** • Songbird • **Drive By** • Second Hand News • **Life Changes** • Impossible • **Toxic** • Call It What You Want • **Who's Crying Now** • What Happens In A Small Town • **Soul To Squeeze** • There Must Be An Angel (Playing With My Heart) • **I'm The One** • Nancy Mulligan • **Don't You Worry Child** • Back On The Chain Gang • **Tusk** • Ruby • **Some Nights** • Everybody Hates Me • **Tenerife Sea** • What Do I Know? • **The Heart Wants What It Wants** • Lean On • **Too Much To Ask** • Bloodstream • **Only The Young** • Let Me Go • **1-800-273-8255** • Lights • **Rockin' In The Free World** • With You • **Dirty Work** • History • **Stand By You** • Sofia • **Sky Walker** • Firebird • **Rearview Town** • Runaway Baby • **Scared to Be Lonely** • All The Small Things • **Electricity** • Come And Get It • **8Teen** • Disturbia • **Not Giving In** • Mercy • **Getaway Car** • Bed • **Stay** • First Of The Year • **Grenade** • Spoonman • **All Of The Stars** • When I Need You • **Little Lies**

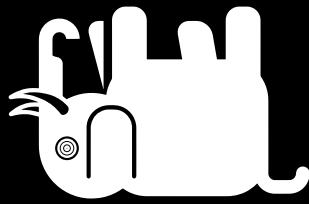


HIPGNOSIS SONGS FUND

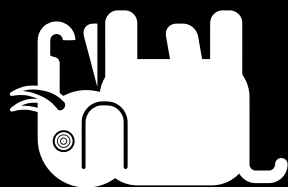
Hipgnosis Songs Fund Limited Annual Report

For the year ended 31 March 2023





HIPCNOSIS SONGS FUND



HIPGNOSIS SONGS FUND

Hipgnosis Songs Fund is the first UK investment company offering investors a pure-play exposure to Songs and associated musical intellectual property rights. Our focus is building a diversified Portfolio, acquiring Catalogues that are built around proven hit Songs of cultural importance by some of the most talented and important Songwriters globally.

Our shares listed on the Main Market of the London Stock Exchange in July 2018 and transferred to the Premium Segment of the Main Market in September 2019. Since March 2020, Hipgnosis Songs Fund has been a constituent of the FTSE 250 Index.

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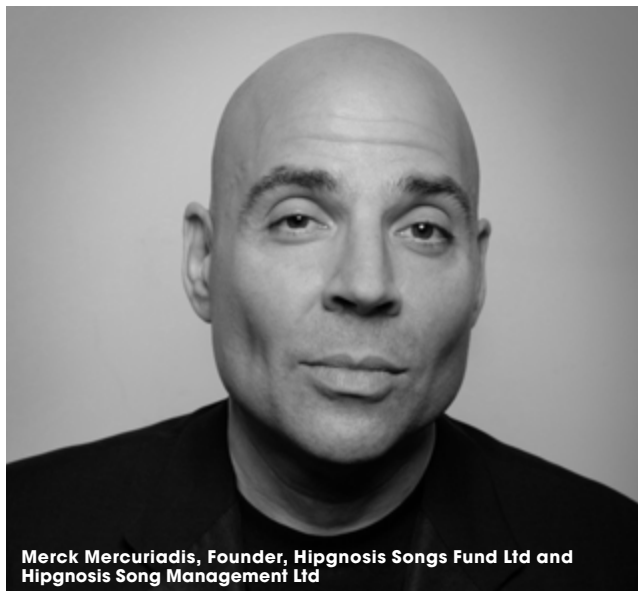
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Introduction from Merck Mercuriadis



These financial results are an important validation of Hipgnosis Songs Fund's investment thesis, delivering the best like-for-like income growth in our short history.

These results demonstrate the value of our strategy, with Operative NAV per share growth of 3.6% year-on-year to \$1.9153, underpinned by strong increases in royalty statement income. Taken together with dividends declared since launch until 31 March 2023, of 21.6p (27.9¢), we have delivered a 69% Total \$ NAV Return to Shareholders since IPO on 11 July 2018, as we continue to benefit from the growth in streaming and higher Synch revenues generated by the Company's unparalleled Portfolio of Songs.

Five years ago we predicted that the recovery of the music industry from the previous 16 years of technological disruption would be driven by the convenience and transformational growth of streaming. In addition, we considered that we could deliver an exceptional return by acquiring iconic Songs while they were still attractively priced.

Since then our thesis has become reality and we have transitioned from an era where almost all consumption of music was unpaid to one where almost all consumption of music is being paid for. This set of results is an early indication of what's to come in the future.

People listen to iconic Songs whatever the macroeconomic conditions; the change in the way

in which we consume music means that, increasingly, when we hear a song, a payment is being generated; music streaming continues to grow with its utility-like revenues, with the number of paid subscribers globally growing by 13% year-on-year to around 600 million, according to the IFPI, including over 100 million paying subscribers in the US.

Importantly, around the world the true value of Songs and Songwriters is increasingly being recognised.

Nevertheless, the current share price does not reflect the success of our investment strategy and I know all Shareholders share my frustration and disappointment that this is the case. When we launched the Company, we created a new asset class with Songs. It is therefore perhaps not a surprise, that in a world of incredible turmoil following a global pandemic, the largest war in Europe in nearly 80 years and increasing inflation and interest rates, that some investors have turned to "risk free" safe havens over exposure to new asset classes. However, despite these unique macroeconomic conditions, the strong growth in paid consumption for music continues. The Music industry is rapidly growing and thriving while others contract and as a result, Song catalogues continue to be a highly attractive asset.

We are aligned with Shareholders in believing that the fundamental value and opportunity of the Company fails to be reflected in the current share price.

As a result, we have been working with the Board, following consultation with many of the Company's largest Shareholders, on a number of options to enhance Shareholder value.

We intend to update the market prior to the Annual General Meeting (AGM) and the Continuation Vote.

Strong underlying growth

IFRS Net Revenue, which is based on the Group's accounting policies (including accruals), was \$147.2 million and decreased from \$168.3 million due to a number of non-recurring elements identified and called out in the prior and current period. These include non-recurring Right to Income (RTI), the initial recognition of the Usage Accrual and the impact of the retroactive CRB III revenue due. Excluding the impact of these adjustments, IFRS Net Revenue grew by 10.9% year-on-year.

In order to provide Shareholders with an understanding of the like-for-like performance of the Company's revenues, by removing the current year impact of non-recurring items, we provide our Pro forma Annual Revenue (PFAR) data which is primarily based on actual royalty statements. In 2022, PFAR increased 12.1% year-on-year to \$130.2 million (2021: \$116.2 million). This is despite the US Dollar's very strong performance against almost all other major currencies during the year.

Streaming is a key driver of income growth and grew by 14.8% year-on-year in 2022, making up just over 40% of our PFAR income. Income from Synch revenue continues to show strong growth of 24.7% year-on-year in 2022. Significantly, Performance income, which had been suppressed since the Covid-19 lockdowns is now demonstrably coming back as consumption returns to even greater than pandemic levels. A small year-on-year decline in the first half of 2022 was more than off-set by a 41% increase in the second half. Taking into consideration the time lag inherent in the payment of performance income, this is a very positive indicator for the future and gives us a 9% year-on-year increase for 2022.

I believe that there are two reasons why the Company's income has outperformed this year:

Firstly, the Songs in our Portfolio.

- We have bought carefully and we bought well by investing in Songs which we believe will stand the test of time and will be listened to for generations. The Company's Portfolio of Songs is unrivalled for its extraordinary success and cultural importance. We have a relatively small portfolio with a very high ratio of success, which makes it efficient to manage as the Songs are in high demand. Significantly, we selected catalogues which we believed were well placed to benefit from the growth in music streaming. The Company owns nearly 25% of all Songs played over a billion times on Spotify ("Spotify's Billions Club"), over 10% of Rolling Stone's The 500 Greatest Songs of All Time and Songs on 16 out of the Top 40 UK best selling albums of the first six months of 2023.

Secondly, our active Song Management.

- We drive consumption and value through Song management of the Catalogue to individual listeners, music creators and business music users, as well as harnessing consumer platforms through which the

Catalogue can be showcased and consumed.

- We optimize revenue generation, revenue collection and value by ensuring accurate registration and rights enforcement of the Songs in the Catalogue, then collect revenues as efficiently and cost-effectively as we can.
- We campaign to change the position of Songwriters in the economic equation by working with politicians, NGOs and the wider music community to build support for increased fairness in payments for Songwriters. For the Songs which we've purchased, the Company stands in the shoes of the Songwriters, so our interests are perfectly aligned.

Looking at the wider picture, the US Recorded Music revenues collected by the RIAA show that revenues are now back above the historic highs at the start of the millennium. Despite the general economic slowdown caused by rising interest rates, music and the Songs that underpin it is prospering. Particularly notable is the continued growth of music streaming with its utility-like revenues. The best days of the music industry and rights ownership are ahead of us and we believe that the capital appreciation in our portfolio is still in its infancy as we grow towards 2 billion paid premium streaming subscribers over the next 10 years. In this context, it's not surprising that the market analysts at Goldman Sachs and J.P. Morgan, amongst others, expect music industry revenue growth to continue for the foreseeable future.

The net increase in the Fair Value of the Portfolio of 4.0% year-on-year to \$2.80 billion and the increase in the Operative NAV per share of 3.6% year-on-year to \$1.9153 was driven by revenue in excess of the Portfolio Independent Valuer's forecast.

Active management of our Portfolio

Whilst we benefit from the wider market growth, we continually add value through our active Song Management of the Company's portfolio. These activities increase the value of our Songs both by bringing them to new audiences and ensuring we are paid what we are due as quickly as possible. Examples for the year include:

- Placing a remix of Journey's 1983 song *Separate Ways (Worlds Apart)* in season 4 of Netflix's hit *Stranger Things*. The Company owns rights for both Jonathan Cain's 50% share of the publishing and 66% of the master recording. The synch generated a six figure fee and also drove a significant increase in streaming

consumption, encouraged further synchs of the Song and a new cover version. Please see the case study on pages 22-23 which details how a well-placed synch can revive a forgotten hit.

- Placing Nile Rodgers as the face of Chanel Eyewear as well as the first and only “Artist In Residence” at Apple Music. We have also presented CHIC’s first five albums and Sister Sledge’s *We Are Family* in Spatial Audio on the service, as well as securing a significant six figure synch for the song *Spacer* with Renault in Europe. These initiatives have introduced our iconic songs, co-written by Bernard Edwards, to a new generation of fans and are driving increased streaming consumption.
- Placing a cover version of Blink-182’s *All The Small Things*, co-written by Tom Delonge whose catalogue we purchased in 2019, as the soundtrack for John Lewis’s 2022 Christmas advert – one of the most coveted Synchs in the World.
- Rihanna performing four Hipgnosis Songs Fund co-owned Songs during her set at the 2023 Superbowl: *Birthday Cake* (The-Dream), *All Of The Lights* (Jeff Bhasker/The-Dream), *Run This Town* (Jeff Bhasker/No I.D.) and *Umbrella* (The-Dream/Tricky Stewart). Close to 119 million viewers tuned in for her performance on television and streaming services, with each of the Songs recording gains on streaming platforms of up to 280% in the week following her performance. Four months on, *Umbrella*’s US weekly Streaming-on-Demand figures are still 1.3 times that pre the Superbowl; *Run This Town* is showing 1.5x the demand and this has led to further synch placements.
- Our new recording of Bon Jovi’s *Wanted Dead or Alive*, by Empara Mi was commissioned to specifically to appeal to the Synch market. It was successfully placed, as the global trailer for Transformers: *Reactivate*, a major forthcoming video game. It generated six figure fees for both the publishing and the new recording which we participate in.
- Placing Richie Sambora as a contestant on the UK version of *The Masked Singer*. Four of the six Songs that he performed on the series were from the Company’s portfolio. When he was revealed in the semi-final, his profile reached a recent all-time high. There was an increased streaming consumption of the Bon Jovi songs as well as the four songs held by the Company that he performed on the series including *Go Your Own Way* and *Smooth*.

- Nicki Minaj interpolated our iconic Rick James song *Super Freak* into *Super Freaky Girl* making it a Number 1 single in the US and Top 5 in the UK and around the world, driving over 1 billion new streams across all digital service. It also increased streaming consumption on the original *Super Freak* and *U Can’t Touch This* by MC Hammer which is another iconic *Super Freak* interpolation.
- Entering a direct licensing and administration partnership for digital royalties of reverted catalogues with Sacem, a world-leading Collection Management Organisation. This is materially cutting collection times, reducing collection costs and is delivering an increase in revenues.

Artificial Intelligence

Recent developments in Artificial Intelligence (AI) tools offer new opportunities which we are already looking to use in support of our iconic Songs. The enduring success of our Songs is down to the strong emotional connection they have with millions of consumers all over the world and they are therefore always in demand. AI enables us and other creators to quickly and cost effectively deliver new versions of these Songs, create interpolations or otherwise introduce our music to new audiences. Global copyright laws provide a significant degree of protection for our Intellectual Property. Nonetheless we are working with legislators who are actively looking at how to fill any gaps which are created by this new technology and we will support measures which prevent AI from learning from in-copyright music and recordings to the detriment of artists and Songwriters.

Our activities within the Songwriter community

Songs are the currency of the music business; without the Song there simply is no music industry. Yet Songwriters – who deliver the most important component to the success of a record company, digital service provider, music merchandiser or live promoter – are still the lowest paid people in the economic equation.

We have always been clear that our motive is to establish Songs as an asset class and to provide a great return for our investors. Concurrently, our “ulterior” motive has always been to use our success to help take the Songwriter from the bottom to the top of the economic equation. This is in complete alignment with our Shareholders’ best interest.

Over the last five years we have made demonstrable progress. We advocated for and welcomed the moves

by the US Copyright Royalty Board (CRB) and the wider music industry in the US to increase the rates paid to Songwriters and publishers.

CRB III provided for a 44% increase in the headline rate of Digital Service Providers (DSP) revenues paid to Songwriters and Publishers in the US, reaching 15.1% in 2022. It was disappointing that some streaming services appealed the original ruling, delaying much needed payments to Songwriters, many of whom rely on royalty payments for everyday living expenses. The appeal was rejected during 2022 and the industry is now working to ensure that the higher rate payments due for the CRB III period reach rights holders. The Company has accrued \$21.7 million to account for the CRB III monies due to date.

We were pleased to support a joint industry proposal for CRB IV which saw the proportion of DSP revenue paid to Songwriters further rise, incrementally, to 15.35% in 2027, while the royalty payable on a physical sale or download is rising from 9.1 cents to 12 cents with additional inflationary increases. Whilst there is still a long way to go before Songwriters are fairly remunerated, these are important steps in the right direction.

The joint CRB IV proposals, which have now been confirmed, show there is increasing acceptance across the music industry that Songwriters should be fairly rewarded for their work. Whilst the increase is more modest than the CRB III rises, we support it as it will provide a background of stability at the highest streaming rates ever paid in the context of which we can continue our advocacy efforts for an even bigger share of the pie.

In the UK, the Competition and Markets Authority (CMA) concluded their market study and recommended that the Intellectual Property Office (IPO) take forward a number of workstreams. After the year end, the IPO announced an agreement on how the music industry and the Government will work together to deliver consistent high-quality metadata. We welcome this first step, however, we believe that far greater reform is needed and we continue to engage with the relevant organisations to achieve this change. The UK Government has also recently announced it has accepted a recommendation from the Culture, Media and Sport Select Committee (to whom Hipgnosis gave evidence) to establish an industry working group to explore issues around fair pay for creators in the music streaming industry. Our ultimate goal is for Songwriters' pay to be determined by the free market, not legislation.

We also supported BMI in its Live Concert rate victory, which set a new rate 138% higher than the previous one, reflecting the importance of Songs in the live concert experience. As we've stated before, live concerts would not exist without Songs.

Outlook

These results highlight the continuing validity of our investment thesis. Our markets are buoyant and continue to grow. Streaming, increasingly, provides a utility-style income for holders of Song royalties and the increasing demand for Song Catalogues from Private Equity funds and the major record labels demonstrates the attractiveness of this asset class. Hipgnosis Songs Fund, with its portfolio of iconic, culturally significant Songs, is uniquely placed to benefit its Shareholders and deliver superior Shareholder returns over the medium term and we are committed to taking whatever action is necessary to deliver this.

With year-end results delivered, our focus is on re-rating the shares, passing the Continuation Vote at the forthcoming Annual General Meeting and delivering a great 2024 and beyond.

I take my responsibility to our Shareholders very seriously. From the 42 institutional investors that we started with in 2018 to the many hundreds of institutional and retail Shareholders we have today, I have always stated that, while iconic Songs with high quality long term cashflows provide great income for investors, the real purpose of this Company is for our Shareholders to be the beneficiaries of the substantial Net Asset Value growth which we believe will come over the next 10 years as the market in which we operate in grows to as many as 2 billion paid streaming subscribers around the world, who will in turn increase the consumption of our already extraordinarily successful Songs. I strongly believe we are well on our way to achieving that.

Finally I would like to thank each and every one of you who have supported us in establishing Songs as an asset class as well as the great Songwriters who have entrusted us with being custodians of their special Songs and Catalogues.

Merck Mercuriadis

Founder, Hipgnosis Songs Fund Ltd and
Founder/CEO, Hipgnosis Song Management Ltd.

12 July 2023

Spotify's Billions Club



Hipgnosis has **97** out of **419** Songs that by June 2023 had surpassed the Billion Streams mark on Spotify

1-800-273-8255

• Logic • Andrew Taggart

2002

• Anne-Marie • Benny Blanco, Nelly

A Thousand Years

• Christina Perri • Christina Perri

All I Want For Christmas Is You

• Mariah Carey • Walter Afanasieff

Blueberry Faygo

• Lil Mosey • Kenneth Edmonds

Break My Heart

• Dua Lipa • Stefan Johnson, Jordan Johnson

Californication

• Red Hot Chili Peppers • Red Hot Chili Peppers

Castle On The Hill

• Ed Sheeran • Benny Blanco

Chop Suey!

• System Of A Down • Andy Wallace

Classic

• MKTO • Evan Bogart, Emanuel Kiriakou

Closer (feat. Halsey)*

• The Chainsmokers • The Chainsmokers, Isaac Slade, Joe King

Cold Water (feat. Justin Bieber & MØ)

• Major Lazer • Benny Blanco, Jamie Scott

Come As You Are

• Nirvana • Andy Wallace

deja vu

• Olivia Rodrigo • Annie Clark

Despacito - Remix

• Luis Fonsi, Daddy Yankee, Justin Bieber • Poo Bear

Don't Let Me Down (feat. Daya)

• The Chainsmokers • Andrew Taggart, Scott Harris

Don't Stop Believin'

• Journey • Jonathan Cain, Neal Schon

Eastside (with Halsey & Khalid)

• Benny Blanco, Nathan (Happy) Perez

Feels (feat. Pharrell Williams, Katy Perry & Big Sean)

• Calvin Harris • Starrah

Galway Girl

• Ed Sheeran • Johnny McDaid

Girls Like You (feat. Cardi B)

• Maroon 5 • Starrah

Grenade

• Bruno Mars • Ari Levine

Halo

• Beyoncé • Evan Bogart

Happier

• Ed Sheeran • Benny Blanco

Havana (feat. Young Thug)

• Camila Cabello • Andrew Watt, Starrah

Heat Waves*

• Glass Animals • HSG Admin

Hey, Soul Sister

• Train • Espionage

High Hopes

• Panic! At The Disco • Sam Hollander

Hips Don't Lie (feat. Wyclef Jean)

• Shakira, Wyclef Jean • Shakira

I Don't Wanna Live Forever (50 Shades Darker)

• ZAYN, Taylor Swift • Jack Antonoff

I'm The One (feat. Justin Bieber, Quavo, Chance the Rapper & Lil Wayne)

• DJ Khaled • Poo Bear

In da Club

• 50 Cent • 50 Cent

In the End

• Linkin Park • Andy Wallace

In The Name Of Love

• Martin Garrix, Bebe Rexha • Ilsey Juber

Issues

• Julia Michaels • Benny Blanco

It Ain't Me (feat. Selena Gomez)

• Kygo • Andrew Watt

Just Give Me A Reason

• PINK • Nate Ruess, Jeff Bhasker

Just The Way You Are

• Bruno Mars • Ari Levine

Lean On (feat. DJ Snake & MØ)

• Major Lazer, MØ, DJ Snake • Martin Bresso

Let It Go

• James Bay • Paul Barry

Let Me Go (with Alesso, Florida Georgia Line & watt)

• Hailee Steinfeld • Andrew Watt

Let Me Love You (feat. Justin Bieber)

• DJ Snake • Andrew Watt

Livin' On A Prayer

• Bon Jovi • Richie Sambora

Locked out of Heaven

• Bruno Mars • Ari Levine

Love Yourself*

• Justin Bieber • Benny Blanco

Maps

• Maroon 5 • Ammar Malik

Me, Myself & I

• G-Eazy • TMS

Memories

• Maroon 5 • Stefan Johnson, Jordan Johnson, Jon Bellion

Mercy

• Shawn Mendes • Teddy Geiger, Ilsey Juber

Moves Like Jagger

• Maroon 5, Christina Aguilera • Ammar Malik

Needed Me

• Rihanna • Starrah

New Rules

• Dua Lipa • Caroline Ailin, Ian Kirkpatrick

Nice For What

• Drake • Robert Diggs

no fears left to cry

• Ariana Grande • Savan Kotecha

Numb

• Linkin Park • Andy Wallace

One Last Time

• Ariana Grande • Giorgio Tuinfort

Paris

• The Chainsmokers • The Chainsmokers

Payphone

• Maroon 5 • Ammar Malik

Photograph*

• Ed Sheeran • Johnny McDaid

Rockabye (feat. Sean Paul & Anne-Marie)

• Clean Bandit • Ammar Malik

Royals

• Lorde • Joel Little

Scared to Be Lonely

• Martin Garrix, Dua Lipa • Giorgio Tuinfort, Kyle Shearer

Señorita*

• Shawn Mendes, Camila Cabello • Andrew Watt

Set Fire to the Rain

• Adele • Fraser T. Smith

Shallow*

• Lady Gaga, Bradley Cooper • Mark Ronson

Shape Of You**

• Ed Sheeran • Johnny McDaid

Sign Of The Times

• Harry Styles • Jeff Bhasker

Smells Like Teen Spirit

• Nirvana • Andy Wallace

Something Just Like This*

• The Chainsmokers, Coldplay • Andrew Taggart

Sorry

• Justin Bieber • Julia Michaels, Skrillex

Stereo Hearts (feat. Adam Levine)

• Gym Class Heroes • Ammar Malik

Stitches

• Shawn Mendes • Teddy Geiger

Story of My Life

• One Direction • Julian Bunetta, Jamie Scott

Sugar

• Maroon 5 • Jacob Kasher Hindlin

Sugar (feat. Francesco Yates)

• Robin Schulz, Francesco Yates • Happy Perez

Swalla (feat. Nicki Minaj & Ty Dolla \$ign)

• Jason Derulo • RZA/LunchMoney Lewis

Sweet Dreams (Are Made Of This)

• Eurythmics • David A. Stewart

Symphony (feat. Zara Larsson)

• Clean Bandit • Ammar Malik

Talking To The Moon

• Bruno Mars • Ari Levine, Jeff Bhasker

The Middle

• Zedd, Maren Morris, Grey • Stefan Johnson, Jordan K. Johnson

There's Nothing Holdin' Me Back

• Shawn Mendes • Teddy Geiger, Scott Harris

These Days (feat. Jess Glynne, Macklemore & Dan Caplen)

• Rudimental • Julian Bunetta, Jamie Scott

Titanium (feat. Sia)

• David Guetta, Sia • Giorgio Tuinfort

Treat You Better

• Shawn Mendes • Teddy Geiger, Scott Harris

Umbrella

• Rihanna, JAY-Z • Tricky Stewart, The-Dream

Under The Bridge

• Red Hot Chili Peppers • Red Hot Chili Peppers

Uptown Funk (feat. Bruno Mars)

• Mark Ronson • Mark Ronson, Jeff Bhasker

What Do You Mean?

• Justin Bieber • Poo Bear

What Lovers Do (feat. SZA)

• Maroon 5 • Starrah, Elina Stridh, Victor Rådström

Whatever It Takes

• Imagine Dragons • Joel Little

When I Was Your Man

• Bruno Mars • Ari Levine

Where Are Ü Now (with Justin Bieber)

• Jack Ü, Skrillex, Diplo, Justin Bieber • Skrillex, Poo Bear

Wolves

• Selena Gomez, Marshmello • Andrew Watt

Yeah! (feat. Lil Jon & Ludacris)

• Usher • Sean Garrett

Young Dumb & Broke

• Khalid • Joel Little

Young, Wild & Free (feat. Bruno Mars)

• Snoop Dogg, Wiz Khalifa • Ari Levine

Youngblood

• 5SOS • Andrew Watt

Financial and Operational Highlights¹

Year ended 31 March 2023

As at 31 March 2023, the Company had raised a total of over **£1.3 billion** (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent placings in April 2019, August 2019, September 2020, February 2021 and July 2021, as well as C-Share raises in October 2019 (which converted in January 2020) and July 2020 (which converted in December 2020). Our Revolving Credit Facility stands at \$700 million, of which **\$600 million** is drawn.

As at 31 March 2023, the Company had deployed approximately **\$2.2 billion** in total since IPO on 146 Catalogues and 65,413 Songs.

IFRS NAV²

\$1.43 billion

(31 March 2022: \$1.58 billion)

Operative NAV³

\$2.32 billion

(31 March 2022: \$2.24 billion)

IFRS NAV per Ordinary Share

\$1.1863

(31 March 2022: \$1.3065)

Operative NAV per Ordinary Share (\$)

\$1.9153

(31 March 2022: \$1.8491)

Total Assets

\$2.12 billion

(31 March 2022: \$2.21 billion)

Operative NAV per Ordinary Share (p)⁴

154.91p

(31 March 2022: 140.79p)

12-Month Total NAV Return

6.99%

(31 March 2022: 14.19%)

Total NAV Return since inception⁵

69.01%

(31 March 2022: 59.05%)

1. A number of Alternative Performance Measures are used within the Report and details can be found on page 163.

2. Catalogues of Songs are classified as intangible assets and measured at amortised cost or cost less any impairment in accordance with IFRS.

3. The Directors are of the opinion that an Operative NAV provides a meaningful alternative performance measure and the values of Catalogues of Songs are based on fair values produced by the Portfolio Independent Valuer.

4. Based on the Sterling to Dollar exchange rate at 31 March 2023 of 1.23645.

5. Since IPO on 11 July 2018. See page 163 for definition.

Net Revenue**\$147.2 million**

(31 March 2022: \$168.3 million)

Total dividends declared during the year (p)**5.25p**

(31 March 2022: 5.25p)

EBITDA⁷**\$117.7 million**

(31 March 2022: \$130.9 million)

EPS (cents)**(7.41)¢**

(31 March 2022: (1.65)¢)

Leveraged Free Cash Flow⁷**\$81.9 million**

(31 March 2022: \$84.7 million)

Adjusted EPS (cents)⁷**4.12¢**

(31 March 2022: 7.18¢)

Share Price Discount⁶**47.7%**

(31 March 2022: 14.2%)

Ongoing Charges figure (%)⁷**1.21%**

(31 March 2022: 1.54%)

6. Calculated using the middle market share price (SONG) of 81.00p on 31 March 2023 (31 March 2022: 120.80p).

7. The definition/calculation has been updated since the prior year. Please see page 163 for details.

Portfolio at a Glance

Catalogues
146

Songs
65,413

Grammys
163
+7

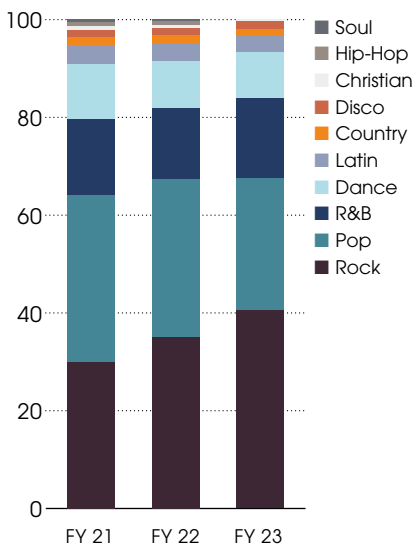
Operative NAV
\$ **\$2.32bn**
+3.41%

Net Revenue
\$ **\$147.2m**
-12.5%

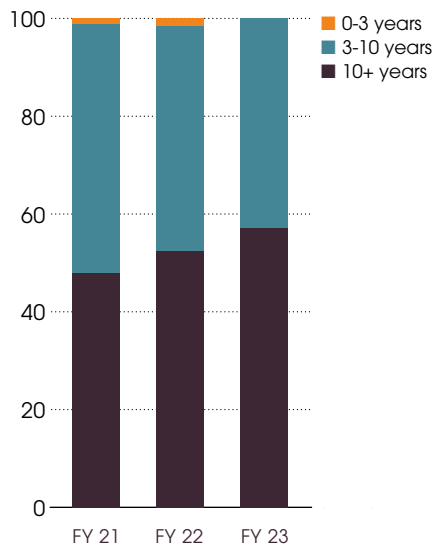
Weighted Average Acquisition Multiple
\$ **15.93x**

+/- Change in portfolio since 31 March 2022

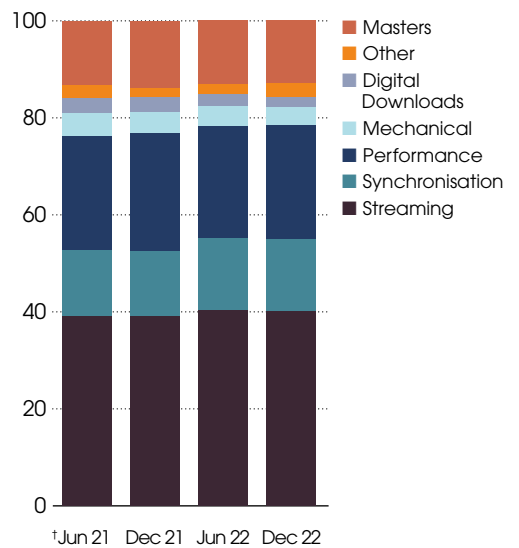
Portfolio by genre (%)
(based on fair value)



Portfolio by age (%)
(based on fair value)



Portfolio PFAR* income by source (%)



* Pro Forma Annual Revenue (PFAR)
- see Glossary page 171

† For the 12 months to

The Chair's Statement



Andrew Sutch, Chair

I am pleased to present the Company's Annual Report and Accounts covering the 12 months ended 31 March 2023.

It is now five years since your Company was launched in July 2018 and its shares were listed on the

London Stock Exchange. We are proud to have been a FTSE 250 company since March 2020. Our objective at launch was to create a Company which provided investors with exposure to Songs and associated intellectual property rights. We believed then, and have demonstrated since, that music royalties provide long-term, stable income streams. Equally importantly, when the Company was launched, we believed that these long-term revenue streams were at an inflection point and would increase significantly as a result of the strong growth expected in paid for music streaming. Since IPO, this growth has seen music industry revenues return to levels not seen in 20 years and we and our Investment Adviser fully expect that this growth will continue for the foreseeable future.

The Company's first five years have not been without their challenges: the lockdowns put in place by Governments around the world to combat the spread of Covid-19 had a material impact as clubs, gyms, restaurants and shopping centres were forced to close and touring stopped, leading to a decline in performance royalty revenues. Due to the time lag inherent in publishing industry payments, it is only now that the Company is experiencing these revenue streams recovering.

Equally, the increase in global interest rates over the last 24 months, as central banks seek to control inflation, caused in large part by Covid-19 and the energy crisis attributable to the war in Ukraine, has been a challenge both directly and indirectly. Directly, the increase in the cost of the Company's debt has had to be managed and last year the Company refinanced its Revolving Credit Facility (RCF). Indirectly, increased yields on government securities have provided income-focused investors opportunities to invest risk free at yields approaching the yield on the Net Asset Value of the Company's shares. Whilst government securities may currently provide a similar current income yield, they do not offer the opportunity for the significant capital growth that we believe your Company will also provide.

Furthermore, the underlying strength of the business model has enabled the Board to maintain its target annual dividend at 5.25p per Ordinary Share.

While these results published demonstrate the strength of the Company's business, the Board shares your disappointment that the Company's share price is substantially below its Operative Net Asset Value, particularly given the quality of the Company's assets and the ability of the Investment Adviser to drive additional value through active Song Management.

Although the majority of London listed investment trusts are currently trading at a discount, we recognise that this is of no comfort to our Shareholders. Therefore, following a consultation, with many of our larger Shareholders, the Board has been working with the Investment Adviser on a number of options to enhance Shareholder value.

The ultimate decision on which options will be progressed, if any, will be taken in consultation with our Shareholders. We look forward to updating you further in due course, and well in advance of the Company's AGM this September at which the Company will table its scheduled five-year Continuation Vote.

The Company has always believed, as reflected in its Investment Policy, that the best way to maximise Shareholder value has been to buy and hold great assets, to enable Shareholders to benefit from the income and capital growth that we expect these assets to deliver over time.

Given the options the Board is considering, the current share price and the upcoming Continuation Vote, the Board is publishing an estimate of the potential tax charge, based on certain assumptions, in the event that a sale of all assets should occur. Full details are provided in Note 12 to the financial statements.

Despite the disappointing share price performance over the last year the Board continues to be confident in our core investment case: the continuing long-term growth of revenue in the music industry and the ability of the Investment Adviser to drive additional value through active Song Management of our incredible portfolio of iconic Songs.

We continue to be confident that your Company will provide superior returns over the medium term and we encourage all Shareholders to support the continuation of the Company.

Performance

The background to the performance of your Company over the course of the financial year is discussed in detail in our Investment Adviser's Report from page 17.

The IFRS Net Asset Value (NAV) per share as at 31 March 2023 was \$1.1863 which is a 9.2% decrease from \$1.3065 as at 31 March 2022, largely reflecting the amortisation of the Company's Catalogues in accordance with applicable accounting protocols and ignoring their current fair value.

The Board considers that the most relevant financial indicator for Shareholders is the Operative NAV, which reflects the Fair Value of the Company's Catalogues as valued by the Portfolio Independent Valuer and adds back the amortisation charge applicable under IFRS.

The Operative NAV per share increased by 3.6% to \$1.9153 during the year (31 March 2022: \$1.8491). This, together with total dividends, of 21.6p (27.9¢), takes Total \$ NAV Return to Shareholders since the IPO on 11 July 2018 to 69.01%.

Based on the Sterling to US Dollar exchange rate on 31 March 2023 of 1.236, the Operative NAV presented in Sterling would be 154.91p per share (31 March 2022: 140.79p based on Sterling to US Dollar exchange rate of 1.3134).

As a result of the strong performance of certain Catalogues, a Catalogue bonus provision was recognised. This is based on actual and expected future Catalogue performance that is highly probable. Whilst these liabilities are recognised in the current year, the Company doesn't anticipate that these liabilities will be incurred at a material level in future years.

Our approach to valuation

Although the Board is ultimately and solely responsible for overseeing the valuation of the Company's investments in music Catalogues it has appointed the Portfolio Independent Valuer to perform this specialist work.

The Fair Value of the Portfolio increased by 4.0% to \$2.80 billion (31 March 2022: \$2.69 billion), mainly as a result of royalty statements received exceeding expectations, especially those related to performance income and streaming income from older vintage catalogues. This also drove the increase in the Operative NAV in Dollar terms over the period. Further details on the valuation methodology and assumptions applied by the Portfolio Independent Valuer are set out on pages 35-36.

The Board recognises that there are a range of views on the assumptions that could be applied in the valuation of the Company's investment portfolio.

In advance of the last Interim Report published in December 2022, the Board appointed Kroll Advisory Limited ("Kroll"), an independent valuation firm, to consider and advise on the reasonableness of certain assumptions commonly employed in the valuation of music catalogues based on data provided by the Company.

Following year end, in addition to considering the discount rate and growth assumptions applied by the Company's peers as well as observing transaction comparables, the Board has continued its engagement of Kroll solely in connection with the ongoing review of the assumptions used in and calculation of a discount rate applied in the valuation of the investment portfolio. We note that Kroll did not review or opine on the projected cash flows or on a valuation conclusion using their determined discount rate.

Different valuation practitioners use differing methodologies, approaches and assumptions to calculate their discount rates. In particular, valuation practitioners may select different input assumptions based on their professional judgement, including, but not limited to the appropriate set of peer groups, the length of calculation period for market data when estimating the equity risk premium, the beta and the risk-free rate. As a result, there may be variation amongst valuers, providing the Board with complementary insights.

The period since 30 September 2022 has seen significant volatility, as global investors grappled with the impact of inflationary pressures and the continued hike of policy interest rates by major central banks. The resulting equity market uncertainty contributed to a higher equity risk premium and an increase in the Company's

shares' correlation to market indices. Meanwhile, risk-free rate inputs, particularly 10- and 20-year US Treasury yields, experienced significant volatility during this period, initially rising and then declining to levels somewhat lower than in September 2022.

The Board notes that for the period ending 30 September 2022, the discount rate of 8.5% applied by the Portfolio Independent Valuer was within the range identified by Kroll at the interim results. For the most recent period ending 31 March 2023, whilst the Portfolio Independent Valuer maintained its discount rate of 8.5%, the Kroll calculation reflected a 50 basis points increase in the Equity risk premium applied to 6.0% and an increase in the relative volatility of share prices in the Company's music peer group relative to the overall market.

The Board has continued to engage Kroll subsequent to the year end and note that Kroll has since (as of the end of June 2023) lowered its Equity risk premium assumption to the previous level of 5.5%, although their view still remains slightly higher than the Citrin Cooperman rate.

The Board will continue to keep all assumptions in its valuation methodology under review. Having considered all the available information, the Board believes that the assumptions applied by the Portfolio Independent Valuer remain appropriate and that this represents a reasonable assessment as to the value of the Portfolio.

Revenue

IFRS Net Revenue, which is based on the Group's accounting policies (including accruals), was \$147.2 million and decreased from \$168.3 million due to a number of non-recurring elements identified and called out in the prior and current period. These include non-recurring Right to Income (RTI), the initial recognition of the Usage Accrual and the impact of the retroactive CRB III revenue due. When excluding the impact of these adjustments, it grew by 10.9% year-on-year.

However, our Pro Forma Annual Revenue (PFAR), a like-for-like revenue analysis per calendar year, based primarily on royalty statements, grew 12.1% in 2022 to \$130.2 million (2021: \$116.2 million). This reflects strong growth in Streaming (+14.8% year-on-year) and Synch (+24.7% year-on-year) income as well as a recovery from the impact of Covid-19 lock-down in Performance (+9% year-on-year) income. The Financial Review provides details of all these movements on page 34.

Revolving Credit Facility

On 30 September 2022, the Company entered into a new Revolving Credit Facility (RCF) which runs for five years until 30 September 2027, with a commitment of \$700 million. The facility was used to refinance, in full, the Company's pre-existing RCF and provide flexibility for additional working capital where necessary. In accordance with the Investment Policy, any borrowings by the Company will not exceed 30% of the value of the net assets of the Company. As at 31 March 2023, the Company had \$600 million drawn down under the RCF. Net debt as a percentage of Operative NAV decreased to 24.3% (31 March 2022: 25.4%).

The Board's objectives in the refinancing were to reduce interest rate risk and control variable costs. To deliver on these objectives, the Company also entered into interest rate swap agreements. As a result, until 2 January 2023, interest on all the drawn debt was fixed at 5.71% (including debt margin). Since 3 January 2023, \$340 million has been hedged for the duration of the RCF (until 30 September 2027) at a fixed rate of 5.67% (including debt margin); a further \$200 million is hedged until 3 January 2026 at a fixed rate of 5.89% (including debt margin). The balance remains unhedged to provide flexibility in the operation of the RCF.

Share buybacks

The Board considers that it is not in Shareholders' interests for the Ordinary Shares of the Company to trade at a significant discount to the prevailing NAV in normal market conditions. The Board considers that normal market conditions have not prevailed in the last few years. Discounts of investment trusts, particularly those investing in illiquid assets, have generally widened over the last year.

The Board believes that the most effective means of minimising any discount at which the Ordinary Shares may trade is for the Company to deliver strong, consistent, long-term performance from the investment Portfolio. However, wider market conditions and other considerations inevitably affect the rating of the Ordinary Shares from time to time.

In determining whether a share purchase would enhance shareholder value, the Board will take into account market conditions, the Company's performance, any known third-party investors or sellers, the impact on liquidity and total expense ratios and of course the level of discount to net asset value at which the shares are trading. Any purchases will only be made at prices below the

prevailing net asset value and where the Board believes that such purchases will enhance shareholder value. On 14 October 2022, the Board announced a share buyback programme funded out of free cash flow.

During the financial year under review, a total of 2 million Shares were purchased into treasury with an aggregate value of £1.7 million. Ordinary Shares held in treasury may only be reissued by the Company at prices representing a premium to NAV per Ordinary Share as at the date of re-issue.

The Board recognises its modest buyback activities to date showed intent rather than having a material impact on the share price discount. We expect more material share buybacks may play an important part of the Company's strategy as we move forward.

Dividends

As set out in last year's annual report, dividend payment dates have been adjusted so that payments are made on or around the last working day of January, April, July and October, in order to better align dividend payments with revenue receipts. Dividends will be declared ex dividend in the month prior to payment wherever practicable.

Dividends paid in the year of \$56.3 million were covered 1.44x by Distributable Revenues recognised during the year. Dividends declared in the year amount to \$75.9 million, which were covered 1.07x by Distributable Revenues recognised during the year.

In addition, the Company was covered 1.45x on a Leveraged Free Cashflow basis, demonstrating the funds necessary to meet those dividend payments paid in the year, and 1.08x on a Levered Free Cashflow necessary to meet those dividends declared in the year.

On 12 October 2022, the Company entered into a series of US Dollar to Sterling foreign exchange forward contracts in order to limit its exposure to foreign exchange rate risk and to provide certainty on the

US Dollar value of future Sterling dividend payments. This passive rolling hedging strategy ensures that there are £50 million of forward contracts in place at any time, broadly equivalent to the Company's quarterly Sterling dividend obligation. The foreign exchange forward contracts were initially in place until April 2024 and have, subsequent to the year end, been rolled forward to October 2024.

The Board

Following the year end, Vania Schlogel stepped down as a Non-executive Director on 30 April 2023 in order to focus on her executive role at Atwater Capital, which she founded in 2017 and which has recently demanded a significant increase in her commitment. I thank Vania for her work and contribution to the Company while she was a Director.

We have recently announced the appointment of an additional director, Cindy Rampersaud, with effect from 1 August 2023, and are delighted to welcome Cindy to the Board. Further information about Cindy and our recruitment process are set out in the Report of the Nomination Committee on page 88.

I would like to thank my fellow Directors for their diligence and dedication on your behalf over the last year. With the exception of Vania, all Directors who have held office throughout the financial year are offering themselves for re-election at the forthcoming Annual General Meeting.

Additionally, I extend my thanks to Merck Mercuriadis and the team that works with him at our Investment Adviser. Over the last five years I have seen a transformation in the sophistication of their operations, but one thing which has never changed is Merck's passion, and his team's hard work, to deliver value for the Company's Shareholders. This has been particularly demonstrated over the last 12 months where they have continued to invest and improve their capabilities and the service they provide your Company.

Annual General Meeting

The Company's Annual General Meeting will be held before the end of September. Notice of the Annual General Meeting, containing full details of the business to be conducted at the meeting, will be published to Shareholders in due course.

Outlook

Despite the inflationary pressures in the global economy and the accompanying interest rate rises, consumers continue to enjoy and, crucially, spend money on music.

Performance revenues, which were severely impacted by Covid-19 lockdown measures, are returning.

Ongoing growth in paid-for music streaming supports our belief that this form of entertainment is increasingly seen as a utility purchase, recognising the exceptional value for money music streaming services provide their customers.

Regulatory changes in the US, with the Copyright Royalty Board affirming their CRB III ruling and an agreement across the industry on further increases for the CRB IV period, help to support revenue growth.

Active Song Management, demonstrable by the Investment Adviser, creates additional value from your Portfolio of iconic, culturally significant Songs.

As a result, the Board is confident that your Company will deliver superior returns over the medium term.

The Board continues to engage with Shareholders and is working hard to demonstrate the value of the Company's assets and enhance Shareholder value.

Andrew Sutch Chair

12 July 2023

Hipgnosis owns 13 of the top 30 from YouTube's Most Viewed Music Videos of All Time



<p>2 Shape of You • Ed Sheeran • Johnny McDaid</p> <p>4 Uptown Funk (feat. Bruno Mars) • Mark Ronson • Mark Ronson, Jeff Bhasker</p> <p>8 Sugar • Maroon 5 • Jacob Kasher Hindlin</p> <p>9 Roar • Katy Perry • Bonnie McKee</p> <p>11 Sorry • Justin Bieber • Skrillex</p> <p>13 Waka Waka (This Time for Africa)(The Official 2010 FIFA World Cup™ Song) • Shakira • Shakira</p> <p>18 Girls Like You (feat. Cardi B) • Maroon 5 • Starrah</p>	<p>19 Lean On (feat. MØ & DJ Snake) • Major Laser, MØ, DJ Snake • Martin Bresso</p> <p>20 Bailando (feat. Descemer Bueno, Gente De Zona) • Enrique Inglesias • Enrique Inglesias</p> <p>22 Mi Gente • J Balvin, Willy William • The-Dream</p> <p>28 Baby (feat. Ludacris) • Justin Bieber • The-Dream, Tricky Stewart</p> <p>29 New Rules • Dua Lipa • Caroline Ailin</p> <p>30 Chantaje (feat. Maluma) • Shakira • Shakira</p> <p><small>Song Title • Artist(s) • Hipgnosis contributor(s) Source: YouTube, 22 June 2023</small></p>
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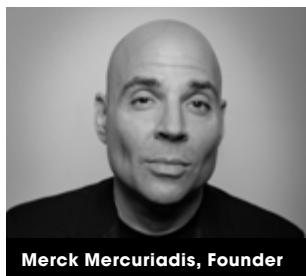
Rolling Stone

Hipgnosis has 52 of Rolling Stone's The 500 Greatest Songs of All Time

- | | | | | | |
|-----|---|-----|--|-----|--|
| 5 | Smells Like Teen Spirit
• Nirvana • Andy Wallace | 228 | Single Ladies (Put a Ring on It)
• Beyoncé • The-Dream,
Tricky Stewart | 390 | Enter Sandman
• Metallica • Bob Rock |
| 8 | Get Ur Freak On
• Missy Elliot • Timbaland | 238 | Are You That Somebody?
• Aaliyah • Timbaland | 394 | Grace
• Jeff Buckley • Andy Wallace |
| 25 | Runaway
• Kanye West feat. Pusha T
• Jeff Bhasker, Emile Haynie, Pusha T | 259 | Heart Of Gold
• Neil Young • Neil Young | 401 | Go Your Own Way
• Fleetwood Mac
• Lindsey Buckingham |
| 30 | Royals
• Lorde • Joel Little | 274 | Love And Happiness
• Al Green • Al Jackson Jr. | 414 | Dreaming
• Blondie • Debbie Harry, Chris Stein |
| 38 | (Sittin' On) The Dock of the Bay
• Otis Redding • Al Jackson Jr | 281 | Grindin'
• Clipse • Pusha T | 417 | Uptown Funk
(feat. Bruno Mars)
• Mark Ronson • Mark Ronson |
| 56 | Work It
• Missy Elliot • Timbaland | 285 | Say My Name
• Destiny's Child • Rodney Jerkins | 418 | Green Onions
• Booker T and the MGs
• Al Jackson Jr |
| 68 | Good Times
• CHIC • Bernard Edwards,
Nile Rodgers | 290 | Yeah! (feat. Lil John & Ludacris)
• Usher, Lil Jon, Ludacris • Sean
Garrett | 427 | Rapper's Delight
• The Sugarhill Gang
• Bernard Edwards, Nile Rodgers |
| 79 | Back To Black
• Amy Winehouse
• Mark Ronson | 300 | Rock Lobster
• The B-52's • The B-52's | 428 | Sign Of The Times
• Harry Styles • Jeff Bhasker |
| 84 | Let's Stay Together
• Al Green • Al Jackson Jr | 309 | Ain't No Sunshine
• Bill Withers • Al Jackson Jr | 444 | In Da Club
• 50 Cent • Curtis Jackson |
| 107 | C.R.E.A.M.
• Wu Tang Clan • RZA | 322 | After The Gold Rush
• Neil Young • Neil Young | 450 | Powderfinger
• Neil Young • Neil Young |
| 114 | Toxic
• Britney Spears • Christian Karlsson | 328 | Under The Bridge
• Red Hot Chili Peppers
• Red Hot Chili Peppers | 453 | The Rain (Supa Dupa Fly)
• Missy Elliot • Timbaland |
| 127 | Waterfalls
• TLC • Sleepy Brown | 332 | Umbrella (feat. Jay-Z)
• Rihanna • The-Dream,
Tricky Stewart | 456 | Summertime Sadness
• Lana Del Ray • Emile Haynie |
| 133 | Don't Stop Believin'
• Journey • Jonathan Cain, Neal
Shon | 337 | Believe
• Cher • Paul Barry, Brian Higgins | 457 | Livin' On A Prayer
• Bon Jovi • Richie Sambora |
| 136 | Try a Little Tenderness
• Otis Redding • Al Jackson Jr | 353 | Sweet Dreams (Are Made Of This)
• Eurythmics • David A. Stewart | 467 | Come As You Are
• Nirvana • Andy Wallace |
| 138 | Heart Of Glass
• Blondie • Debbie Harry, Chris Stein | 358 | Because The Night
• Patti Smith • Jimmy Iovine | 482 | Bad Romance
• Lady Gaga • RedOne |
| 153 | Super Freak
• Rick James • Rick James | 368 | Black Hole Sun
• Soundgarden • Chris Cornell | 497 | Truth Hurts
• Lizzo • HSG Admin |
| 167 | Lose Yourself
• Eminem • Jimmy Iovine | 385 | I'm Coming Out
• Diana Ross • Bernard Edwards, Nile
Rodgers | | |
| 217 | Edge Of Seventeen
• Stevie Nicks • Jimmy Iovine | 389 | Brass In Pocket
• Pretenders • Chrissie Hynde | | |

Song Title • Artist(s) • Hipgnosis contributor(s)
Source: Rolling Stone, Sep 2021

Investment Adviser's Report



Merck Mercuriadis, Founder

It is now five years since Hipgnosis Songs Fund was launched in July 2018 and its shares were listed on the London Stock Exchange, before graduating to the FTSE 250 in March 2020. Our objective was to provide investors with exposure to iconic Songs.

In that time we have demonstrated that music royalties provide long term cashflows that benefit from the ever growing consumption of music which has become more convenient in the streaming paradigm. The growth of streaming has seen music revenues return to historic highs after the decade and a half of technological disruption and as with the last 8 years we expect that this growth will continue for many years to come.

Our investment case for the Company is anchored in the belief that long-term, predictable and reliable income streams delivered by our high-quality portfolio of Songs, underpinned by the wider growth in global music consumption and by boosting income and realising additional value as a result of our active Song Management activities.

The Company owns a portfolio of iconic and culturally important Songs. The strength of the portfolio is demonstrated by the year-on-year increase in the Operative NAV per share, up 3.6% to \$1.9153 (31 March 2022: \$1.8491). This increase is primarily due to a 4.0% increase in the Fair Value of the Portfolio as our carefully selected Songs outperform the expectations of the Portfolio Independent Valuer. In Sterling terms, this equates to 154.91p per share (GBP: USD exchange rate 1.236).

IFRS Net Revenue, which is based on the Group's accounting policies (including accruals), was \$147.2 million and decreased from \$168.3 million due to a number of non-recurring elements identified and called out in the prior and current period. These include non-recurring Right to Income (RTI), the initial recognition of the Usage Accrual and the impact of the retroactive CRB III revenue due. When excluding the impact of these adjustments, it grew by 10.9% year-on-year. The Financial Review provides full details of all these adjustments on page 34.

Given the multiple non-recurring elements captured with the IFRS revenue line and the application of

accruals for revenue required under IFRS, we also provide PFAR, a like-for-like revenue analysis per calendar year, which is based primarily on royalties received (i.e. reflecting royalties collected).

In 2022, PFAR grew by 12.1% year-on-year, to \$130.2 million (2021: \$116.2 million). This growth is despite strong currency headwinds as a result of the strength of the US Dollar impacting the value of non-US Dollar denominated source income. Although the Company receives 85% of its revenues in US Dollars, the original source for around half of revenues is non-US-Dollar denominated. Since third parties in the collection chain are converting currency, a precise constant currency calculation is not possible. However, based on average FX movements of the US Dollar in the year against Sterling, Euro and Yen, we estimate that the impact of the strong Dollar in 2022 was the equivalent of approximately 6 percentage points of increased differential compared to 2021, further emphasising the strong underlying growth.

Music demonstrates continued growth

Despite the macroeconomic slowdown caused by Covid-19, the war in Ukraine and central banks efforts to deal with inflation, the music industry continues to demonstrate its resilience. In particular, streaming remains a highly attractive consumer proposition.

In their first quarter 2023 results, published in April, Spotify reported 14% year-on-year revenue growth and 15% annual increase in Premium subscribers. As we have previously noted, music streaming services probably offer the best value entertainment product available, therefore we are not surprised by its resilience. During the year, we saw the first increase in premium streaming prices for a number of streaming services including Apple Music, Amazon Music, Deezer and Tidal moving beyond the £/\$/€ 9.99 per month price point for an individual plan. Despite these price rises, they are still seeing subscriber growth and it is expected Spotify and other streaming platforms will follow suit.

Due in part to our advocacy on behalf of Songwriters and Artists, the major record labels are increasingly recognising the value of the content that they allow streaming platforms to use. Rightsholders and DSPs are questioning the current streaming business model, which pays the same per stream for high-quality songs as is paid for unknown songs. Additionally, there is an increased focus on solving the problem of digital trappers, stream farms & bots, which are believed to be distorting the

distribution of streaming revenues. Given the quality of the Company's Catalogue, we are confident that the Company's Shareholders will eventually further benefit from improvements in the economic equation for Songwriters.

Welcome return of Performance Revenues

The lockdowns to combat the Covid-19 pandemic forced the closure of shops, bars, gyms and many other venues where music was played. Additionally, it resulted in a hiatus for touring. For the music industry, the combined impact was seen in a marked decline in Performance income.

The inherent lags in payments, as they migrate through the revenue collection system alongside the fact that the summer concert seasons in 2020 and 2021 were curtailed or cancelled resulted in a slow recovery in performance income.

In 2022, the PFAR Performance income increased by 41% in the second half of the year. The summer of 2022 saw successful tours by Blondie, Red Hot Chili Peppers, Lindsey Buckingham, Nile Rodgers & CHIC, Journey and many others. Live Nation Entertainment, the leading live entertainment company, reported record attendance at events in 2022 – with concert attendances up 24% versus 2019 (pre-pandemic). Encouragingly, they reported in May 2023 that, for the first time in three years, all their markets are open and they were seeing further record levels of activity in their concerts business.

We successfully trialled fast track collections services for both the Blondie and Red Hot Chili Peppers tours. The objective was to cut out middlemen, reduce costs and accelerate payments. As a result, increased income was received from both tours and paid through faster than normal. On one tour, in just one country, the Company saved around \$100,000 in costs. Whilst this is unlikely to be replicated in all territories, it demonstrates the value that can be created by this proactive approach.

Strong industry performance is already being seen by the major music publishers, with Universal Music Publishing reporting a 13.3% year-on-year growth in publishing revenues for the three months ended 31 March 2023 and Warner Chappell Music reporting a 11.7% year-on-year growth for the three months ended 31 March 2023. These administrators sit ahead of the Company in the payment chain and thus together these indicators give us confidence of further publishing revenue growth in the coming years.

We continue to see a buoyant live performance market as highlighted by sellout summer tours from Beyoncé, Taylor Swift, Red Hot Chili Peppers, Blink-182, Neil Young, Nile Rodgers & CHIC, Blondie, The Pretenders and many others all performing songs from our portfolio.

Impact of Artificial Intelligence

Over the centuries music has adapted to and benefitted from many developments in technology. In the 20th century distribution moved from sheet music to recorded music, physically distributed via vinyl or CDs, to any Songs being available at the touch of a button via streaming; production of music has gone from hand crafted whistles to electronic instruments recorded in 48-track studios to being able to produce global hit songs entirely on a laptop. Some of these technological changes have challenged the industry – illegal downloads being the most existential. We expect Artificial Intelligence (AI) will have both benefits and drawbacks for the songwriting community in the 21st century.

Specifically, we anticipate that AI will provide competition for new songs and artists. However, AI cannot replace the excitement of attending a stadium concert with a star artist. More importantly, given the Company's iconic and culturally significant portfolio, AI will never replace the emotional connection that consumers all over the globe have to our Songs. These Songs are part of the fabric of our lives and part of the fabric of our society. They will be passed down, as is already the case, for generations to come.

We expect AI to both interpolate and sample our iconic Songs and generate new versions of these Songs that will create new IP and additional revenues streams for the Company. These revenue streams are expected to be protected by existing copyright legislation around the world. If necessary, we will advocate for additional regulations and protections. As such we look forward to having a constructive relationship with AI music developers and sharing in the benefits of another new technology.

The Company's Portfolio

The Portfolio as at 31 March 2023 comprised of 146 Catalogues containing the rights to 65,413 Songs. The overall Fair Value of the Portfolio, as determined by the Portfolio Independent Valuer, increased by 4.0% to \$2.80 billion (31 March 2022: \$2.69 billion), mainly as a result of royalty statements received exceeding expectations, especially performance income and streaming income from older vintage catalogues.

This valuation reflects a multiple of 20.89x historical annual net Publisher Share income, compared to the blended acquisition multiple of 15.93x.

The Company's Portfolio of Songs is, we believe, unrivalled in its concentration of quality, as demonstrated by Songs in the Portfolio being:

- Over 10% of Rolling Stone's The 500 Greatest Songs of All Time (52/500);
 - Almost half of YouTube's Most Viewed Music Videos of all time (13/30); and
 - Songs on 16 out of the Top 40 UK best selling albums of the first six months of 2023.
- 97 of 419 of Spotify's Billions Club – Songs which have been played more than a billion times on the service;

Songs performed by globally successful and culturally important artists include:

2 Pac, **5 Seconds of Summer**, 10cc, **21 Savage**, 50 Cent, **10,000 Maniacs**, A\$AP Rocky, **AC/DC**, Adele, **Al Green**, Alan Jackson, **Alicia Keys**, Aluna George, **Amy Winehouse**, Andrea Bocelli, **Anitta**, Anthony Hamilton, **Ariana Grande**, Aretha Franklin, **AudioSlave**, Avicii, **B-52s**, Baby Bash, **Backstreet Boys**, Barbra Streisand, **Barry Manilow**, Bebe Rexha, **Benny Blanco**, Beyoncé, **Biffy Clyro**, Big & Rich, **Big Freedia**, Birdy, **Blind Faith**, Blink 182, **Blondie**, Bon Jovi, **Booker T & The MG's**, Boyz II Men, **Britney Spears**, Bruce Springsteen, **Bruno Mars**, Bryan Adams, **Camila Cabello**, Carly Simon, **Celine Dion**, Charli XCX, **Cher**, CHIC, **Chris Brown**, Christina Perri, **Christopher Cross**, Clipse, **Damian Marley**, Dave Matthews Band, **David Gray**, David Guetta, **Demi Lovato**, Destiny's Child, **Diana Ross**, Dierks Bentley, **Dionne Warwick**, Diplo, **Dire Straits**, DJ Snake, **Dua Lipa**, Duran Duran, **Dusty Springfield**, Ed Sheeran, **Ellie Goulding**, Eminem, **Enrique Iglesias**, Erica Banks, **Eric Prydz**, Ernestine Anderson, **Eurythmics**, Fantasia, **FKA Twigs**, Fleetwood Mac, **Florence And The Machine**, Flo-Rida, **Florida Georgia Line**, fun., **Galantis**, George Benson, **George Thorogood**, Gladys Knight, **Hailee Steinfeld**, Halsey, **Harry Styles**, Iggy Azalea, **Imagine Dragons**, James Bay, **James Morrison**, Jason Aldean, **Jason Derulo**, Jay Z, **Jennifer Hudson**, Jeff Buckley, **Jennifer Lopez**, Jess Glynne, **Jimmy Buffett**, Jodie Harsh, **John Legend**, John Newman, **Josh Groban**, Journey, **Juicy J**, Justin Bieber, **Justin Timberlake**, Kaiser Chiefs, **Kali Uchis**, Kanye West, **Katy Perry**, Keith Urban, **Kelis**, Kelly Clarkson, **Kelly Rowland**, Khalid, **Killswitch Engage**, Kylie Minogue, **Lady Gaga**, Lana Del Rey, **Lara Fabian**, Lauv, **LeAnn Rimes**, Leo Sayer, **Lindsey Buckingham**, Linkin Park, **Lionel Richie**, Little Mix, **Lizzo**, Lorde, **LunchMoney Lewis**, M.I.A., **Madonna**, Marc Anthony, **Maren Morris**, Mariah Carey, **Mark Ronson**, Maroon 5, **Mary J Blige**, Machine Gun Kelly, **Massive Attack**, Matchbox Twenty, **Matt & Kim**, MC Hammer, **Meatloaf**, Meek Mill, **Meghan Trainor**, Melissa Manchester, **Metallica**, Metro Boomin', **MF Doom**, Michael Bolton, **Michael Bublé**, Michael Jackson, **Mick Jagger**, Miguel, Miike Snow, **Miley Cyrus**, Molly Sanden, **Moses Sumney**, Mötley Crüe, **My Marianne**, Natalie Merchant, **Nelly**, Neil Young, **New Kids On The Block**, Nicki Minaj, **Nirvana**, No Doubt, **Ólafur Arnalds**, Olivia Rodrigo, **One Direction**, Pink, **Paloma Faith**, Panic! At The Disco, **Papa Roach**, Paris Boy, **Patti Smith**, Paul Anka, **Paul McCartney**, Pearl Jam, **Pell**, Perfume Genius, **Phoebe Bridgers**, Pitbull, **Pop Smoke**, Post Malone, **Puff Daddy**, Pusha T, **Rage Against The Machine**, Rebecca Ferguson, **Rejjie Snow**, Rick James, **Rick Ross**, Ricky Martin, **Rihanna**, Rita Ora, **Robbie Williams**, Rod Stewart, **Rudimental**, RZA, **Santana**, Santigold, **Sawyer Brown**, Seal, **Selena Gomez**, Shakira, **Shawn Mendes**, Sia, **Sigala**, Sigma, **Silk City**, Simple Minds, **Sinead O'Connor**, Sister Sledge, **Skrillex**, Sky Ferreira, **Solange**, Soundgarden, **Spencer Davis Group**, Spice Girls, **Steve Aoki**, Steve Winwood, **Stevie Nicks**, Stormzy, **Sugarhill Gang**, Sum 41, **Super Furry Animals**, Swedish House Mafia, **SZA**, T.I., **Taio Cruz**, Take That, **Taylor Swift**, Tchami, **Teddy Bears**, Teenage Fanclub, **The Chainsmokers**, The Editors, **The Outfield**, The Pretenders, **The Wombats**, Third Day, **Tiesto**, Tim McGraw, **Timbaland**, Tina Arena, **Tinie Tempah**, TLC, **Toby Keith**, Tom Jones, **Tom Petty & The Heartbreakers**, The Kid Laroi, **The Mindbenders**, The Vamps, **Theophilus London**, Tom Walker, **Toto**, T-Pain, **Tracey Chapman**, Traffic, **Train**, Trey Songz, **Trivium**, Troye Sivan, **TV On The Radio**, Ty Dolla \$ign, **U2**, Usher, **Waka Flocka Flame**, Weezer, **Westlife**, Whitney Houston, **Will Ferrell**, Wu-Tang Clan, **Young The Giant**, Zara Larsson and **Zedd**.

Portfolio as at 31 March 2023

Catalogue	Acquisition Date	Total Songs
The-Dream	13 Jul 2018	302
Poo Bear	21 Nov 2018	214
Bernard Edwards	28 Nov 2018	290
TMS	17 Dec 2018	121
Tricky Stewart	17 Dec 2018	121
Giorgio Tuinfort	21 Dec 2018	182
Rainbow	15 Jan 2019	15
Itaal Shur	31 Jan 2019	209
Rico Love	26 Feb 2019	245
Sean Garrett	21 Mar 2019	588
Johnta Austin	22 Mar 2019	249
Sam Hollander	31 Mar 2019	499
Ari Levine	31 Mar 2019	76
Teddy Geiger	12 Apr 2019	6
Starrah	25 Apr 2019	73
Dave Stewart	7 May 2019	1,068
Al Jackson Jr	8 May 2019	185
Jamie Scott	15 May 2019	144
Michael Knox	28 May 2019	110
Brian Kennedy	14 Jun 2019	101
John Bellion	14 Jun 2019	180
Lyric Catalogue	17 Jun 2019	571
Neal Schon	20 Jun 2019	357
Jason Ingram	10 Jul 2019	462
Eric Bellinger	12 Jul 2019	242
Andy Marvel	23 Jul 2019	740
Benny Blanco	2 Aug 2019	93
The Chainsmokers	22 Aug 2019	42
Timbaland	10 Oct 2019	108
10cc	17 Oct 2019	29
Journey (Publishing)	21 Oct 2019	103
John Newman	5 Nov 2019	47
Jaron Boyer	5 Nov 2019	109
Arthouse	15 Nov 2019	44
Fraser T Smith	5 Dec 2019	298
Jack Antonoff	5 Dec 2019	188
Ammar Malik	5 Dec 2019	90

Catalogue	Acquisition Date	Total Songs
Ed Drewett	9 Dec 2019	109
Kaiser Chiefs (Masters)	9 Dec 2019	48
Jeff Bhasker	11 Dec 2019	436
Johnny McDaid	11 Dec 2019	164
Emile Haynie	13 Dec 2019	122
Brendan O'Brien	13 Dec 2019	1,855
Savan Kotecha	18 Dec 2019	49
Tom DeLonge	23 Dec 2019	157
Journey (Masters)	10 Jan 2020	389
Rebel One	10 Jan 2020	157
Scott Harris	10 Jan 2020	129
Brian Higgins	22 Jan 2020	362
Gregg Wells	10 Feb 2020	11
Jonathan Cain	28 Feb 2020	216
Jonny Coffey	28 Feb 2020	85
Mark Ronson	28 Feb 2020	315
Richie Sambora	4 Mar 2020	186
Rodney Jerkins	16 Jul 2020	982
Barry Manilow	16 Jul 2020	917
RedOne	16 Jul 2020	334
Eliot Kennedy	16 Jul 2020	217
NO I.D.	24 Jul 2020	273
Pusha T	24 Jul 2020	238
Closer (J King & I Slade)	27 Jul 2020	2
Ian Kirkpatrick	29 Jul 2020	137
Blondie	30 Jul 2020	197
Chris Cornell	10 Aug 2020	241
Robert Diggs "RZA"	12 Aug 2020	814
Ivor Raymonde	13 Aug 2020	505
Nikki Sixx	3 Sep 2020	305
Big Deal Music "BDM"	10 Sep 2020	4,212
Julian Bunetta	10 Sep 2020	188
Chrissie Hynde	10 Sep 2020	162
Steve Robson	17 Sep 2020	1,034
Rick James	18 Sep 2020	97
Kevin Godley	23 Sep 2020	358
Scott Cutler	24 Sep 2020	111

Catalogue	Acquisition Date	Total Songs
Nate Ruess	30 Sep 2020	59
LA Reid	30 Sep 2020	162
50 Cent	30 Sep 2020	388
Aristotracks	30 Sep 2020	152
B-52's	30 Sep 2020	96
Bonnie McKee	30 Sep 2020	78
Brill Building	30 Sep 2020	234
Christina Perri	30 Sep 2020	68
Dierks Bentley	30 Sep 2020	113
Editors	30 Sep 2020	64
Eman	30 Sep 2020	97
Enrique Iglesias	30 Sep 2020	157
Evan Bogart	30 Sep 2020	229
George Benson	30 Sep 2020	107
George Thorogood	30 Sep 2020	40
Good Soldier	30 Sep 2020	760
Holy Ghost	30 Sep 2020	62
J-Kash	30 Sep 2020	90
John Rich	30 Sep 2020	7
Kojak	30 Sep 2020	148
Lateral	30 Sep 2020	248
Lindsey Buckingham (Kobalt)	30 Sep 2020	174
LunchMoney Lewis	30 Sep 2020	116
Lyrical Anderson	30 Sep 2020	96
Madcon	30 Sep 2020	173
Mark Batson	30 Sep 2020	210
Mobens	30 Sep 2020	1,034
Nelly (Kobalt)	30 Sep 2020	145
Nettwerk	30 Sep 2020	25,259
PRMD	30 Sep 2020	335
Rob Hatch	30 Sep 2020	167
Rock Mafia	30 Sep 2020	393
Savan Kotecha (Kobalt)	30 Sep 2020	354
SK Music	30 Sep 2020	23
Skrillex	30 Sep 2020	153
Stereoscope	30 Sep 2020	456
Steve Winwood	30 Sep 2020	215

Catalogue	Acquisition Date	Total Songs
Tequila	30 Sep 2020	1
Third Day	30 Sep 2020	212
Timeflies (Masters)	30 Sep 2020	80
Walter Afanasieff	30 Sep 2020	213
Wayne Wilkins	30 Sep 2020	113
Yaslina	30 Sep 2020	73
Sacha Skarbek	20 Nov 2020	303
Tricky Stewart (Masters)	27 Nov 2020	95
Eric Stewart	2 Dec 2020	255
Bob Rock	4 Dec 2020	43
Caroline Ailin ("New Rules")	10 Dec 2020	2
Nelly	15 Dec 2020	240
Lindsey Buckingham	24 Dec 2020	161
Joel Little	24 Dec 2020	178
Jimmy Iovine	24 Dec 2020	259
Neil Young	31 Dec 2020	590
Shakira	31 Dec 2020	145
Brian Kennedy (Writer Share)	31 Dec 2020	139
Andrew Watt	17 Feb 2021	105
Christian Karlsson	2 Mar 2021	255
Carole Bayer Sager	17 Mar 2021	983
Paul Barry	18 Mar 2021	510
Espionage	26 Mar 2021	151
Martin Bresso	31 Mar 2021	51
Andy Wallace	31 Mar 2021	1,242
David Sitek	31 Mar 2021	230
Happy Perez	31 Mar 2021	192
Red Hot Chili Peppers	14 Jul 2021	220
Kaiser Chiefs	15 Jul 2021	136
Christine McVie	21 Jul 2021	115
Jordan Johnson	22 Jul 2021	58
Stefan Johnson*	22 Jul 2021	58
Rhett Akins	23 Jul 2021	564
Ann Wilson	29 Jul 2021	152
Elliot Lurie	24 Aug 2021	70
Total Songs		65,413

* Not counted in total song count

Case Study

Reviving a forgotten hit

How a well placed Synch can change the fortunes of multiple revenue streams



Separate Ways (Worlds Apart) by Journey is an example of how our strong relationships with artists and Songwriters both within and associated with the Hipgnosis family can significantly reinvigorate a hit song that has nevertheless been allowed to

languish in traditional publishing companies, by introducing it to an entirely new and younger audience and in the process earn significant synch fees, increase steaming consumption and inspire other major artists to cover it so that it continues to add value.

Hipgnosis Songs Fund owns both the right to receive two-thirds of the artist royalties from the Master as well as a majority ownership interest in the Publishing copyright outside of the US (and equal in the US) for *Separate Ways (Worlds Apart)*.

It was released by Journey in 1983 as a single on their album *Frontiers* and peaked at Number 8 on the Billboard Hot 100 chart.

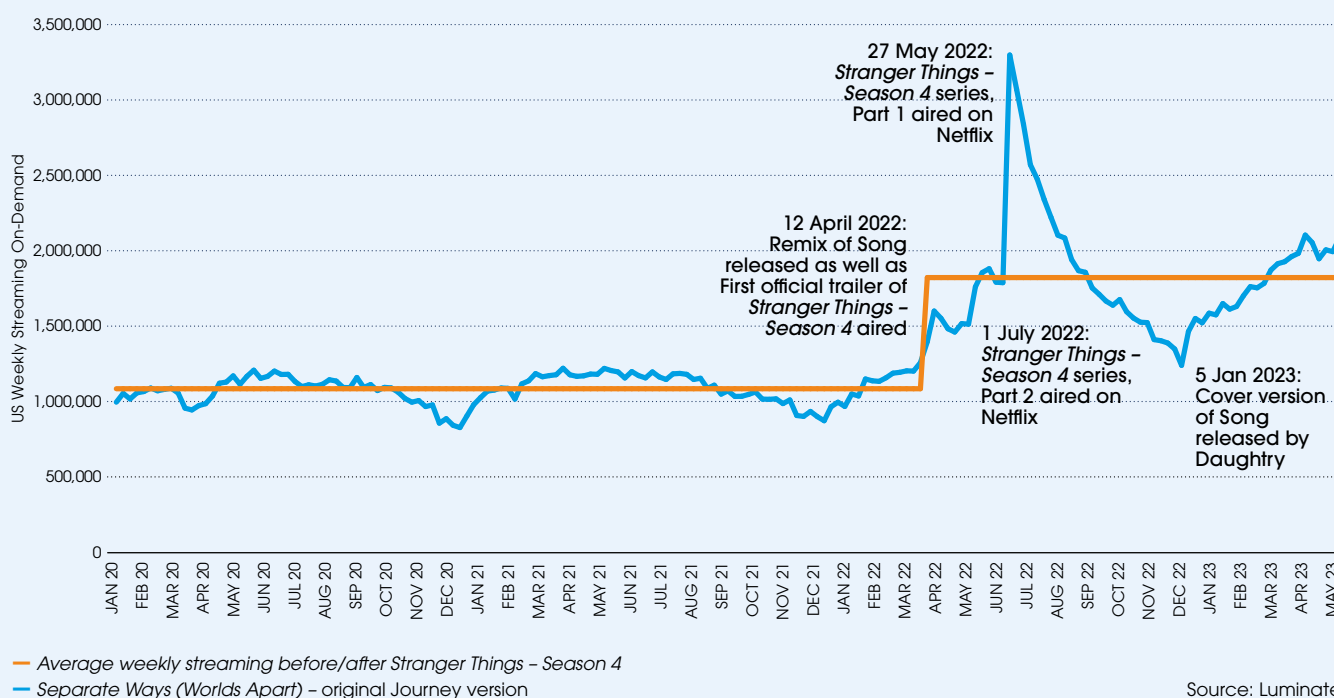
Creative Collaborations

Hipgnosis Songs Fund worked with the Producer of the Netflix series *Stranger Things – Season 4*, alongside Steve Perry, the lead singer and co-writer of the Song with Jonathan Cain. A remix was created specifically for *Stranger Things* which thematically exemplified the growing pains experienced by several characters in Season 4 of the series, as well as reminding viewers of the story's underlying theme of two worlds – the Regular World and the Upside Down. The result of the creative endeavour was *Separate Ways (Worlds Apart) Extended Remix*, by Steve Perry & Bryce Miller.

This new version of the Song was the soundtrack to the trailer – attracting additional fees – which launched and created the anticipation for Season 4.

The trailer was first aired on 12 April 2022. It was then released as a two-part series; the first aired on Netflix on 27 May 2022 and the second one on 1 July 2022, with the Song also appearing in the penultimate episode of the season. TV blog 'The Wrap' said, "Episode 8 of *Stranger Things – Season 4* introduced another

US Weekly Streaming for Journey's 1983 recording of *Separate Ways (Words Apart)*

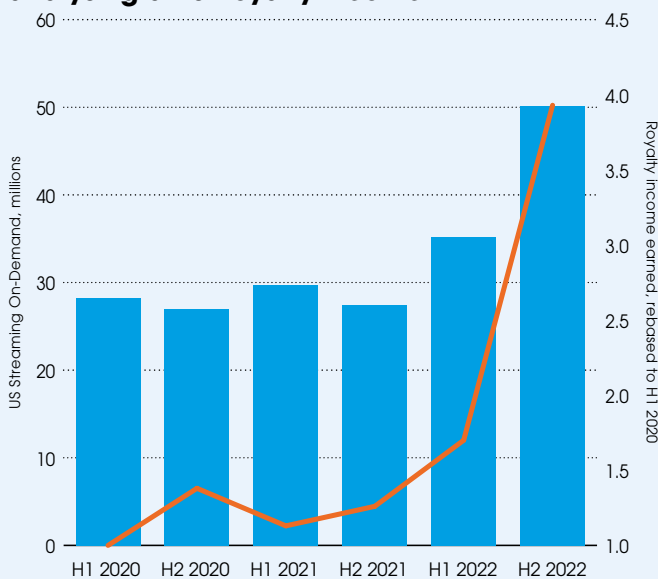


1980s musical gem into the show, a dark, eerie remix of Journey’s 1983 hit *Separate Ways (Worlds Apart)* that’s so good it made us re-watch the scene it was introduced in just to hear it again”.

A soundtrack of the series was also released in physical format in September 2022, and the remixed Song appears twice in the two-LP vinyl editions. Additionally, we collaborated with the band to remaster a special vinyl reissue of the album *Frontiers* which is due to be re-released later this year alongside their Greatest Hits album, which is one of the biggest selling Greatest Hits albums of all time. Both feature the original version of *Separate Ways (Worlds Apart)* and both will have exclusive formats for major retailers including Target and Walmart.

As a result of all the activity the multi-platinum US rock band and American Idol finalist, Daughtry, released a cover version of the Song on 5 January 2023, to celebrate the 40th anniversary of the original Journey hit single, which further fuelled the on-demand streaming for both the original Song and the remix version.

Journey’s *Separate Ways (World’s Apart)*: analysing artist royalty income



— Aggregate US Weekly Streaming (On Demand) – left-hand axis
 — Income earned – rebased to H1 2020 – right-hand axis
 Source: Hipgnosis Songs Fund, Luminate

Impact on Consumption

The use of the remix version of *Separate Ways (Worlds Apart)* in *Stranger Things*, and Daughtry’s subsequent cover version had a significant impact on the consumption of the original version.

Prior to the launch of the new series, the original version of *Separate Ways (Worlds Apart)* averaged a little over 1 million weekly streams in the US. Following the release of the trailer, the average number of weekly streams has risen 68% to 1.82 million streams per week.

Impact on Earnings

This strong collaboration has had a visible impact on all revenue streams.

We looked at the earnings related to artist royalty income since H1 2020. Earnings remained fairly constant until H2 2021. Since then, there has been close to a 4x uplift in earnings related to artist royalty income relating to the master recording and more than double since *Stranger Things – Season 4* first aired.

Notwithstanding the inherent lag in receiving payments, we also analysed the publishing earnings received within the Jonathan Cain Catalogue, who co-wrote 50% of the Song. This is a Catalogue that is now part of our in-house administration with HSG.

Royalty statements received to date show there has been a strong impact on Synch, Streaming, Physical as well as Performance revenues. In total, earnings for the calendar year ending 2022, have increased by 184% year-on-year with significant payments still to flow through.

Active Song Management

Due to their iconic nature, the Songs in the Portfolio can be relied upon to deliver long-term, stable returns, whilst benefitting from market growth.

However, our ethos has always been that active Song Management can and will deliver significant additional benefits to the Company's Shareholders. We view Song Management as having three pillars:

- Optimising revenue generation, revenue collection and value by ensuring accurate registration and rights enforcement of the Songs in the Catalogue, ensuring we collect revenues as efficiently and cost-effectively as we can.
- Driving consumption and value through active marketing and pitching of the Catalogue to individual listeners, music creators and business music users, as well as harnessing consumer platforms through which the Catalogue can be showcased and consumed.
- Campaigning to change the position of Songwriters in the economic equation by working with politicians, NGOs and the wider music community to build support for increased fairness in payments for Songwriters. As our Shareholders stand in the shoes of the Songwriters, what's in the best interest of Songwriters is also what's in the best interest of our Shareholders and there is complete alignment.

Optimising revenue generation

We have continued to implement its strategy of working with partners who reduce administration costs, collect more money, collect it faster and pay it through faster. At the earliest possible opportunity we look to revert (i.e. move) Catalogues to these partners, or renegotiate administration rates where there are compelling reasons to maintain the current relationships.

Through the Company's wholly owned subsidiary, Hipgnosis Songs Group's (HSG) administration capabilities, the Company benefits from its own in-house administration function in the US.

Furthermore, in July 2022, we announced that the Company had entered into a direct licensing and administration partnership with Sacem, a world-leading Collective Management Organisation (CMO), to collect digital rights for the Writers' Share and the Company's own Publisher Share, primarily in the UK and the European Union, starting in 2023.

Additionally, the Company entered into a sub-publishing partnership with peermusic, the world's largest independent music publishing and neighbouring rights administration company, for them to administer specific Catalogues. Peermusic will collect royalties in territories not administered by HSG or Sacem, primarily Latin America and Asia.

Combined, the partnerships with Sacem and peermusic have resulted in an annualised uplift of relevant earnings of 6.6%. Further benefits of the move to Sacem include collection times for some streaming revenues having been cut to as little as four months from the point of use.

So far, a total of 43 Catalogues or part Catalogues, covering over 6,200 Songs, accounting for c.11% of PFAR have now reverted to these three partnerships.

The transition of Catalogues to Sacem and peermusic required significant preparation work by the Copyright team, including scaling up certain administrative processes, such as becoming Common Works Registrations (CWR) compliant. Working with our own in-house administrator in the US, HSG, we ensured accurate delivery of the data to enable a smooth transition.

The music industry is notorious for the fragility and inaccuracy of data. Therefore, it is notable that Sacem reported that there were no rejections in the 6,200 Songs which were transferred to them, highlighting the success and accuracy of the work that our rights administration team has been carrying out. In practice, this means that Songs transferred are properly coded so that all due payments are received and Sacem can immediately focus on maximising collections for Hipgnosis Songs Fund.

We will continue to consider Catalogues for reversion to HSG, Sacem and peermusic as existing administration agreements expire. Alongside these, we continue to have a significant administration business with Kobalt as well as with Sony Music Publishing, Warner Chappell Music and Universal Music Publishing.

Driving consumption through Synch

The Company's Portfolio of iconic and culturally important Songs are naturally in high and constant demand from producers to feature in their movies, TV shows, advertisements, video games and online marketing.

Our global in-house '24/7' Synch licensing operation actively manages our Songs with responsibility. The Hipgnosis Song Management team focuses on creating opportunities which add value to both the Song and the Songwriter's legacy, while also responding to incoming enquiries within a matter of minutes.

The success of our approach is demonstrated by the 24.7% year-on-year increase in synch PFAR income in calendar 2022 compared to 2021. Overleaf we have identified a selection of our recent Synchs.

Our case study on pages 22-23 demonstrates, in depth, the secondary impact on streaming, and thereby income, which can be achieved by placing the right Song in the right place.

Another highlight of the year was our placement of *All The Small Things*, co-written by Tom Delonge, whose Catalogue the Company bought in December 2019, as the sound track for the highly coveted John Lewis 2022 Christmas Advert. The original Blink-182 version of the Song reached Number six in the Billboard Hot 100 and Number two in the UK on release in 2000. Our Synch team saw the potential of a slowed down version of this track and presented it to John Lewis, who chose it to soundtrack their seasonal Christmas advert.

Following the John Lewis advert, and the Blink-182 reunion world tour announced in October 2022, streaming consumption has notably increased, particularly in the UK. In addition, there have been several interpolations and samples agreed. These, in turn, will drive further consumption when they are released as well as create new IP and revenue streams.

Alongside the John Lewis Christmas advert as one of the most prestigious placements for Synchs, stands the Superbowl half time show. This year, Rihanna performed four of the Company's co-owned Songs during her set: *BirthDay Cake* (The-Dream), *All Of The Lights* (Jeff Bhasker/The-Dream), *Run This Town* (Jeff Bhasker/No I.D.) and *Umbrella* (The-Dream/Tricky Stewart). Close to 119 million viewers tuned in for her performance on television and streaming services, with each of the Songs recording gains on streaming platforms of up to 280% in the week following her performance. Four months on, *Umbrella's* US weekly Streaming-on-Demand figures are still 1.3 times that pre the Superbowl; *Run This Town* is showing 1.5x the demand.

During the year, our Synch team enhanced their Publishing Partner engagement program in order to further increase the access to and visibility of our Songs. This proactive approach aims to encourage greater collaboration with our publishing partners with the aim to maximise synch activity. In addition, we create bespoke approval processes, ensuring that we remain a low friction partner for quickly licensing repertoire.

In addition, the Synch team has taken advantage of a number of technology solutions that trawl the global entertainment industry and automatically alert the team every time a significant synch deal goes on air. Combining this technological approach with our proprietary in-house synch and royalties databases enables us to have an integrated system where a synch can be followed from its pitching stage, through its usage and ultimately its collection.

Bringing Songs to new audiences

Putting the spotlight on creating interpolations of our Songs, having our Songs sampled and nurturing cover versions of our Songs results in new IP for the Company as well as new and enhanced revenue streams.

This year, Nicki Minaj delivered another enormous global hit based on Rick James's hit *Super Freak*. Nicki's Song *Super Freaky Girl* went to Number 1 on the Billboard Hot 100 in the US as well as being a top five hit in the UK. The original Song was released in 1981 and has been a seminal Song ever since. In 1990, it was interpolated as *U Can't Touch This* by MC Hammer for the enormous global Grammy award winning hit. All three Songs have pride of place in the Company's portfolio and Nicki Minaj's recording is not only the highest charting, having reached Number 1, but also, once again, helps to revive both the original and the MC Hammer version. As a result of all this activity we have already seen a 45% uplift year-on-year for the combined earnings of *Super Freak* and *Super Freaky Girl*, when comparing the first nine months of 2022 to the first nine months of 2021.

The three versions have more than 5 billion streams across all services with approximately half of them under the Company's ownership. *Super Freaky Girl* has also been awarded an ASCAP POP Award as one of the most played songs on US radio in the past 12 months. Through ownership of the Rick James Catalogue, the Company receives its 50% share of Rick James' 55% of the publishing share of *Super Freaky Girl*.

A Spotlight on Synch



Synch

Here are some of our recent Synch approvals from across the Catalogue:

TV and Streaming

Neil Young's *Out On The Weekend* has recently aired on Netflix's 'Outer Banks'.

Netflix's ongoing smash hit series 'Sex Education' will feature The Pretenders song, *Brass In Pocket*, written by Chrissie Hynde.

The current season of 'Love Island UK' has featured no fewer than 15 of Hipgnosis' songs.

The latest series of DC's 'Superman & Lois' has a prominent usage of Sugarhill Gang *Rapper's Delight*, which was co-written by Bernard Edwards.

Paramount+ picked *Can't Find My Way Home* written by Steve Winwood for the second season of the series 'Mayor Of Kingstown'.

The current season of HBO's 'We're Here' has featured Bon Jovi's *You Give Love A Bad Name*, co-written by Richie Sambora.

The trailer for Amazon Studios' 'Der Greif' has used Soundgarden's *Black Hole Sun* written by Chris Cornell as its soundtrack.

Nile Rodgers & Snoop Dogg have collaborated on a brand-new version of *We Are Family* co-written with Bernard Edwards, for the trailer of the YouTube Original series, 'Behind The Beats'.

Amazon Prime's latest season of 'The Handmaid's Tale' features Fleetwood Mac's *The Chain* co-written by Lindsey Buckingham & Christine McVie and Al Green's *Let's Stay Together* co-written by Al Jackson Jr.

'The Playlist' – a Netflix Original series about the creation of Spotify, features Bruno Mars' *Locked Out Of Heaven*, co-written by Ari Levine and Swedish House Mafia's *Don't You Worry Child* co-written by Martin John Lindstrom.

2022's NFL Sunday Night Football promo featured an on camera rendition of Neil Young's song *Old Man*, performed by Beck. The recording was nominated for Best Rock Performance at the 2023 Grammy Awards.

Season 3 of Amazon Studios' 'The Boys' featured an on-screen performance of Blondie's song *Rapture*, co-written by Debbie Harry and Chris Stein.

Film

The new 'Barbie Movie' features an interpolation of Red Hot Chili Pepper's *Pretty Little Ditty*.

Red Hot Chili Peppers' *Can't Stop* was used as the trailer to the latest 'Expendables 4' movie.

Journey's *Don't Stop Believin'* is being used in the trailer for 'Harold And The Purple Crayon'.

'Glass Onion', the sequel to the hugely successful Knives Out' feature film, features a key use of *Under The Bridge* by Red Hot Chili Peppers.

Heart's Crazy On You, co-written by Ann Wilson is the main song on the trailer for the latest film in the 'Guardians of the Galaxy' franchise.

Fun's *We Are Young*, co-written by Jack Antonoff and Nate Ruess, was placed in the South Korean film 'Rebound'.

Marvel Studios' 'Wakanda Forever', features a significant use of Red Hot Chili Peppers' *Can't Stop*.

The trailer for Sony Pictures' 'Lyle, Lyle, Crocodile' features Shawn Mendes's *There's Nothing Holdin' Me Back*, co-written by Teddy Geiger and Scott Harris.

The Netflix Original film 'The Swimmers' uses David Guetta feat. Sia's *Titanium*, co-written by Hipgnosis' Giorgio Tuinfort, in both the film and the trailer.

Advertising

No I.D. and Jeff Bhasker were writers on Rihanna and Jay-Z's *Run This Town Z*, which soundtracked Apple Music's 2023 Superbowl commercial.



Renault have selected Sheila B. Devotion's *Spacer*, co-written by Bernard Edwards, to soundtrack their 2023 E-space advertising campaign.

Journey's *Any Way You Want It* was used for an Applebee's TV commercial.

Boyz II Men's *End Of The Road* was used to soundtrack the Infinity QX80 TV advertising campaign.

Gucci Men's Luggage chose Heart's *Magic Man* for their campaign featuring Ryan Gosling.

Chanel Eyewear picked *Chic Cheer*, co-written by Bernard Edwards, for their global campaign.

Isuzu have renewed the deal for their use of Fleetwood Mac's *Go Your Own Way* written by Lindsey Buckingham in their Australian brand campaign.

The much-coveted 2022 John Lewis Christmas commercial was soundtracked by a new recording of Blink-182's *All The Small Things*, written by Tom DeLonge.

Paco Rabanne have renewed their global 1 Million campaign, featuring Sugarhill Gang's *Rapper's Delight*, co-written by Bernard Edwards.

Holiday Road by Lindsey Buckingham is soundtracking the current advertising campaign for The United States Postal Service.

William Hill selected Rudimental's *Feel The Love* co-written by John Newman as the soundtrack to their current advertising campaign.

Video Games

Hipgnosis' new recording of *Wanted Dead Or Alive* performed by Empara M is featured on the global trailer for 'Transformers: Reactivate', a major forthcoming video game.

Black Hole Sun, written by Chris Cornell, was selected for the trailer for the 'Red Fall' game.

Saber Interactive picked *You Give Love A Bad Name*, co-written by Richie Sambora, for the trailer of their game 'Toxic Commando'.

Red Hot Chili Peppers' *Can't Stop* has been confirmed for use in the forthcoming WWE 2k23 wrestling video game.

The trailer for 'Overwatch 2' features Yeah Yeah Yeahs' *Spitting Off the Edge of the World*, which was co-written by Dave Sitek.

All I Want for Christmas Is You and *Joy to the World*, both co-written by Walter Afanasieff, were performed by Mariah Carey on her Winter Wonderland concert on Roblox.

EA Sports chose the RedOne-cowritten Real Madrid anthem *Hala Madrid... Y Nada Mas* for their new game FC24, the replacement for the FIFA series.

John Newman's *Love Me Again* features the trailer for EA's FC24 the replacement for the FIFA series.

Fitz & The Tantrum's *Handclap*, co-written by Sam Hollander, features in EA's NHL24.

Red Hot Chili Peppers' *Give It Away* features in EA's Madden NFL 24.

The Pretenders' *Private Life* by Chrissie Hynde will feature in Grand Theft Auto 6.

In addition, we continue to focus on creating new master recordings of selected Songs within the Catalogue designed to be attractive for synch opportunities.

This approach has already proved successful, with a new version of Bon Jovi's *Wanted Dead Or Alive*. We partnered with Empara Mi and created a new recording of this Song, specifically designed for the current trend in movie and video game trailers of atmospheric, ethereal recreations of iconic songs. In this case, the Company owns 50% of the Publishing copyright via the Richie Sambora Catalogue acquisition and 100% of the master recording of the new version. We placed the Song for the trailer of the forthcoming video game *Transformers: Reactivate* – earning a six-figure synch fee. In addition, we released the Song on Streaming services to establish a base for the record where it has achieved over 1.6 million streams on Spotify alone, and should continue to grow and generate further income once the game is released. The trailer has already been viewed 2 million times on YouTube.

Another example is when we placed Richie Sambora as a contestant on the UK version of *The Masked Singer*. Four of the six songs that he performed on the series were from the Company's Portfolio. When he was revealed in the semi-final, his profile reached a recent all-time high and there was an increased streaming consumption of the Bon Jovi songs held by the Company.

Another initiative aimed at introducing our iconic songs to a new generation of fans in order to drive increased streaming consumption is making Nile Rodgers the face of Chanel Eyewear as well as the first and only "Artist In Residence" at Apple Music. We have also presented CHIC's first five albums and Sister Sledge's *We Are Family* in Spatial Audio on the service, as well as securing a significant six figure synch for the song *Spacer* with Renault in Europe.

Progress made towards ensuring that Songwriters are fairly remunerated

The 2022-23 financial year saw significant progress in our campaign for Songwriters to be more fairly rewarded for their contribution to the success of the music industry. Without Songwriters there is no music industry and all Songwriters deserve to go from the bottom of the economic equation to the top. It cannot be said often enough that where the Company has purchased a Catalogue we stand in the shoes of the Songwriter,

so our Shareholders' interests are entirely aligned with those of Songwriters. If we can get Songwriters paid more, our Shareholders benefit equally.

We advocated for, and welcome moves by the US Copyright Royalty Board (CRB) which, during the year, disallowed an appeal from certain streaming services against their CRB III ruling as well as the joint industry proposal approved by the CRB which provides for further increases during the CRB IV period.

CRB III provided for a 44% increase in the headline rate of Digital Service Providers (DSP) revenues paid to Songwriters and Publishers, reaching 15.1% in 2022. As a result of the appeal by certain streaming services, some revenues were not paid contemporaneously. Following the rejection of the appeal the music industry and the Mechanical Licencing Collective (MLC) has started the process to distribute those revenues. As discussed in the Financial Review on page 34, we have accrued a total of \$16.1 million for the CRB III retroactive revenue and a further \$5.6 million for CRB III uplift during the financial year.

The joint industry proposals – which have been confirmed, for CRB IV saw the proportion of DSP revenue paid to Songwriters further rise incrementally to 15.35% in 2027, as well as the royalty payable on a physical sale or download rising from 9.1 cents to 12 cents with additional inflationary increases. Whilst there is still a long way to go before Songwriters are fairly remunerated, these are important steps in the right direction.

The joint CRB IV proposals show there is increasing acceptance across the music industry that Songwriters should be fairly rewarded for their work. Although the increase is more modest than the CRB III rises, we support it as it will provide a background of stability at the highest streaming rates ever paid in the context of which we can continue our advocacy efforts.

In the UK, the Competition and Markets Authority (CMA) concluded their market study and recommended that the Intellectual Property Office (IPO) take forward a number of workstreams. After the year end, the IPO announced an agreement on how the music industry and the Government will work together to deliver consistent high-quality metadata and the Government has announced a joint industry working party on music industry remuneration. We welcome these steps, however, we believe that far greater reform

is needed and we continue to engage with the relevant organisations to achieve this change. Our ultimate goal is for Songwriters' pay to be determined by the free market, not legislation.

We also supported BMI in its Live Concert rate victory, which set a new rate 138% higher than the previous one, reflecting the importance of Songs in the live concert experience. As we've stated before, live concerts would not exist without Songs.

Hipgnosis Songs Group (HSG) and new Songs

Prior to being acquired by the Company in September 2020, HSG had two main divisions: Song Creation, which accounted for 78% of revenues at the time, and third-party administration which accounted for 22% of revenues.

The chief purpose of acquiring HSG was the ability to self-administer our acquired Catalogues in the US. This would reduce third party administration costs, allow us to collect revenue quicker, reduce revenue leakage, give us greater visibility over revenue and give us a seat at the table to negotiate better rates for our Catalogue, as well as advocate on behalf of Songwriters. It was an established platform at acquisition and in the intervening time we have improved its capabilities as we have shifted its focus to administration. In total, the Company has reverted 43 Catalogues to HSG, enabling the Company to benefit from this in-house capability.

In addition to administering Songs in-house for the Company, HSG continues as a third-party administrator. In this capacity, HSG administers Catalogues such as Beggars Banquet, which includes Glass Animals, who claimed the longest run in Billboard 100 history with *Heat Waves*. The Song has gone 5x Platinum in the US, was the second most streamed Song in 2022 in the US and is ranked among the Top 15 "most streamed Songs of all-time on Spotify".

Song Creation remains a small part of Hipgnosis Songs Fund's overall business, at less than 2% of net revenue. Highlights from the period include continued important placements by Stefan and Jordan Johnson (the Monsters & Strangerz) with Selena Gomez; the Jonas Brothers and Miley Cyrus; as well as Julian Bunetta and John Ryan with Katy Perry, Shawn Mendes and Sabrina Carpenter. The expansion of our joint ventures with NO I.D., including key signings with both Saba and Sonny Nitez, as well as Hippo Campus are also expected to deliver hit songs.

During the period, the Company has evolved HSG's Song Creation business and in addition to delivering original hits, its roster of Songwriters are also focused on interpolating the Company's iconic Songs into new hits. This focused strategy will enable more stable returns off a reduced fixed cost base. As a result, there was a restructuring of the team, with a \$1 million one time cost which is expected to deliver an estimated annual fixed cost savings of \$0.8 million.

Following the successful implementation of our strategy to use HSG for self-administration and the subsequent growth in third party administration, this business is well balanced and gross revenues are now split evenly across fund administration, third party administration and Song Creation.

Recognition through awards

Grammys

The Company's Songwriters were included in 16 Grammy nominations for 2022 and won the following:

- **Best Dance/Electronic Album:** Beyoncé's *RENAISSANCE* co-written by Travis Garland and Diplo's *Diplo*, co-written by Phil Scully and David Karbal.
- **Best Folk Album:** *Revealer* by Madison Cunningham co-written by Dan Wilson
- **Producer Of The Year (Non Classical):** Jack Antonoff

PRO Performance Awards

- **Song of the Year SESAC Music Awards 2022:** *Heatwaves*, by Glass Animals, written by Dave Bayley
- **Winners at the ASCAP Pop Awards 2023:**
 - *Ghost* by Justin Bieber, co-written by Stefan Johnson and Jordan Johnson
 - *Super Freaky Girl* by Nicki Minaj, co-written by Rick James
- **ASCAP Most Performed Songs of the Year:** *Just About Over You* performed by Priscilla Block and co-written by Emily Kroll
- **ASCAP Country Awards 2022:** *Just About Over You* performed by Priscilla Block and written by Emily Kroll
- **BMI Most Performed Songs of The Year:**
 - *It's Cause I Am* performed by Callista Clark and co-written by Cameron Jaymes
 - *Baila Conmigo* performed by Selena Gomez and Rauw Alejandro written by Albert Hype

- **Winner in the BMI Pop Awards 2023** for most performed Song: *Ghost* by Justin Bieber, co-written by Stefan Johnson
- **Winner in the BMI Country Awards 2022:** *Tequila Little Time* by Jon Pardi, written by Rhett Akins
- **Winner in the BMI Latin Awards 2022:** *Telepatia* by Kali Uchis, co-written by Albert Hype

Upgraded capabilities

The strategic investment by Blackstone LLP into Hipgnosis Song Management during 2021 has enabled us to continue investing in capabilities and expertise despite the reduction in the management fee received from the Company as a result of the decline in the share price.

Notably, Ben Katovsky joined on 1 October 2022 as our new President and Chief Operating Officer. Ben, who has almost two decades' experience in the music industry, most recently as COO at BMG, leads the operations of Hipgnosis Song Management. He has particular expertise in the scaling of music companies, building value from growing Catalogues, digital business development and using technology and data to enable this.

Ben's appointment was part of our on-going commitment to ensure that we continue to evolve with the right people in the right roles to maximise opportunities and value for the Company. As such we have made a number of additional appointments, most notably in our Song Management organization to focus on further driving audience development and licence revenue for our Songs.

Danny Bennett has been appointed EVP responsible for Marketing and Audience Development. Danny has been a leading manager in the music industry for more than 30 years. He's widely respected for using his progressive marketing skills. He famously redefined the career of his father, Tony Bennett, including through iconic collaborations with Lady Gaga and Amy Winehouse. Based in New York, Danny will support an increased focus on the United States, the largest music market.

Patrick Joest has been promoted to Head of Synch leading the IA's global synch marketing and licensing operation. Patrick has over two decades' global experience and a network in Film & TV/synch licensing on both the supervision and rights owners' side. Prior to

Hipgnosis, Patrick spent 11 years at BMG, where he built the global synch business from scratch to a multi-million dollar operation, leading a team across 15 offices.

Sara Lord has been appointed EVP Content Creation. Sara is an entertainment industry executive with over 25 years of experience in the music, film and advertising industries. Sara joined from Concord Music, where she had been SVP International Synch and Project Development. Sara is leading Hipgnosis' collaborative work with companies looking to create audio-visual, theatrical, non-traditional physical and experiential content showcasing Hipgnosis catalogues.

As part of the ongoing investment and expansion of the Investment Adviser, additional appointments are underway including the appointment of an in-house General Council to be announced in due course.

Last September, we said goodbye to Amy Thomson and we will shortly be saying goodbye to Ted Cockle. We would like to thank both of them for their efforts and wish them all the best for the future.

During the year a particular operational focus for the Investment Adviser has been the build out of its proprietary technology and data platform, the implementation of work processes associated with this platform and the population of data into new systems. The platform now includes systems that enable rights administration, Synch sales, audience development and royalty collection and assurance and is therefore designed to optimise the end-to-end value creation process.

Significant investment has been made into the development of a proprietary cloud-based royalty platform. This platform enables the Investment Adviser to ingest and verify royalty statements received from publishers, labels, CMOs and other sources rapidly and to a high level of granularity. The platform will allow significantly improved royalty analysis and verification and will power improved insights to drive catalogue revenue generation. We see technology and data science as a key priority and will continue to invest significantly in these areas.

Taylor Swift's The Eras Tour

“Swift has sold a staggering 1,186,314 tickets for her shows, and there's still more to come.”†

🎵 1st live tour since 2018

📅 41 US concerts performed since 17 March 2023

🌐 90 confirmed shows to come through Summer 2024*

🎵 11 of the Songs performed are from the Hipgnosis Catalogue

Hipgnosis's Songs that are part of The Eras Tour:

- 🎵 **Look What You Made Me Do** • Jack Antonoff
- 🎵 **You Need to Calm Down** • Joel Little
- 🎵 **The Man** • Joel Little
- 🎵 **Out of the Woods** • Jack Antonoff
- 🎵 **Getaway Car** • Jack Antonoff
- 🎵 **Miss Americana & the Heartbreak Prince** • Joel Little
- 🎵 **A Place in This World** • Robert Orrall
- 🎵 **Cruel Summer** • St. Vincent, Jack Antonoff
- 🎵 **Call It What You Want** • Jack Antonoff
- 🎵 **I Don't Wanna Live Forever** • Jack Antonoff
- 🎵 **Me! feat. Brendon Urie** • Joel Little

Other Songs by Taylor Swift in our Catalogue:

- Dress** • Jack Antonoff
- New Year's Day** • Jack Antonoff
- Only The Young - Featured in Miss Americana** • Joel Little
- Sweeter Than Fiction - From "One Chance" Soundtrack** • Jack Antonoff
- The Way I Loved You** • John Rich
- This Is Why We Can't Have Nice Things** • Jack Antonoff
- You Are In Love** • Jack Antonoff

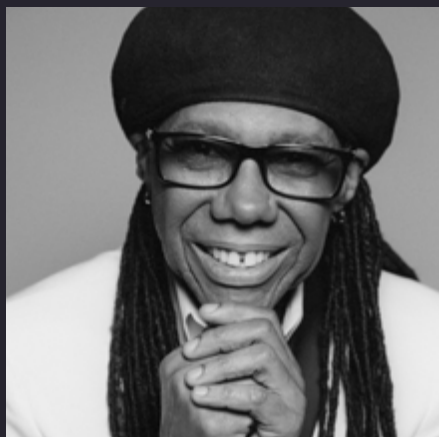
The Advisory Board

The Advisory Board assembled by Merck Mercuriadis assists the Investment Adviser.

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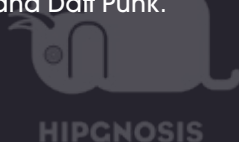
Nile Rodgers

Rock And Roll Hall Of Fame and Songwriters Hall Of Fame Inductee, Chairman Of The Songwriters Hall Of Fame. Grammy award-winning Songwriter, producer and musician. Founder of the band CHIC. Co-writer and producer of iconic hits for David Bowie, Madonna, Duran Duran and Daft Punk.



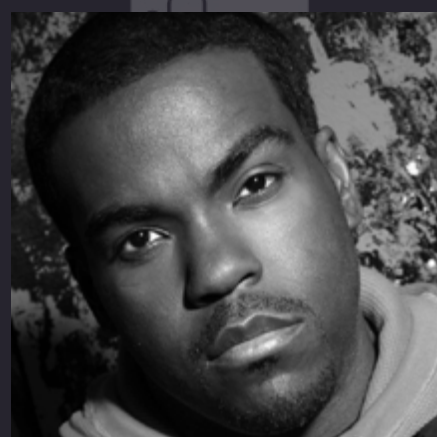
The-Dream

Grammy award-winning Songwriter, producer and musician. Wrote and produced iconic hits for Beyoncé, Jay Z, Kanye West, Rihanna, Mariah Carey, Britney Spears and Justin Bieber.



Poo Bear

Multi-platinum producer, singer and Songwriter aficionado, Jason Boyd, better known as Poo Bear, is a five-time Grammy winning musical force of nature having sold over 500 million records worldwide. Best known for his unforgettable collaborations with Ed Sheeran and Justin Bieber.



Rodney "Darkchild" Jerkins

Grammy Award winning super-producer with a trail of outstanding accomplishments. He has added to the hit lists of music talents such as Whitney Houston, Justin Bieber, Ariana Grande, Drake, Destiny's Child and countless others. These artists know that having the "Darkchild" touch on their song puts it on the fast track toward reaching Number One.



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Starrah

Amongst the most important young Songwriters having written 14 hit singles thus far including the Number 1 Song Havana by Camila Cabello and Girls Like You by Maroon 5. Havana was the biggest song in the world in 2018.



David A. Stewart

One of the most successful Songwriters, Artists and Producers of all time. His work with Eurythmics, Tom Petty & The Heartbreakers, Shakespears Sister, No Doubt, Mick Jagger, Bob Dylan and Eric Clapton amongst many others defines its era.



Giorgio Tuinfort

Grammy award winning Songwriter and one of the most important pop writers of the last 10 years. The partner of choice for David Guetta and Akon. He has written number 1 Songs for Sia, Gwen Stefani and Ariana Grande.



Ian Montone

Attorney and founder of Monotone Management. Manager of Jack White, The White Stripes, Vampire Weekend, The Shins and Danger Mouse.



Bill Leibowitz

Attorney, founding partner of Roberts, Leibowitz and Hafitz PLLC. Former COO and General Counsel for The Sanctuary Group. Specialises in intellectual property law and during his legal career of 35 years he has represented many renowned artists and major international intellectual property companies.



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Financial Review

NAV

The Company reports two net asset values: an IFRS NAV which is prepared in accordance with IFRS, under which the Company's investments in Catalogues are held at cost less amortisation and impairment, and an Operative NAV which adjusts the IFRS NAV to reflect the Fair Value of the Company's Catalogues, as determined by the Portfolio Independent Valuer. The IFRS Net Asset Value (NAV) per share as at 31 March 2023 was \$1.1863 which is a 9.2% decrease from \$1.3065 as at 31 March 2022, reflecting the amortisation of the Company's Catalogues in accordance with applicable accounting protocols and ignoring their current fair value.

The Board and the Investment Adviser consider that the most relevant NAV for Shareholders is the Operative NAV.

The Operative NAV per share increased by 3.58% to \$1.9153 during the year (31 March 2022: \$1.8491), driven primarily by a 4.0% increase in the Fair Value of the Portfolio. This, together with the dividends, of 21.6p (27.9¢), takes Total \$ NAV Return to Shareholders to 69% since the IPO on 11 July 2018.

Operative NAV per share Bridge

From 1 April 2022 to 31 March 2023

	\$
Opening Operative NAV per share	1.8491
Loss for the year	(0.0741)
Amortisation and Impairment during the year	0.0955
Dividends paid during the year	(0.0465)
Repurchase of shares into treasury	0.0013
Increase in Fair Value of Catalogues	0.0900
Closing Operative NAV per share	1.9153

Based on the Sterling to Dollar exchange rate at 31 March 2023 of 1.236, the Operative NAV per share presented in Sterling is 154.91p per share (31 March 2022: 140.79p based on Sterling to Dollar exchange rate of 1.3134). As at 11 July 2023, the Operative NAV per share presented in Sterling would be 148.51p per Share (GBP: USD 1.2897).

Fair Value of the Portfolio

The Fair Value of the Portfolio increased by 4.0% to \$2.80 billion (31 March 2022: \$2.69 billion), mainly as

a result of royalty statements received exceeding expectations, especially related to performance income and streaming income from older vintage catalogues. This also drove the increase in the Operative NAV in Dollar terms over the period.

The Fair Value is determined by the Portfolio Independent Valuer, Citrin Cooperman, whose valuation approach is described in detail further on in this report.

In advance of the last Interim Report published in December 2022, Kroll Advisory Limited ("Kroll"), an independent valuation firm, was appointed to consider and advise on the reasonableness of certain assumptions commonly employed in the valuation of music catalogues based on data provided by the Company.

The Board continues to engage and consult with Kroll in order to obtain a range of views with respect to the development of inputs that impact the Group's valuation methodology, as applied by the Portfolio Independent Valuer. Details of this are discussed in the Chair's Statement.

Tax considerations

The Company is a UK tax resident with Investment Trust Company (ITC) status. For UK corporation tax purposes, the Group's music assets are considered intangible fixed assets and therefore the Company may be unable to benefit from an exemption for tax on chargeable gains due to its ITC status on any potential sale of Catalogues.

Given the options the Board is considering, the current share price and the upcoming Continuation Vote, the Company has estimated that in the event that the Group sells all of its assets, that the Group's potential tax charge on these disposals, based on certain assumptions, could be approximately \$245 million. This potential tax charge reflects both the impact of the historic amortisation of such assets, where the Group has already received a tax benefit to the extent available in each year of ownership and the uplift in value since purchase. This estimate does not include any assumptions as to the structure of any disposal, the utilisation of any brought forward tax losses potentially available to the Group or from any potential opportunities to optimise the structure of any sale of assets, which could both result in a materially lower tax charge on any future sale of the Group's assets.

Citrin Cooperman, the Portfolio Independent Valuer:

- One of the largest valuation providers in the music transactions marketplace;
- Conducts the valuations of many music publishing and recorded music assets on behalf of buyers, sellers and lenders;
- Conducts the annual valuations of most of the major public and private music funds;
- Values the Fair Value of Hipgnosis Songs Fund twice a year;
- In 2022 alone, Citrin Cooperman appraised over 400 unique music asset Catalogues valued at over \$9 billion.

Citrin Cooperman's Valuation Methodology

The key inputs to their Discounted Cash Flow (DCF) methodology include:

Determining a baseline value: This is the earnings benchmark, applied on a per income type, per catalogue basis, against which growth rates are applied. The baseline value, which is taken from royalty statements, is typically the prior year's earnings with the exception of synch, where an average of the prior two years is taken, given the irregular nature of the Synch business. Adjustments to these assumptions are made by the team at Citrin Cooperman dependent on Catalogue-specific activity, which may include settlements, audits, black box payments and changes in administration rates, amongst others.

The revenue provided does not take into account any future ability of the Company's active management to enhance Catalogue revenues.

Applying growth rates: Growth rates of steady state Catalogues are applied on a per income type, per catalogue basis.

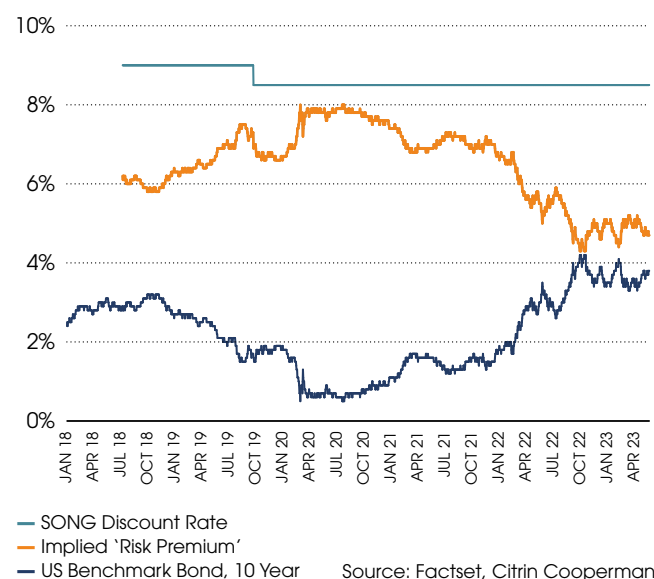
The income type growth rate applied to each Catalogue is determined by that Catalogue's historical earning trends and expectations of decay.

A terminal growth rate value is applied in year 16.

Discount Rate: The other key assumption used by the Portfolio Independent Valuer is the discount rate which it has maintained at 8.5% (31 March 2022: 8.5%). Citrin Cooperman has consistently taken a long-term view on interest rates. Since Hipgnosis' IPO in July 2018, they have reduced the discount rate on only one occasion (by 50bps) despite the substantial fall in US treasury yields between 2018 and end of 2021.

A further consideration in calculating the appropriate discount rate is the quality of earnings. The proportion of utility-like revenue from Streaming services has increased since Hipgnosis' IPO. This justifies a substantially lower risk premium applied to music as an asset. These factors combine to provide a cushion within the historical discount rate. Citrin Cooperman kept the discount rate high when interest rates were lower, with the view that a low interest rate environment would not be sustainable in the long term. This allowed for the accommodation of a rise in interest rates without a corresponding increase in the discount rate.

Evolution of the Discount Rate



Citrin Cooperman, the Portfolio Independent Valuer (continued)

The determination of the discount rate is based on an equally weighted Weighted Average Cost of Capital (WACC), with the key inputs being Cost of Equity at 9.7% and Cost of Debt at 7.25%.

The Portfolio Independent Valuer reviews the discount rate regularly and will adjust the discount rate if it considers it appropriate. A 0.5% increase in the discount rate to 9.0% would result in a decrease to the Fair Value of the Catalogue of 7.9% (\$222.0 million); conversely a 0.5% reduction to 8.0% would result in an increase of 9.4% (\$263.0 million). Sensitivities relating to applied growth rates are set out further in the financial statements in Note 6.

Market Transactions and Deal Multiples

The Fair Value calculated by the Portfolio Independent Valuer of \$2.80 billion, reflects a multiple of 20.89x historical annual net Publisher Share income at the time of acquisition compared to the blended acquisition multiple of 15.93x.

The table below sets out the transaction multiples for deals which took place during 2022 and 2023 that Citrin Cooperman believe most closely resemble the Portfolio of the Company, in terms of the quality of the Songs and the genre mix.

The average multiple across this set of 21.9x supports the Portfolio Independent's Valuer view on Fair Value.

2022-23 transaction multiples of traded Catalogues that most closely resemble the Portfolio of the Company

Genre	Vintage	Simplified Vintage	Multiple
Rock	1960s, 1970s	Standards Music	24.15
Rock	1960s, 1970s, 1980s	Standards Music	23.97
Hip Hop, Pop	1990s	Standards Music	17.32
Latin, Pop	1990s, 2000s, 2010s	Standards Music	23.64
Country, Pop Rock	1990s, 2000s, 2010s	Standards Music	20.40
Country, Pop	1970s, 1980s, 1990s	Standards Music	24.58
Pop	2000s, 2010s	Standards Music	25.46
Rock, R&B	1960s, 2010s	Standards Music	18.76
Hip Hop	2010s, 2020s	Contemporary Music	24.67
Pop	1980s, 1990s	Standards Music	16.73
Country	1970s, 1980s, 1990s	Standards Music	21.39
Average Multiple			21.92

Source: Citrin Cooperman. Note: Standards Music is equivalent to Catalogues with a vintage >10 years and Contemporary Music is equivalent to those Catalogues with a vintage of <10 years.

Revenue

Both in the current and prior period, the Company recognised a number of non-recurring elements impacting IFRS revenue, resulting in Total revenue and Net revenue decreasing to \$177.3 million (31 March 2022: \$200.4 million) and \$147.2 million (31 March 2022: \$168.3 million) respectively. As can be seen below, the decrease in Net revenue was primarily the result of the initial recognition of the Usage Accrual in the prior period (\$36.0 million) as well as the non-recurring element of RTI (\$14.1 million) in the prior period, partly offset by the CRB III retroactive accrual (\$16.1 million) in the current year.

The CRB III retroactive accrual was made in the first half of the year following the confirmation of the CRB III rate increase to 15.1% for the Songwriters' mechanical portion of US Streaming income by 2023. The accrual estimates the retroactive payment due to the Company as a result of revenues in previous accounting periods not having been recognised at the full CRB III rates.

Excluding these non-recurring elements, the Company saw an increase in IFRS Net revenues of \$12.9 million or 10.9% year-on-year. This is as a result of an increase in royalty statements and accruals of \$2.4 million, a movement of \$6.2 million related to the Usage Accrual, a \$5.6 million accrual reflecting the revenue attributable to Hipgnosis in the current year due to the CRB III ruling, an increase in royalty costs of \$1.5 million and an increase in interest income of \$0.2 million.

The chart below bridges the movements in IFRS Net revenue.

Pro Forma Annual Revenue (PFAR)

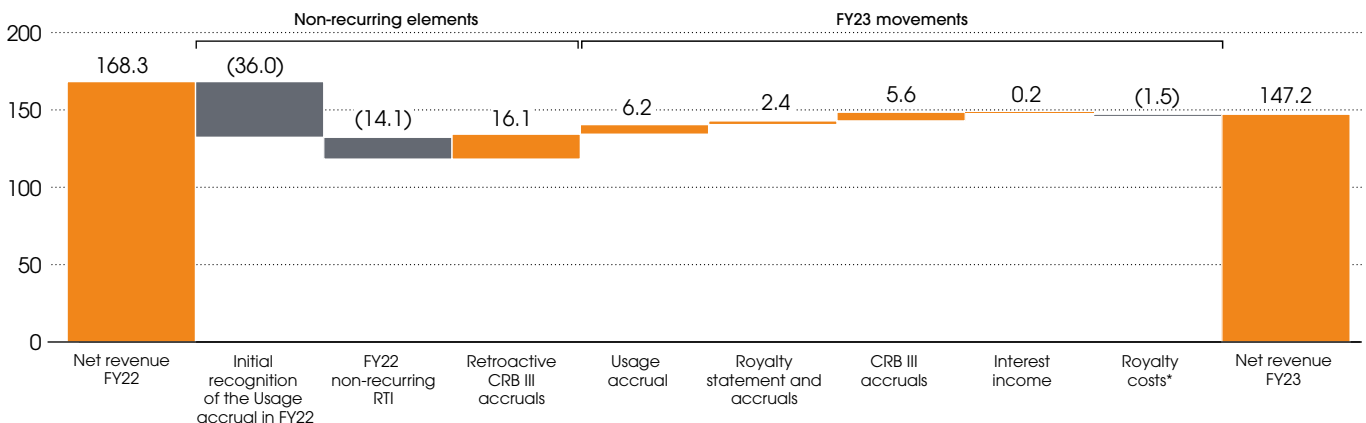
Given the multiple non-recurring elements captured with the IFRS revenue line, to provide Shareholders with an understanding of the like-for-like performance of the Company's revenues, by removing the impact of new Catalogue acquisitions and these non-recurring elements, the Company presents the Pro Forma Annual Revenue (PFAR) performance measure. This shows the royalty revenue earned by Catalogues in a calendar year largely based on royalty statements received, irrespective of whether the Songs were owned by the Company over the period analysed and does not include any revenue accruals under IFRS. Although not directly reconcilable with IFRS revenue, the Company believes this provides a relevant like-for-like full year income comparison of the Group's Catalogues of Songs held as at the period end.

PFAR is reported for both the <10 year vintage, i.e. those newer Catalogues where there is typically an expectation of some natural decay (or loss of revenues) over time, and for the >10 year vintage, i.e. those Catalogues which have reached the end of their natural decay curve.

The table overleaf shows PFAR for Catalogues owned as at 31 March 2023 over time.

Movement in IFRS Revenue (\$m)

over the financial year ending 31 March 2023



* The Royalty costs attributable to Usage accrual has been included in the Usage accrual analysis

Pro Forma Annual Revenue for Catalogues owned

	12 months to Dec 22 \$m	12 months* to Jun 22 \$m	12 months* to Dec 21 \$m	12 months to Jun 21 \$m
Total PFAR for Catalogues owned as at 31 March 2023	130.2	122.2	116.2	115.9
Vintage <10 years	56.5	52.6	50.0	51.0
Vintage >10 years	73.7	69.6	66.2	64.9

* Restated. Note: Age of a Catalogue is calculated as the average release year of a Catalogue as at 1 January 2023 weighted on earnings, at time of acquisition. For the avoidance of doubt, the >10 years now includes some Catalogues that previously were considered in <10 years

PFAR for the 12 months to December 2022 increased by 12.1% year-on-year to \$130.2 million, a significant acceleration on growth seen in previous years. PFAR grew strongly in both categories: by 13.0% year-on-year in the <10 year to \$56.5 million (2021: \$50.0 million) and 11.3% year-on-year in the >10 year vintage to \$73.7 million (2021: \$66.2 million). Previously, the Company has highlighted the stabilisation of the <10 year vintage PFAR. The significant growth now being seen in this category highlights that those Catalogues continue to approach the end of their decay curve and any remaining decay within certain income streams is being significantly outpaced by growth.

PFAR does not include any income due to the Company as a result of the increased royalty rates due from CRB III (\$5.6 million in the financial year) or income from Hipgnosis Songs Group LLC (HSG) (\$5.1 million in the financial year).

PFAR is set out by income type for calendar year 2022 against the comparative previous calendar year below.

2022 vs 2021 PFAR split by income type

	12 months to Dec 22 \$m	12 months to Dec 21 \$m	Change %
Streaming	52.11	45.40	+14.8
Synchronisation	19.44	15.59	+24.7
Performance	30.81	28.27	+9.0
Mechanical	4.87	5.01	-2.8
Digital Downloads	2.50	3.59	-30.4
Settlement and Other	3.88	2.20	+76.4
Total Publishing Income	113.61	100.06	+13.5
Masters*	16.63	16.10	+3.3
Total PFAR	130.23	116.16	+12.1

*Masters income includes Artist Royalties, Producer Royalties and Neighbouring Rights.

Streaming income continues to grow strongly, up 14.8% year-on-year and represented 40.0% of the Portfolio's PFAR income for the 12 months to December 2022 (2021: 39.1%). This validates how the Company's strategy of acquiring Catalogues with high levels of streaming consumption benefits from the structural growth in global paid-for streaming.

Synchronisation income, which includes both fees for the use of Songs on traditional media outlets as well as digital licences for social media, gaming and fitness platforms, grew by 24.7% year-on-year. This reflects the Investment Adviser's focus on maximising revenue through pitching, promoting and procuring synch deals. In addition, the Company is starting to receive income from digital licences.

As anticipated in the Interim Report, the Company received increased performance income in the second half of the year as recovery from Covid-19 restriction related declines worked its way through the music industry payment cycle. This, together with successful tours from the Red Hot Chili Peppers, Nile Rodgers & CHIC, Journey and Blondie, amongst many others, resulted in performance income increasing by 9.0% year-on-year to \$30.8 million, with the second half up 41% on H1 2022. With all markets now fully open and major concert tours for all four of the previously mentioned artists taking place this year, we anticipate that performance income will continue to recover. Additionally, Blink-182 are touring and both Beyoncé and Taylor Swift are performing to sell-out stadiums with their shows featuring a number of songs in which Hipgnosis Songs Fund has an interest. Please see our Super Star features on pages 31, 46-47.

Masters income, which includes income from Artist Royalties, Producer Royalties and Neighbouring Rights, increased by 3.3% year-on-year, from \$16.1 million to \$16.6 million. This growth was subdued as a result of a relatively high proportion of younger catalogues within this income stream continuing to experience some natural decay.

The Company considers that the PFAR metric will remain a relevant measure of underlying Portfolio performance for Shareholders until IFRS revenue reaches a 'steady state' and becomes a comparable measure useful for the Board and Shareholders.

Costs

Adjusted operating costs, which exclude interest costs and Catalogue performance bonuses decreased by 21.2% year-on-year to \$29.5 million (31 March 2022: \$37.5 million). This is driven by a reduction in Advisory fees as a function of the Company's lower share price during the year, reduced administration, legal and professional fees as well as lower aborted deal costs.

As a result, Ongoing Charges as a percentage of the average Operative NAV decreased to 1.21% for the year ended 31 March 2023 (31 March 2022: 1.54%).

Whilst a significant Catalogue bonus provision is recognised in the current year, we do not anticipate this provision to occur at a material level in future years.

Given continuing outperformance on certain Catalogues, the Company has recognised an additional Catalogue performance bonus provision of \$43.8 million (31 March 2022: \$0.9 million). These relate to payments to Songwriters where the recognition of a performance bonus is contingent on certain performance hurdles defined in the catalogue acquisition agreements, based on actual and expected future performance that is highly probable.

Overall operating expenses have increased by 26.4% year-on-year to \$233.9 million (31 March 2022: \$185.0 million) due to increased interest costs, as detailed below, and the increase in Catalogue bonus provisions, discussed above.

EBITDA

EBITDA for the year ended 31 March 2023 decreased by 10.1% year-on-year to \$117.7 million (31 March 2022: \$130.9 million), reflecting the reduction in net revenue only partly offset by a reduction in the Advisory fees.

Cash flow and net debt

Net debt decreased to \$562.0 million at 31 March 2023 (31 March 2022: \$569.9 million) assisted by strong cash receipts from royalty statements and the change of dividend timetable, which meant only three dividends were paid out during the period.

Net cash generated from operating activities increased to \$102.1 million (31 March 2022: \$84.9 million).

In addition to the reduction in net debt, due to the increase in the Operative NAV, net debt as

a percentage of Operative NAV has decreased to 24.3% as at 31 March 2023 (31 March 2022: 25.4%).

Leverage

For the period 1 April 2022 to 29 September 2022 the Company had a Revolving Credit Facility, led by J.P. Morgan (the "J.P. Morgan RCF"), which was exposed to London Inter Bank Overnight Rate (LIBOR) with a margin of 3.25%.

On 30 September 2022 the Company entered into a new RCF (the "New RCF") with a commitment of \$700 million which runs for five years until 30 September 2027. The New RCF, arranged by CNB, bears interest at a floating rate of interest based on the Secured Overnight Financing Rate (SOFR), plus an initial fixed margin of 2%. Not only do the terms of the New RCF carry a lower margin cost, there is also greater operational flexibility within the facility.

In order to mitigate interest rate risk and provide certainty over interest payments, the Company completed interest rate swap agreements. From 30 September 2022 until 2 January 2023, the interest on all the drawn debt was fixed at 5.71% (including debt margin).

Since 3 January 2023, \$340 million has been hedged for the duration of the RCF (until 30 September 2027) at a fixed rate of 5.67% (including debt margin); a further \$200 million is hedged until 3 January 2026 at a fixed rate of 5.89% (including debt margin). The balance remains unhedged to provide flexibility.

In total, the Company completed interest rate swap agreements to hedge a total of \$540 million at a blended rate of 5.75%, including debt margin, for a weighted average life of 4.26 years, starting from 3 January 2023.

These interest rate hedging contracts are not subject to margin calls in the event of movements in underlying interest rates.

Loan interest expense increased to \$33.7 million (31 March 2022: \$20.4 million) due to the rise in LIBOR related to the J.P. Morgan RCF which was in place until 29 September 2022.

On derecognition of the pre-existing J.P. Morgan RCF, \$5.0 million was recognised as a borrowing cost extinguishment charge and represents the unamortised capitalised borrowing costs on the J.P. Morgan RCF.

Post year end, there was a cash benefit of \$1.2 million received relating to the short-term fair value gain on the prior quarter's interest rate swap due to underlying rates being favourable for that period. As at 31 March 2023, the fair value of the Held for Trading financial liability was \$3.4 million.

Foreign Exchange Hedge

On 12 October 2022, the Company entered into a series of US Dollar to Sterling foreign exchange forward contracts to limit its exposure to foreign exchange rate risk and to provide certainty on the US Dollar value of future Sterling dividend payments. This rolling hedging strategy implemented by the Board ensures there are £50 million of forward contracts in place at any time. The foreign exchange forward contracts were in place until April 2024 and have subsequently been extended to October 2024.

As at 31 March 2023, the Held for Trading financial asset relating to the foreign exchange forward contract is \$4.9 million and a fair value gain of \$6.0 million is recognised in the Consolidated Statement of Profit and Loss.

Dividends

Dividends paid in the year of \$56.3 million related to the periods ending March 2022 (paid 15 June 2022), June 2022 (paid 28 October 2022) and September 2022 (paid 31 January 2023). An interim dividend for the period ending December 2022 was declared on 16 March 2023 and paid post year end on 28 April 2023. The fourth interim dividend in relation to the March 2023 financial year of 1.3125p was declared on 23 June 2023 with a payment date of 28 July 2023.

All dividends were in line with the Company's annual target of 5.25p in interim dividends per Ordinary Share.

Dividends paid, of which there were three in the year of \$56.3 million were covered 1.44x by Distributable Revenues recognised during the year. Dividends declared, of which there were four in the year, amount to \$75.9 million, which were covered 1.07x by Distributable Revenues recognised during the year.

In addition, the Company was covered 1.45x on a Leveraged Free Cashflow measure, necessary to meet the three dividend payments paid in the year, and 1.08x the Leveraged Free Cashflow necessary to meet the four dividends declared in the year.

EPS

EPS for the year ended 31 March 2023 is (7.41¢) (31 March 2022: (1.65¢)); the reduction to EPS is set out in the below table:

EPS Bridge	Cents
Opening EPS at 1 April 2022	(1.65)
Reduction in Net Revenue	(1.74)
Reduction in Operating Expenses (excluding the below)	0.36
1. Reduction in Advisory and Performance Fee	0.34
2. Increase in Catalogue bonus Provision	(3.62)
3. Increase in Interest Expenses	(1.10)
Closing EPS at 31 March 2023	(7.41)

As set out previously, the reduction in Total Revenue is primarily due to the result of the recognition of both the Usage Accrual (\$36.0 million) and the non-recurring RTI (\$14.1 million) in the prior year, partly offset by the CRB III retroactive accrual (\$16.1 million) in the current year.

Adjusted EPS, as defined within the Alternative Performance Measures, which primarily removes the impact of Catalogue amortisation and other non-operating costs is 4.12 cents (31 March 2022: 7.18 cents). Catalogue bonus provision has been included in the calculation in the current year as the Company does not anticipate this provision to occur at a material level in future years. The Group amortises Catalogues over a useful life, using a straight-line method of 20 years, which is in line with the industry standard.

Accruals and Receivables

Royalty receivables at 31 March 2023 were \$7.1 million (31 March 2022: \$6.6 million), representing royalty statements received by March 2023 with payment received subsequent to year end.

Accrued income as at 31 March 2023 was \$126.2 million on a gross basis (31 March 2022: \$105.3 million) primarily due to the recognition of a CRB III accrual. When removing the accruals relating to the time lag in royalty reporting, CRB III and Usage accrual, the underlying accrual has reduced by \$7.4 million to \$47.2 million (31 March 2022: \$54.6 million) which reflects the efforts of the Investment Adviser to reduce the working capital cycle to ensure all prior period revenue has been received.

A breakdown of these accruals is set out below:

- \$47.2 million for earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q2 2023 onwards (31 March 2022: \$54.6 million);
- \$7.8 million income accrual relating to time-lagged international reporting on PRO earnings. International PRO reporting has a significant time lag due to the additional collection time taken for PROs to distribute income from territories. The lag is due to the nature of processing royalties locally, then distributing them to the domestic PRO, which will in turn process and distribute these royalties to the Group. Six months of international PRO earnings are accrued, although PRO processing delays can typically result in an earnings lag of up to 24 months (31 March 2022: \$7.3 million);
- \$21.7 million CRB III accruals (31 March 2022: \$Nil). This is as a result of the confirmation of the CRB III rate increases in July 2022 for the Songwriters' mechanical portion of US Streaming income. Of this, \$5.6 million is the impact of the higher 15.1% rate on the revenue earned by the Company during the year and \$16.1 million has been recognised as an estimate of the retroactive payment due as a result of revenues historically not having been recognised at the full CRB III rates;
- \$42.2 million Usage Accrual, which recognises revenues that have triggered a contractual payment but have not been paid to, or processed by, collection societies, publishers and administrators (31 March 2022: \$36.0 million); and
- \$7.3 million HSG gross revenue accrual, (31 March 2022: \$7.4 million).

Merck Mercuriadis

Founder, Hipgnosis Songs Fund Ltd and
Founder/CEO, Hipgnosis Song Management Ltd.

12 July 2023



HIPGNOSIS SONGS FUND

Our Market

Streaming drives music industry growth

Robust growth for the music industry continued to be exhibited in 2022. This is reflected by the latest figures from the IFPI showing that global recorded music industry revenues reached \$26.2 billion dollars in 2022, the eighth successive year of growth and a 9% year-on-year increase.

The adoption of paid-for music Streaming remained a significant driver for this growth globally, with revenues from subscription streaming increasing by 10.3% year-on-year to a total of \$12.7 billion. Paid-for streaming now accounts for nearly half of all global revenues and this is also shown by a further 12.6% year-on-year growth in global paid subscription users, which now stands at 589 million users. In total, Streaming now accounts for 67% of recorded music revenue, up from 65% last year; as a result, music is now perceived by many to provide utility-like revenues.

The growth in Streaming is expected to remain strong and is part of the Company’s investment case, as discussed on page 50.

Luminate, which provides the underlying data for the Billboard music charts, showed that global on-demand music streaming increased by over a quarter to 5.3 trillion streams in 2022, with audio on-demand streaming in the US topping 1 trillion streams for the first time – a 12.1% year-on-year increase.

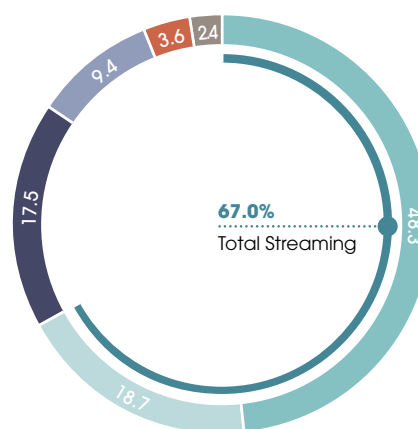
The IFPI showed that global revenue from recorded music performance rights, as known as Neighbouring Rights – the use of music by broadcasters and public venues – grew by 8.6% year-on-year, reaching \$2.5 billion in 2022, and surpassing pre-pandemic level. Whilst not immediately comparable to the performance revenue seen by Hipgnosis on a PFAR basis on page 37, we note the growth recovery is on the same trajectory.

The consumer market company Statista highlights that there are around 6.6 billion smartphone subscriptions worldwide. With close to 600 million global music subscribers in 2022, according to the IFPI, market penetration by Streaming of smartphone owners is around 10%. This figure is expected to move towards 20% by 2030, according to Goldman Sachs, in their *Music in the Air* report. Statista expects the number of smartphone mobile network subscriptions worldwide to reach 7.9 billion by 2028 and J.P. Morgan Cazenove estimates global paid music subscriptions to grow to 1.62 billion by 2030 as a result of an expected rise in paid subscription penetration.

The smartphone is part of making music the soundtrack to our lives. Nowhere is this more clearly demonstrated than in both established and emerging online platforms.

As with Streaming, as connectivity rises and data costs reduce, the attractiveness and sophistication of social media sites increases. When music is used on these sites, royalties are due to the artists who created the music and therefore to the Company. Additionally, sites like TikTok, which has over one billion active users, can be shown to drive traffic to other Digital Service Providers (DSP) such as Spotify and YouTube where users consume more of the music they have heard.

Global recorded music revenues by segment 2022 (%)



- Subscription audio streams
- Ad-supported streams
- Physical
- Performance Rights
- Downloads & other Digital
- Synchronisation

Source: IFPI

Growth strong in Emerging Markets

North America is the largest market for recorded music with the IFPI reporting 5% year-on-year growth in revenues in 2022. Europe, the second largest market saw growth of 7.5% year-on-year. Emerging markets continue to show strong double digit revenue growth with South America and Middle East & North Africa reported as increasing revenues by around a quarter and Sub-Saharan Africa by over a third. A 28% year-on-year rise in China saw it move into the top five markets globally for the first time.

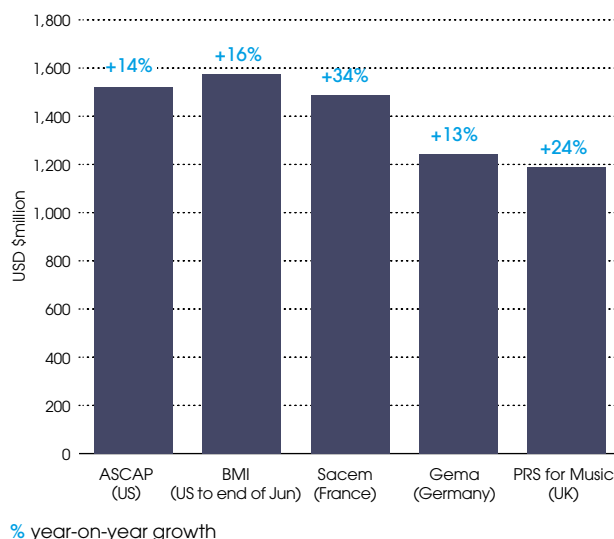
Historically, the music industry received relatively little revenue from emerging markets, where bootleg copies which paid no royalties were prevalent. The advent of streaming, albeit at lower rates than paid in the USA, Europe or Japan, means that over time royalty revenues from emerging markets will become increasingly important for companies such as Hipgnosis, which own globally iconic Songs that are streamed around the world.

Music Publishing is recovering

A continuation of recovery in music publishing revenues was seen in 2022, driven by the public performance segment, which benefitted from the re-opening of public venues. 2022 has seen further recovery. Collection revenues now have surpassed 2019, the levels seen pre-pandemic.

The following chart shows the collection revenues for the largest collection societies for 2022. It also shows that the largest US collection management organisations (CMOs), Ascap and BMI, showed growth in collections of 14.1% and 15.6% year-on-year respectively. Each now has collections surpassing \$1.5 billion. In Europe, the collection revenues of Sacem, another music royalty collection company, increased by 34% year-on-year in 2022 to €1.4 billion. Sacem is amongst the largest CMOs and is the entity that Hipgnosis Songs Fund now uses to collect digital revenues primarily in Europe. Growth in collections was driven by digital (i.e. mainly streaming) and the return of concerts and festivals.

Annual total collection in 2022



Source: Music Business Worldwide, Hipgnosis Songs Fund; ASCAP, BMI, Gema, PRS, Sacem; non-USD currencies converted to USD at annual 2022 average exchange rate per the IRS; all figures

The growth seen by the CMOs is reflective of the overall music publishing market. Goldman Sachs, in their recent 2023 *Music in the Air* report, estimates the market enjoyed another stronger than anticipated year of revenue growth up 18% year-on-year in 2022, to \$8.2 billion. They are now predicting the global music publishing market to grow with a CAGR of 7.6% (previously 5.9%) through to 2030, reaching a value of \$14.7 billion in 2030.

Live performance has rebounded

The summer of 2022 saw successful tours by Blondie, Red Hot Chili Peppers, Lindsey Buckingham, Nile Rodgers & CHIC, Journey and many others within the Hipgnosis family. Live Nation Entertainment, the leading live entertainment company, reported record attendance at events in 2022 – with concert attendances up 24% versus 2019 (pre-pandemic). Encouragingly, they reported in May 2023 that, for the first time in three years, all their markets were open and they were seeing further record levels of activity in their concerts business.

Goldman Sachs estimates the market was \$26.5 billion in 2022 and predicts the Live Music industry will remain an attractive market with a steady growth outlook (CAGR +5% 2023-30).

Price rises at the DSPs

During the year, we saw the first increase in premium streaming prices for a number of streaming services including Apple Music, Amazon Music and Deezer moving beyond the £/\$/€ 9.99 per month price point for an individual plan. For example, in Q4 2022, Apple Music increased the monthly price of its individual and family subscription by \$/£/€1 to \$/£/€10.99 and \$/£/€2 to \$/£/€16.99 respectively in the US, UK and continental Europe; Amazon Music has followed suit, with new pricing plans in place from February 2023 and Spotify is in the process of introducing Premium pricing. Despite these price rises, they are still seeing subscriber growth and it is expected Spotify and other streaming platforms will follow suit.

Rise of Artificial Intelligence

Over the centuries music has adapted to and benefitted from many developments in technology, and as discussed on pages 5 and 18, we expect Artificial Intelligence (AI) will have both benefits and drawbacks for the songwriting community.

Specifically, the Company anticipates that AI will provide competition for new songs and artists. However, AI cannot replace the excitement of attending a stadium concert with a star artist. More importantly, given the Company's iconic and culturally significant portfolio, AI will never replace the emotional connection that consumers all over the globe have to our Songs.

We expect AI to both interpolate and sample the Company's iconic Songs and generate new versions of these Songs that will create new IP and additional revenues streams for the Company. Global copyright laws provide a significant degree of protection for our Intellectual Property. Nonetheless, we are working with legislators who are actively looking at how to fill any gaps which are created by this new technology and we will support measures which prevent AI from learning from in-copyright music and recordings to the detriment of artists and Songwriters.

Copyright Royalty Board

CRB III 2018-22

During the period there were a number of significant regulatory developments from the Copyright Royalty Board (CRB), which sets royalty rates for the United States, the Company's biggest market.

In July 2022, after a lengthy process, the 2018-22 rate increases on the Songwriter's mechanical portion of US Streaming income, known as CRB III, were finally agreed. This culminated in the "all in" headline (mechanical) statutory minimum rates for Streaming paid in the US to increase by a total of 44%, from 10.5% to 15.1% over the course of the CRB III period.

The headline rates of the percentage of service provider revenue agreed by the CRB per royalty year were as follows:

2017	2018	2019	2020	2021	2022
10.5%	11.4%	12.3%	13.3%	14.2%	15.1%

As detailed in the Financial Review on page 34, this has led to a \$16.1 million accrual for retroactive revenue due to the Company for the years 2018-2021 and a \$5.6 million accrual to monies expected to be earned in 2022.

Whilst some Publishers had different policies on whether they paid out any higher rates received from DSPs up to when the CRB III ruling was appealed, the Company has taken a blanket approach and has not considered any Publisher specific policies given the lack of clarity from the various payors.

To provide additional rigour on the calculation, the CRB III retroactive and uplift accrual estimates were compared, and benchmarked against, the estimates provided by the Portfolio Independent Valuer and the Fair Value appraiser for the CNB-led Revolving Credit Facility.

For the period 2018-20, responsibility to adjust payments as necessary to these new rates rests with the DSPs or their historic agents. For the period post January 2021, the responsibility to collect and distribute these uplift adjustments falls to the Mechanical Licensing Collective (MLC).

The transition to the MLC results from the designation by the U.S. Copyright Office for the MLC to begin

administering blanket mechanical licenses to digital service providers in the United States and paying out the royalties collected. As a newly formed entity, the MLC has launched several initiatives to ensure that their databases correctly reflect who should receive royalties for each Song. Since 2022, Copyright teams across the industry have focused on working collaboratively to improve the accuracy of this registration data. Ensuring the quality of this data will not only help to ensure that we maximize the collection of CRB III adjustment payments but will also maximize collection of future streaming royalties.

On 22 June 2023, the CRB issued its final determination for Songwriters' and publishers' US Streaming royalty rates, reaffirming its previous decision to incrementally increase the rates 44%.

This has now triggered the start of a complex reconciliation process to account for the past five years worth of royalties under the new rules. That process will take place over the next six months with Streamers and publishers reviewing their accounting for the period. Assuming there are no further delays, the earliest possible payment to publishers of historic adjustments is expected to be end 2023, with settlements due to Hipgnosis following after that.

CRB IV 2023-27

The next CRB IV settlement period began in 2023. The joint proposal from The National Music Publishers' Association (NMPA) and Nashville Songwriters Association International (NSAI) and the Digital Media Association (DiMA) approved the headline royalty rate for mechanical streaming in the US rise further from 15.1% to 15.35%, phased in over the five-year term from 2023-27.

The headline rates of the percentage of service provider revenue agreed by the CRB per royalty year are:

2023	2024	2025	2026	2027
15.10%	15.20%	15.25%	15.30%	15.35%

While we believe more significant increases are warranted and will come, this agreement will provide the highest royalty rates ever for Songwriters in the streaming economy and five years of stability from which to build. Additionally, the deal also includes a number of changes to other components of the rate, including increases to the per subscriber minimums and the "Total Content Costs (TCC)" calculations which

reflect the rates that services pay to record labels and modernizes the treatment of "bundles" of products or services that include music streaming.

Separately, we support a 32% uplift in the mechanical rate paid to publishers and Songwriters for music purchased as a physical sale from 9.1¢ per track to 12¢ per track from 2023-27 with further annual increases in line with the Consumer Price Index. The agreement was proposed by The National Music Publishers' Association (NMPA) and Nashville Songwriters Association International ("NSAI") and Sony Music Entertainment, UMG Recordings, Inc. and Warner Music Group Corp to the Copyright Royalty Board (CRB) as settlement on mechanical royalties for the CRB IV period, running from 2023 to 2027. This is a significant upside for our iconic Songwriters and artists such as Red Hot Chili Peppers, Fleetwood Mac, Soundgarden, Journey and many others that derive significant revenue from the sale of physical product.

The joint proposals for CRB IV are significant as they demonstrate growing acceptance across the industry that artists and Songwriters should be fairly remunerated for their work. Hipgnosis will continue to be at the forefront of the campaign to move Songwriters (and the owners of songwriting royalties) from the bottom of the economic equation to the top, recognizing their vital role within the music industry. At Hipgnosis, our investors stand in the shoes of Songwriters so there is complete alignment with the best interests of Songwriters and Shareholders.

Beyoncé's Renaissance World Tour

“She hasn't just raised the bar – she's obliterated it”†

- 🎵 1st solo tour since 2016, started 10 May 2023
- 🏙️ 21 European concerts performed to 1.04 million fans
- 📅 37 North American concerts confirmed*
- 🎵 10 of the Songs performed are from the Hipgnosis Catalogue

Hipgnosis's Songs that are part of the Renaissance Tour:

- 🎵 **Love On Top** • The-Dream
- 🎵 **Run The World (Girls)** • The-Dream
- 🎵 **Partition** • The-Dream
- 🎵 **1+1** • The-Dream/Tricky Stewart
- 🎵 **Diva** • Sean Garrett
- 🎵 **I Care** • Jeff Bhasker
- 🎵 **Rather Die Young** • Jeff Bhasker
- 🎵 **Heated** • HSG Admin
- 🎵 **Get Me Bodied** • Sean Garrett
- 🎵 **Lift Off (feat. Beyoncé & Kanye West, by Jay Z)** • Jeff Bhasker

Other Songs by Beyoncé in our Catalogue:

- Halo** • Evan Bogart
- Irreplaceable** • Espionage
- Single Ladies (Put a Ring on It) (2x GRAMMY®)** • The-Dream/Tricky Stewart
- XO** • The-Dream
- Countdown** • The-Dream
- Sweet Dreams** • Rico Love/Wayne Wilkins
- Hold Up** • Emile Haynie
- End Of Time** • The-Dream
- Dance For You** • The-Dream/Tricky Stewart
- Upgrade U (feat. Jay Z)** • Sean Garrett
- Listen (From the Motion Picture “Dreamgirls”)** • Scott Cutler
- Party (feat. André 3000)** • Jeff Bhasker
- Déjà vu (feat. JAY-Z)** • Rodney Jerkins
- All Night** • Ilsey Juber
- Jealous** • Lyrica Anderson
- 6 Inch (feat. The Weeknd)** • The-Dream
- Schoolin' Life** • The-Dream
- Freedom** • Jonny Coffer
- Ring The Alarm** • Sean Garrett
- Smash Into You** • The-Dream/Tricky Stewart
- Video Phone (+ Gaga remix)** • Sean Garrett
- Video Phone (feat. Lady Gaga)** • Sean Garrett
- Hello** • Evan Bogart
- Yoncé** • The-Dream



Flawless • The-Dream
Radio • Rico Love
Green Light • Sean Garrett
Scared Of Lonely • Rodney Jerkins/Rico Love
Save The Hero • Rico Love
Daddy • Mark Batson
World Wide Woman • Sean Garrett
Check On It (feat. Bun B & Slim Thug) • Sean Garrett
Grown Woman • The-Dream
Lay Up Under Me • Sean Garrett
Lost Yo Mind • Sean Garrett
Poison • Jhonna Austin

BEYONCÉ FEATURES:

LADY GAGA

Telephone (feat. Beyoncé) • Rodney Jerkins

J BALVIN

Mi Gente (feat. Beyoncé) • The-Dream

JAY-Z

Lift Off (feat. Beyoncé & Kanye West) • Jeff Bhasker

JAY-Z

Part II (On The Run) (feat. Beyoncé) • The-Dream

JAY-Z

Family Feud feat. Beyoncé • No I.D.

MARY J. BLIGE

Love A Woman (feat. Beyoncé) • Sean Garrett

DESTINY'S CHILD:

Say My Name • Rodney Jerkins

Soldier (feat. TI & Lil' Wayne) • Sean Garrett

Got's My Own • Sean Garrett

Cater 2 U • Rodney Jerkins

Lose My Breath (2004) • Sean Garrett/Rodney Jerkins

The Girl Is Mine • Rodney Jerkins

Brown Eyes • Walter Afanasieff

T-Shirt • Sean Garrett

Through With Love • Sean Garrett

Is She The Reason • Sean Garrett

Feel The Same Way I Do • Rodney Jerkins

Game Over • Sean Garrett

My Heart Still Beats • Walter Afanasieff

The Hipgnosis Song Management Team

Our Team is comprised of HSM, its Advisory Board and HSG across multiple locations, including London, Los Angeles, New York and Nashville.



Our Senior Management Team



Merck Mercuriadis
Founder & Chief Executive Officer,
HSM



Ben Katovsky
President & Chief Operating Officer,
HSM



Chris Helm
Chief Financial Officer,
on behalf of Hipgnosis Songs Fund



Danny Bennett
EVP, HSM



Patrick Joest
Head of Synch, HSM



Rosa Mercuriadis
Chief Creative Officer, HSM



Sara Lord
EVP Content Creation, HSM



Rufina Pavry
Director, Investor Relations,
on behalf of Hipgnosis Songs Fund



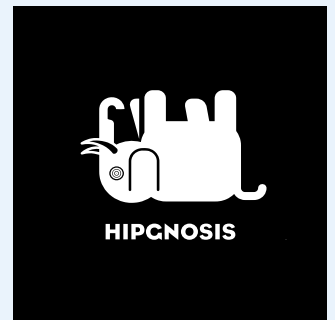
Giles Croot
Corporate Affairs Director, HSM



Ashley Burns
Chief Strategy Officer, HSG



Kenny MacPherson
Chief Executive Officer, HSG



Our Purpose, Business Model, Culture and Values

Our Purpose

Hipgnosis was created to give the investment community access to extraordinarily successful hit Songs by culturally important artists and to establish Songs as an uncorrelated asset class with attractive returns. Our ulterior motive is to use the importance of our unparalleled Catalogue and our financial clout as influence to improve the Songwriter's position in the economic equation.

A. Our Business Model

The key characteristics of the Hipgnosis business model are:

- 1. Sustainable earnings**, uncorrelated to global capital markets, with sources of income from across the spectrum of music consumption patterns made up of millions of microtransactions such as Streaming, physical purchase, downloading, Synchronisation, performance, licensing and merchandising.

Related principal risks: ①③④⑤⑥⑦⑨

- 2. A durable and diversified portfolio** of high-quality assets founded on the copyright security – 70 years after the death of the last co-composer – of works across a broad range of genres, vintages and geographies of consumer markets. On average our Songs have more than 100 years of copyright protected revenue.

Related principal risks: ⑦

- 3. The benefits of scale** on diversification; giving smoother income the larger the fund gets; and the opportunity to drive incremental equity yield over the contracted period through active management and appropriate outsourcing of administration.

Related principal risk: ④

- 4. Exposure to structural growth themes** in relation to:
 - i) the penetration of technology into everyday life;
 - ii) the growing value of entertainment markets; and
 - iii) the recognition of the real asset value of intellectual property rights.

Related principal risk: ⑦

Our principal risks and uncertainties are discussed on pages 62-66.

The Income Stream for Copyright Owners

Every Song has two copyrights: Composition (lyrics & melody), held by the Songwriter and Sound Recording (the sound heard), held by those involved in the recording of the Song. Royalties stemming from the Composition Copyright are referred to as Publishing Rights (aka Songwriter Rights). Hipgnosis Songs Fund focuses primarily on acquiring these, but owns selective Sound Recording Rights as well.

Publishing Rights

These are rights in a musical composition (lyrics and/or music) and generate Mechanical and Performance Royalties. In the UK, "blanket licences" are issued to organisations including radio and TV.

Mechanical Royalties – These are triggered when a copy of a Song is made, whether physical (e.g. CDs, DVDs) or digital (e.g. permanent downloads, Streaming, webcast). The Streaming of a Song is a hybrid: a temporary copy is made, so it generates a Mechanical Royalty, but it is also treated as a public performance of that Song, generating a Performance Royalty.

Performance Royalties – These royalties largely come from live performances and licences taken out by shops, restaurants, clubs and bars etc to publicly perform or broadcast a Song.

Sound Recording Rights

Master (Recording) Royalties – These (aka Recording Royalties) are generated on behalf of a sound/master recording. This is the most basic royalty performing artists and labels earn when their master recording is downloaded, physically bought, or streamed.

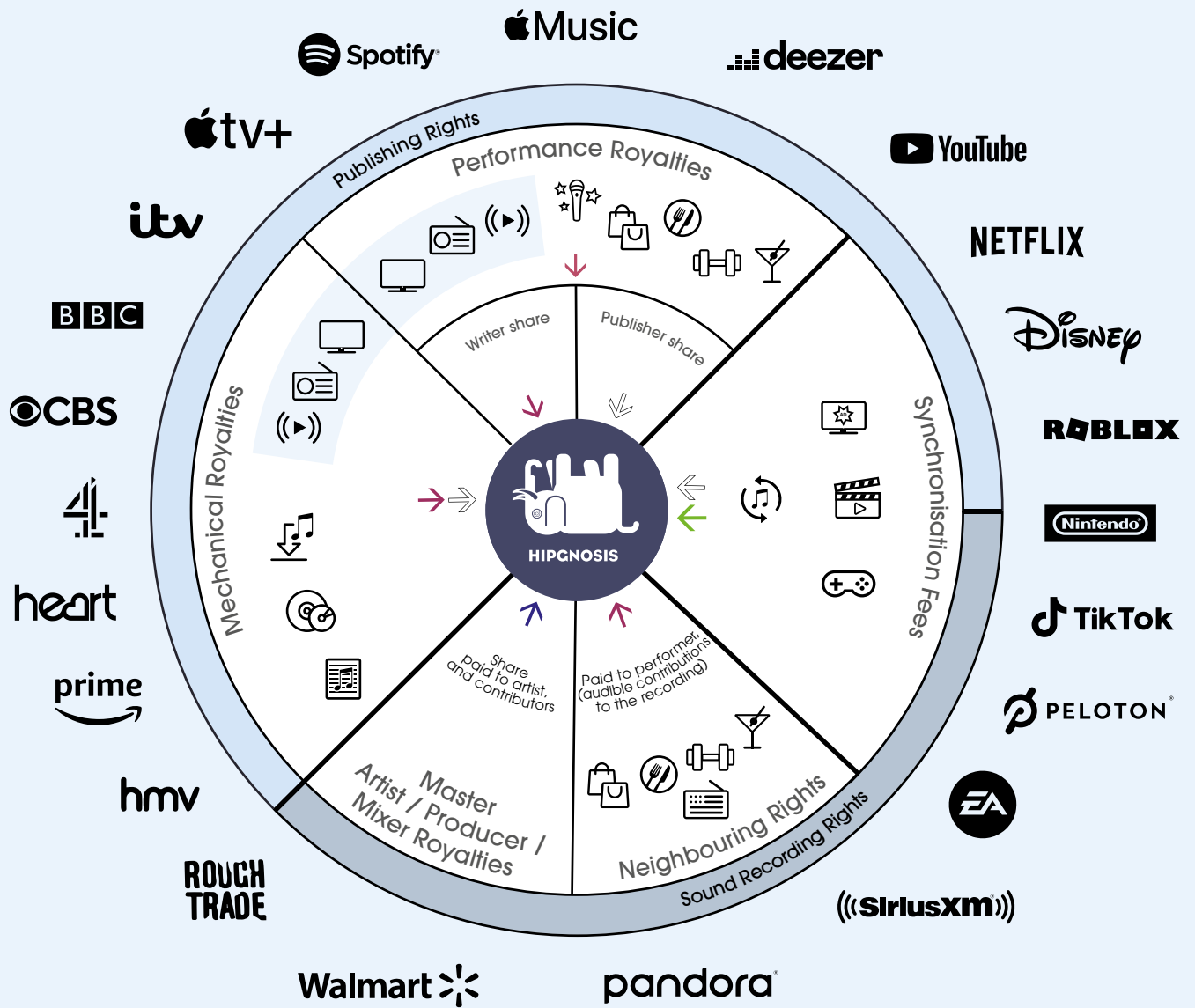
Neighbouring rights – These (aka Related Rights) are public performance royalties due to the sound recording copyright holder. One has to distinguish between terrestrial broadcast platforms (like radio, TV, and venues) and digital platforms (like Internet and satellite radio) because not every country, notably the US, recognises or pays terrestrial neighbouring rights.

Synchronisation Fees

These are generated when a visual image (e.g. TV, film, advertising or video games) is matched to a Song.

There are multiple channels through which royalties are collected. These are depicted by the arrows in the diagram opposite.

The diagram opposite shows the flows to Hipgnosis Songs Fund from its ownership of its Copyrights



Footnote: The logos above are representative of users for illustrative purposes only. The trade marks are the property of the respective owners. The Company does not earn revenue directly from these sources, but through third parties, as illustrated.

- ⇒ **Collected by the Administrators eg:**
 - Sony Publishing
 - Universal Publishing
 - Warner Chappell
 - Kobalt Publishing
 - HSG
 - BMG
 - Peermusic
- **Collected by the Societies eg:**
 - ASCAP
 - BMI
 - PRS for Music
 - SESAC
 - PPL
 - Sound Exchange
 - Sacem
- **Earned by the Record Companies eg:**
 - Universal Music Group
 - Sony Music
 - Warner Music Group
- **Direct**

B. Our Sources of Advantage

Our Purpose is to achieve great risk-adjusted returns for Shareholders as well as to use your Company's influence (and the countless great Songs owned) to achieve an ulterior motive: improve the Songwriter's undervalued position in the economic equation of the music industry.

1. Access and Culture of our Investment Adviser

- Our Investment Adviser has the relationships, reputation and expertise in the industry to be an advocate and catalyst for improving the Songwriters' share of income and where they sit in the economic equation.
- This also enables our team to overcome the high barriers to entry in relation to the acquisition and active management of Catalogues.
- We are Song Managers; when compared to the major publishing houses, we are viewed as a safer alternative custodian who can protect the meaning and secure the financial future of the creator's Songs, and address the structural imbalance between payments on recorded music and payments to the Songwriters.
- We have created an Advisory Board, assembled from leading music industry figures, who we believe are well placed to advise on any given Song's potential market, reach and popularity.
- Our team's extensive experience across a broad spectrum of music genres, together with its relationships with Songwriters and recording artists in the music industry, means it is well-positioned to continue to source opportunities for us to invest in a diverse range of attractive Catalogues and then assist us in maximising earnings from them.
- We are positioned as an attractive potential purchaser of Catalogues from Songwriters and other owners of music intellectual property rights who are protective of their legacy and selective about whom they are willing to sell to. We have made our reputation by working with Songwriters, artists and producers, not at their expense.

- Our culture is focused on long lasting relationships, excellence delivered with integrity and world-class leadership backed by extensive industry knowledge that will help create a Songwriter community rapport and a diverse, innovative, multi-cultured portfolio of song assets, with a strong emphasis on the great works of the African-American Songwriting Community.

Related principal risks: ⑥⑧⑨

2. Streaming

- Technology has changed music consumption.
- The monetisation of music has improved.
- The revenue pie has grown dramatically – the IFPI reports that there were 589 million global users of subscription Streaming services at the end of 2022, compared to 68 million global subscribers in 2015.
- Music is now a utility purchase rather than discretionary or a luxury spend in many established global economies.
- High exposure to Streaming and low exposure to live music, allowing us to tailor our portfolio to fit the new requirements of popular culture and media, including playlists, social and virtual reality platforms.

Related principal risks: ⑦

3. Song Management

- Our Investment Adviser has an extensive network of relationships with broadcasting networks, TV studios and advertising agencies to create Synchronisation opportunities for the Company and enable it to increase its income. Having a diversified Portfolio of Songs enables the Company to capitalise on multiple Synch opportunities.
- Our Investment Adviser's expertise results in us being well-positioned to manage the Songs we own successfully, increasing royalty collection, improving the speed and accuracy of collection of royalty income, and improving Synch placement of the Songs.
- Our Investment Adviser's team is specifically structured to have the bandwidth that allows us to Song Manage in order to extract incremental revenue with a focus on a smaller number of songs per Executive than the publishing majors.

Related principal risks: ⑥

4. Efficiencies In collection

- We work to bring efficiencies via faster and more transparent collection of micro-payments via our preferred administrators.
- A key part of our strategy is to reduce and eliminate administration costs and ensure that payments due are received as quickly as possible.
- The Company continues to revert and renegotiate administration rates on Catalogues to our preferred administrators at the earliest possible opportunity (unless there are compelling reasons to partner with existing administrators) and continually looks for the best solution.
- The Company continues to move the administration for the US component of our Catalogues to HSG.
- The Investment Adviser and the Directors acknowledge that HSG can provide US administration cheaper than a third-party administrator, generating administration cost savings of approximately 1.0-1.5% of royalty income administered.
- Likewise, outside the US, we proactively manage our options to ensure the administration of our Catalogues is carried out as efficiently and cost-effectively as possible.
- The Company has also entered into a direct licensing and administration partnership with Sacem, a world-leading Collective Management Organisation (CMO), to collect digital rights for the Writers' Share and the Company's own Publisher Share, primarily in the UK and the European Union, as well as entering into a sub-publishing partnership with peermusic to collect publishing rights and other royalties in the rest of the world, excluding the US.

Related principal risks: ①③⑧

Our Objective, Strategy and Investment Policy

Our Investment Objective

The Company's objective is to provide Shareholders with an attractive and growing level of income, together with the potential for capital growth, from investment in Songs and associated musical intellectual property rights, in accordance with its investment policy.

Investment Policy

The Company's Investment Policy is to diversify risk through investment in a Portfolio of Songs and associated musical intellectual property rights (including, but not limited to, master recordings, rights over future Songs that are acquired by the Group through the payment of Advances to such Songwriter and secured against the future Songs, and producer royalties). The Company seeks to acquire 100% of a Songwriter's copyright interest in each Song, which would comprise their writer's share, their publisher's share and their performance rights. In appropriate cases, however, the Company may not acquire all 3 elements of the Songwriter's interest. The Company acquires interests in Songs which are sole authored or co-authored. The Company may also acquire interests in Songs jointly with another purchaser. Each Song is considered by the Company to be a separate asset.

The Company, directly or indirectly via portfolio administrators, enters into licensing agreements, under which the Company receives payments attributable to the copyright interests in the Songs which it owns. Such payments may take the form of royalties, licence fees and/or advance payments, including:

- **Mechanical Royalties** – when a copy of a Song is made, whether physical (e.g. CDs, DVDs, vinyl) or digital (e.g. permanent downloads, Streaming, webcast);
- **Performance Royalties** – when a Song is performed live or broadcast on TV or Radio, or when a song is streamed online; and
- **Synchronisation Fees** – when a Song is used in another form of media or moving picture (e.g. movie, TV show, video game, advertisement).

The Company also receives royalties and fees payable in respect of master recordings. Master recordings are the copyright in the master recording of a musical composition or Song. Master recordings earn Synchronisation royalties and generate income from

sales of both physical records and digital downloads as well as from DSPs.

The Company focuses on delivering income growth and capital growth by pursuing efficiencies in the collection of payments and active management of the Songs it owns.

The Company may acquire Songs for consideration consisting of cash, Shares or a combination of cash and Shares, and payment of part of the consideration may be on deferred terms. The Company may acquire Songs or Catalogues directly, or indirectly by acquiring the entity through which such Songs or Catalogues are held.

Whilst the Company does not intend to sell the Songs it owns, it may make disposals of Songs where it considers such a disposal to be in the best interests of Shareholders.

Investment restrictions

The Company invests its assets and manages the Songs it acquires with the objective of constructing a high quality and diversified Portfolio of Songs. The Company acquires Catalogues from a number of different Songwriters, which includes Songs diversified across music genres and sung by numerous recording artists. The Company is subject to the following investment restrictions:

- a) the Company holds interests in a minimum of 300 Songs;
- b) the Advances made to Songwriters in connection with the acquisition of rights over future Songs will not represent more than 5% of the Company's Gross Assets, calculated at the date of the relevant Advance;
- c) the value of any single Song does not, and will not, represent more than 10% of the Company's Gross Assets, calculated at the date of the acquisition of such Song (and re-calculated in the aggregate upon the acquisition of any additional interest in a Song). In the event this limit is breached at any point after the relevant investment has been made or added to (for example due to a change in valuation of any Song), there is no requirement to sell any Song, in whole or in part; and
- d) the Company does not, and will not, invest in closed-ended investment companies or other investment funds.

Cash management

The Company's uninvested capital may be invested in cash, cash equivalents, near cash instruments and money market instruments.

Hedging and derivatives

The Company may utilise derivatives for efficient portfolio management. In particular, the Directors may engage in full or partial foreign currency hedging and interest rate hedging. The Company does not, and will not, enter into such arrangements for investment purposes.

Leverage

The Company may incur indebtedness of up to a maximum of 30% of its Operative Net Asset Value, calculated at the time of drawdown. For these purposes all bank borrowings and other forms of indebtedness incurred by any member of the Group (as defined below), and any non-equity share capital, will be taken into account. "Group" means the Company and its subsidiaries (as defined in section 531 of the Companies (Guernsey) Law, 2008, as amended).

Amendments to and compliance with the Investment Objective and Policy

Any material change to the Company's Investment Objective and Policy will be made only with the prior approval of the FCA and the Shareholders by ordinary resolution.

In the event of a material breach of any of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company through an announcement made via an RNS announcement.

Our Strategy

1. Smart acquisition of Songs or Catalogues

To benefit from the structural growth drivers discussed in Our Market, we continue to identify Catalogues of culturally important proven hit Songs which we believe offer significant value opportunities both from market growth and Song Management.

Related principal risks: ④⑥⑦⑨

a) A diversified and balanced Portfolio of Songs

Our Portfolio mostly comprises seasoned, classic Songs (often referred to as 'evergreen'), which include Songs released more than 10 years ago. These Songs accounted for approximately half of the Portfolio (based on fair value) as at 31 March 2023, and produce income that is expected to grow progressively in line with the continued adoption of Streaming, and have the potential for further growth through being actively managed by the Investment Adviser.

In addition, with Streaming growth being the backbone of our investment thesis, we seek to source some Catalogues that include newer hit Songs which have demonstrated extraordinary, recent success. As at 31 March 2023, approximately 1% of the Portfolio (based on fair value) was derived from Songs that were released less than three years ago. The Investment Adviser therefore seeks to identify newer Songs from this group in order to provide the Company with high exposure to Streaming.

b) Acquisition of rights over Songs through payment of advances by the Group

We may acquire rights over future (unwritten) Songs that are acquired by payment of Advances to Songwriters, with such advanced amounts (in aggregate) being capped at 5% of the Company's Gross assets, calculated at the time of investment. The non-refundable Advance to a Songwriter is consideration for them writing Songs and is recoupable from the future royalties generated by those Songs, which will include the writer's share of those royalties but may also include the performer's share of such royalties and the master recording rights. As at 31 March 2023, we maintain an active roster of over 169 Songwriters.

We consider Advances to be a cost-effective way to generate royalties in the future from Songs written by highly regarded Songwriters.

2. Active Song Management to provide upside potential

We follow a diligent approach to sourcing potential Catalogues for acquisition, which includes careful assessment of the underlying Songs and an assessment of the opportunity for Song Management. Once a Catalogue has been acquired by us, the Songs are pro-actively managed on an ongoing basis in order to maximise the earning potential and income growth, including through improved Synch placement and usage, and through pursuing efficiencies in revenue collection. This, we hope, will lead to:

Related principal risks: ①②⑥⑦⑧

a) Driving income growth through pursuing efficiencies in revenue collection

i) Registration audit

On acquisition of a Catalogue we perform a deep dive exercise into the detailed ownership of all Songs within the Catalogue to ascertain ownership rights, income sources and key Songs, in order to determine an optimal strategy for revenue growth. As part of this exercise, we seek to identify any issues relating to the registration of Songs, or the collection of a Song's income, and remedial actions are taken.

ii) Efficiencies from improved portfolio administration agreements

The acquisition of the Administration capabilities within HSG represented a significant step in the Group's strategy of driving income growth through pursuing efficiencies in the collection of payments and Song Management. The direct licensing and administration partnership with Sacem and the sub-publishing partnership with peermusic also enhance these collection efficiencies.

iii) Early adoption of technological advancements to increase collections

The Investment Adviser monitors technological advances that will enable it to exploit, identify and locate lost revenues.

b) Improving Synch placement and usage of Songs to grow income

i) Synchronisation

The Investment Adviser seeks to exploit all variations of potential Synchronisation opportunities, from placing Songs in commercials, popular TV shows and films to encouraging popular recording artists to cover older Songs within a Catalogue. The Investment Adviser seeks to source Catalogues for the Company which it believes contain Songs which have been overlooked, or Songs that do not have strong, historic revenue figures but for which the Investment Adviser sees potential fresh revenue streams through Synchronisation opportunities. The Investment Adviser seeks to leverage its expertise and deep relationships, and to utilise the innovative technology and business relationships of portfolio administrators, in order to pursue these Synchronisation opportunities.

ii) Digital review

The Investment Adviser undertakes a full digital review of each Catalogue to ensure that the Company's Songs have maximum exposure on all of the key digital and social media platforms including each of the DSPs.

iii) Maximising presence across DSPs globally

The Investment Adviser has relationships with all key DSPs, digital partners and Synch and creative networks including YouTube, Spotify, Apple, Deezer, Amazon, Tencent/QQ and TikTok. Through direct contact with these platforms, the Investment Adviser is able to identify opportunities for its Songs to increase their exposure on the platform.

iv) Promoting Songs to increase usage and introduce new audiences

The Investment Adviser, and its Advisory Board, due to their existing position and relationships, are able to create new opportunities to place and promote the Company's Songs. The Investment Adviser believes that the Company is one of the only investment companies which invest in Songs that is strategically using its cultural position in the music industry to promote the Songs it owns.

For a discussion of our performance against our strategic priorities, see pages 17-41. Our principal risks and uncertainties are presented on pages 62-66

Our Resources and Relationships

To achieve our purpose, Hipgnosis has to generate attractive financial returns from our business; to do that we need to have the right resources and relationships in place and to nurture them.

Our business takes the form of investment in the intellectual property rights of proven hit Songs of cultural importance.

While music copyrights do not have any significant environmental or corporate governance implications, per se, being abstract legal entitlements rather than corporate or physical entities, we seek to ensure that the conduct of our business and the promotion of our Songs is undertaken in a manner consistent with best practice in ESG.

This is because our activities have a high profile and our actions, as custodians of these musical assets, can have an impact across society and the musical community.

Which is why our ulterior motive is at the heart of our stated purpose: to use the importance of our unparalleled Catalogue and financial clout as influence to improve the Songwriter's position in the economic equation. What is good for Songwriters is good for all of our stakeholders. This ethos flows into wider ESG issues, too.

Our ability to continue to grow our business and be successful is entirely contingent on our integrity and behaviour. As a consequence, our responsible investment policy is constantly evolving. As a first mover in our asset class, we seek to set the benchmark for responsible investment in music assets for others to measure themselves against.

Key Decisions

We view key decisions as those that are material to our success and long-term sustainability, but also as those that are materially significant to any of our key stakeholders or that have a material impact on our community or environment. In making a decision, we consider the outcome based on our understanding from our stakeholder engagement activities, as well as the need to maintain a reputation for high standards of business conduct.

We invest in a culturally diverse range of Songs, with a particular emphasis on supporting music from African-

American heritage. The Company has adopted a responsible investing policy and legal due diligence is undertaken to make sure the Company acquires assets from reputable sources.

The Key Decisions that the Board has made are summarised within the Board Leadership and Company Purpose section on page 78 and Section 172(1) Statement on page 70.

Whilst there is still more to do, we are committed to demonstrating continued and transparent progress regarding our ESG impacts.

Sustainability Risks and SFDR

The EU Sustainable Finance Disclosure Regulation (SFDR) is a regulatory framework which applies to us in our capacity as a self-managed investment trust. We have therefore made the following sustainability-related disclosures in accordance with Articles 6(1) of SFDR.

The Company is not considered to be an 'ESG financial product' since it does not promote and does not maximise portfolio alignment with Sustainability Factors (as defined in SFDR). The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities as these assets falls outside their scope. Nevertheless the Company is exposed to sustainability risks due to the nature of the assets in which it invests, but these risks are not material:

- How Sustainability Risks are integrated into our investment decisions**

Sustainability Risks are integrated into our investment decision making and risk monitoring to the extent that they represent potential or actual material risks and/or opportunities for maximizing long-term risk-adjusted returns for our Shareholders. The Investment Adviser considers sustainability risks as part of its broader analysis of potential investments and the management of the current portfolio. The factors considered will vary depending on the Catalogue in question, but we are always seeking to invest in Songs that have a positive social purpose.
- The assessment and likely impacts of Sustainability Risks on returns of the Company**

The returns generated by our investments are exposed to varied Sustainability Risks, most of which are deemed minimal.

Relations with stakeholders

The culture and success of the music industry are founded on relationships. We are very much part of this and we welcome it. We have various groups of stakeholders with whom we have close and direct relationships fundamental to our existence, they include our Shareholders, our service providers, our Advisory Board, the Songwriting community and the publishers, administrators and PROs. There are many others who we recognise as well, even though we may not engage with them directly – prime amongst these are the millions who listen to music. Our Investment Adviser is at the heart of our engagement work and is responsible for the day-to-day interactions with all of our stakeholders.

Hipgnosis places great importance on its relationships with its **Shareholders**, as they provide us with the resources to make the acquisitions necessary to build our portfolio and so support Songwriters and performers. We undertake both direct and indirect engagement activities with this group and this is covered in more detail in the Corporate Governance Report on page 73.

Following the acquisition of HSG, Hipgnosis Songs Fund now has 39 **employees**. None of the employees are classified as senior executives as they do not report directly to the Board of the Company. The Board has delegated responsibility for these employees to the Investment Adviser, consistent with their policies and procedures.

Additionally, we operate through, and work closely with, a number of third-party **service providers** (see page 99), including the Investment Adviser, Administrator, Company Secretary, Corporate Brokers, lawyers and our other professional advisers. The quality and timeliness of their service provision is critical to the success of the Company, as is their adherence to best practice ESG requirements. Our ESG policies are shared with our suppliers.

The Investment Adviser manages the vital input of our Advisory Board, discussed on pages 32, 50 and 54. Our Investment Adviser also enables us to engage with **the writers and composers** of Songs acquired to update them on management activity around the Catalogues, explore creative projects, create new interpolations

and discuss new commercial opportunities. An example of this is placing Songwriters, who are included in our portfolio, in the recording studio together to collaborate and create new compositions.

The Investment Adviser also has regular communication with Publishers and Administrators and the PROs who administer the payment of royalties due to a Songwriter or recording artist in respect of a Song, either directly from the end user or from royalty collection agents, in order to assess that the royalties paid through are accurate and delivered in a timely manner.

The Investment Adviser has procedures in place that enable them to identify any under/over payments of revenue and work quickly to resolve this with the Publishers, collection societies and PROs. These Copyright Management initiatives are described on page 24 in more detail; there have been multiple occasions where we have returned millions of Dollars which we weren't entitled to.

Society

We want to help the communities on whom our success is based

While the Company's purpose is to give our Shareholders a strong, reliable and uncorrelated return on investment, we also have an ulterior motive which is to use the importance of our unparalleled Catalogue and financial clout as a platform and leverage for the Songwriting community and to take Songwriters from the bottom of the economic equation to the top.

Without the Songwriter there would be no music, however, as individuals their voices have frequently not been heard nor their contribution financially recognised.

The principles of copyright protection are generally well established and the concept and value of making it economically feasible for "creators to create" is widely recognised. This is very much at the heart of our advocacy but Copyright protection is not enough, the important societal role of the Songwriter also needs to be recognised by apportioning them a far more significant share of the economic pie.

Our advocacy on the part of the Songwriting community has served to make us a preferred buyer for that community, which is also in the best interest of our Shareholders.

The impact of our advocacy is being felt at every level. As an industry, the US Copyright Royalty Board (CRB) rejected an appeal from certain streaming companies aimed at reducing the 44% increase in payments proposed under CRB III. Additionally, our leadership and advocacy on behalf of the songwriting community has resulted in a change of tone and messaging from both the record music labels and the DSPs. This is best demonstrated by the joint industry proposals for the CRB IV settlement which will provide 5 years of stability from 2023 to 2027 at the highest rates ever paid to Songwriters.

In the UK, whilst we were disappointed that the Competition and Markets Authority declined to take steps to address the market failure which it recognised in its market study of the music industry, we are pleased that the Department of Culture, Media and Sport and the Intellectual Property Office have recently both announced industry working groups intended to resolve some of the challenges faced by Songwriters. We continue to engage with ministers, politicians, officials and other interested parties to promote the interest of Songwriters.

Additionally, we have dedicated significant time, money and resources to supporting the Songwriting community. Led by Merck Mercuriadis, this includes work with The Ivors Academy, which nurtures new Songwriting talent and advocates for the Songwriters and The Nashville Songwriters Association International, which works at the highest levels of the US Congress and Senate on the same themes.

Both in public and in private, Hipgnosis and the senior management of our Investment Adviser have established themselves as credible, informed and reasonable advocates for change. We continue to engage across government and with regulators to make the case for and on behalf of Songwriters.

Given the alignment of interests between Songwriters and Hipgnosis Songs Fund's Shareholders, our campaigning, where successful, will deliver value accretion for the fund's Shareholders.

The Social Mandate

Our Investment Adviser and its Advisory Board

We fully endorse our Investment Adviser and its Advisory Board, who believe that any company must reflect the values and best interests of the communities it benefits from.

They are active in using their influence as a catalyst for an end to all discrimination including sex, ethnicity, background, mental health or other discriminatory lenses. We endorse their strong Anti-Racist, Anti Gender and pro LGBTQIAAP approach and we welcome social change organisations and programmes which struggle for equality such as the Black Lives Matter Foundation (the charitable foundation within the BLM movement) and the Black Music Action Coalition.

We support the actions taken by our Investment Adviser to promote #blacklivesmatter initiatives and calls to action. Almost all Hipgnosis trade advertising in the last three years has highlighted #blacklivesmatter and sent an important message to the wider music industry that the issue was not confined to a few weeks in June of 2020 but in fact needs to be part of our daily lives.

We support the actions taken by our Investment Adviser to promote the important achievements of the *We Are Family Foundation* founded by Advisory Board Member, Nile Rodgers, which has created programmes promoting cultural diversity while nurturing and mentoring the vision, talents, and ideas of young people. We support the actions taken by our Investment Adviser to support the work of Earth Percent who provide a simple way for the music industry to support the most impactful organisations addressing Climate Change initiatives.

We support Merck Mercuriadis in joining Richard Branson, Mike Novogratz, Arianna Huffington and other business leaders in the *Responsible Business Initiative For Justice* to bring an end to the death penalty which has taken the lives of many innocent people of colour purely on the basis of racial and socio-economic injustices. Further to this we continue to support the contributions of former HSM Advisory Board Member, Jason Flom, founding board member of the *Innocence Project*, in his work for criminal justice reform and his advocacy for those who have been wrongfully convicted and imprisoned.

We are proud to support *Nordoff Robbins*, whose ground-breaking work uses music as therapy to enrich the lives of people with life limiting illnesses, disabilities and feelings of isolation. Hipgnosis has been involved for the third year in a row with the annual Christmas Carol Service, a key highlight of Nordoff Robbins' fundraising calendar. Our Investment Adviser once again stepped in with a significant donation to create a fantastic experience at St Luke's Church in Chelsea with Nile Rodgers & CHIC. Merck Mercuriadis and Andrew Wilkinson were the Executive Producers for the event and Nile stepped in at the last minute as The Who were unable to make it. The Who will instead perform to benefit the charity this summer. Both events are expected to raise a combined £200,000, approximately doubling the sum usually raised by this Christmas event.

Our Investment Adviser contributes to the talent of tomorrow via one of the UK's leading educational establishments in the performing and creative arts, The BRIT School, where Merck Mercuriadis, Nile Rodgers and Paul Burger are all very active. Next year *Nile's Night* will be launched in conjunction with the Ivor Novello Awards to raise money that will be shared between The BRIT School, the *We Are Family Foundation* and the *Ivors Academy*.

We are delighted that our Investment Adviser has supported *Songwriters Hall of Fame*, chaired by Nile Rodgers, and their work celebrating and developing writing talent as well as *MusiCares*, which helps music people in times of need. Given the Song is the currency of the music business and we believe the Songwriter should be appreciated, applauded and celebrated above all, we were delighted the Investment Adviser sponsored the Song of the Year Category at the 2022 *A&R Awards* for the third year in a row, as well as sponsoring the *Songwriter of the Year* award. This year our Investment Adviser has also supported the *Elton John Aids Foundation* mission to end the Aids epidemic; *Music To Life*, which builds on the strong historical legacy of social movements' intentional use of music to educate, recruit, and mobilise; and *Music Support*, the charity created by and for music industry professionals to provide help for UK workers affected by mental ill-health and/or addiction. Rosa Mercuriadis has co-created *sicksadgirlz* an Instagram community with 30,000 followers where young women can find support for mental health and women's issues.

Impact on the Environment

Hipgnosis' direct environmental impact is very limited. We have considered the materiality of our environmental risks and have concluded that they are minimal. The direct impact of our Investment Adviser is also limited to running office facilities and the international transport of key personnel.

The portfolio of music copyrights acquired are intangible assets whose returns are generated by Songs being listened to through many third-party channels including retail, hospitality, digital entertainment, advertising, film and others. Our assets are being consumed and monetised as an adjunct to other, sometimes more environmentally impactful business activities, that would occur whether our assets were used or not.

We keep under consideration the impact on the environment relating to the shift from the physical to digital consumption of music. The popularity of Streaming as the preferred method of enjoying digital entertainment has generated concerns about a concomitant increase in the energy consumption of the required data centre infrastructure. At the moment, there is considerable debate, with no clear consensus view, on the relative environmental merits and impacts of the various channels, physical and virtual, used to supply music as entertainment. We continue to monitor the environmental commitments made by DSPs to reduce the energy intensity of their datacentres.

The necessity for international travel is another area on which much attention has been focused, brought into stark practical relief by the necessary responses to the pandemic. The entertainment industry generally, and our business model specifically, are heavily reliant on the establishment and maintenance of personal relationships; to us, these relationships are amongst our most valuable assets. Hipgnosis, and its suppliers, are applying the lessons learned during the pandemic about the various alternatives to physical meetings and are working to keep international travel to the level needed to sustain these key relationships.

To better understand and manage our environmental impact, our Investment Adviser has worked with third-party experts to carry out a greenhouse gas (GHG) emissions assessment using calendar year 2022 data. This quantifies the greenhouse gases produced directly

and indirectly from a business or organisation's activities and is useful to manage its climate-related impacts. This assessment marks our first-time baselining Scope 1, Scope 2, and certain Scope 3 emissions.

On a location-based methodology, the Scope 1 and 2 GHG emissions for FY 2022 were approximately 9.6 tCO₂e/yr. Scope 3 includes other indirect emissions, business travel and staff commuting. In total, it is estimated that these activities generated 190 tCO₂e/yr.

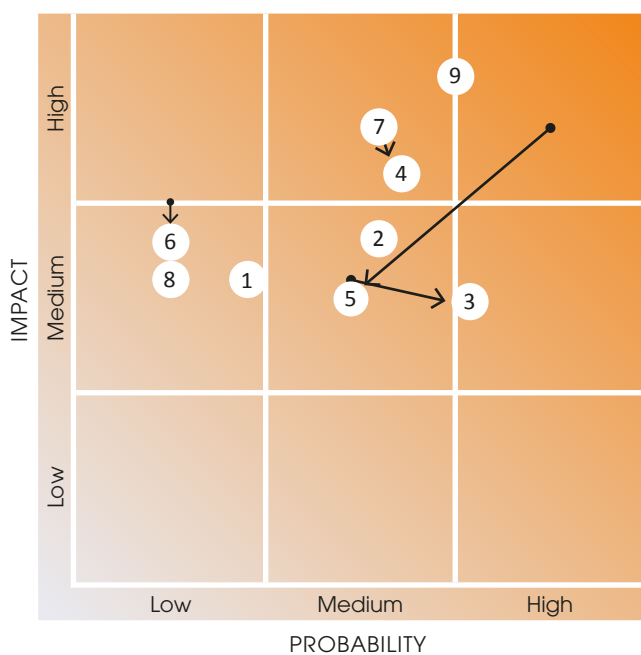
The Investment Adviser will refine its methodology and continue to report its emissions going forward.

Our Principal Risks and Uncertainties

Our risk assessment

The graphic below shows the Group’s principal risks and uncertainties and the changes year-on-year listed in alphabetical order. Information on our risk management framework can be found on page 91.

- ① Adverse change in policies by Collection Societies and other entities through whom the Company receives royalty payments
- ② Cyber security
- ③ Exchange rate
- ④ Financial leverage
- ⑤ Interest rate
- ⑥ Key person
- ⑦ Market trends
- ⑧ Operational reliance on service providers
- ⑨ Shares continue to trade at discount



Changes to the Principal Risks

Over the year the Board has assessed a number of its Principal Risks and has put in place numerous mitigation strategies in order to reduce the risks to the business and these are discussed in much more detail both in the Strategic Review and in the Governance sections. They can be summarised as follows and can be seen from the heatmap below:

- Interest rate risk has been reduced by the interest rate swaps that have been put in place on the majority of the bank debt (see page 34, Financial Review)
- Exchange rates remain volatile; the overall impact has been reduced by the introduction of a rolling currency hedge (see page 34, Financial Review)
- Financial leverage risk has been reduced by the better terms achieved through the refinancing of the Revolving Credit Facility (see page 34, Financial Review)
- Key person risk has been reduced given the expansion in breadth and depth of specialised personnel within the Investment Adviser

Conversely, the Board felt it appropriate to add new risk associated to “Shares continuing to trade at a discount”. This risk has always been present for the Company and has now been added a Principal Risk given the forthcoming Continuation Vote. Mitigation of this risk is a core theme of this report and is addressed in the Strategic Report 2-71.

In the Interim Report for the period ending 30 September 2022, the Board added a risk referring to “Portfolio returns do not meet expectations”. On further reflection, the Board feels that this risk is already encompassed by Risks 1, 7 and 8.

For a discussion of our market, see page 42; business model, see page 50; strategy, see page 54; and resources and relationships, see page 57.

① Adverse change in policies by Collection Societies and other entities through whom the Company receives royalty payments

Business Model: A1, B4

Strategy: 2. Song Management

Probability: Low/Medium Impact: Medium

Description

Should Collection Societies or other entities, including the major music publishers and record companies, alter the way that they collect royalties, or set lower royalty rates, or decide to disproportionately favour major music publishers, the Company may receive significantly reduced revenues compared to the level it had forecast at the time of acquiring the relevant Catalogues or Songs.

Mitigation

The Investment Adviser actively monitors the market and provides the Company with any data or intelligence of which it becomes aware. The Investment Adviser is working on innovations to improve the way the market works, such as reducing the working capital cycle. This is achieved in collaboration with our many Collection partners and is a long-term process. The financial model, which supports the Board's assessment of Going Concern and the Viability Statement, reflects these regulatory and industry risks should they materialise.

② Cyber security

Strategy: 2. Song Management

Probability: Medium Impact: Medium

Description

The Company (like all others) is exposed to external cyber-security threats which have the possible impact of sensitive information leakage and cyber fraud and, in a worst case scenario, interruption of royalty payments.

Mitigation

The Company recognises the increased incidence of cyber-security threats and annually reviews its own policies, procedures and defences to mitigate associated risks, as well as those of the Investment Adviser, Administrator and key service providers, engaging market-leading specialists where appropriate.

③ Exchange rate

Business Model: A1, B4

Probability: Medium/High Impact: Medium

Description

The Company has issued share capital denominated in Sterling and aims to pay regular dividends in that currency. However, the Group's functional currency is Dollars, and most of the Group's revenue is received in Dollars, and exchange rate fluctuations may significantly affect the NAV and the ability to pay targeted Sterling dividends.

Mitigation

The Company considers on a regular basis the benefits and cost of passive currency hedging. The Company has engaged in a rolling dollar-hedging strategy to ensure certainty to the Sterling dividend. The Company will continue to pay any dividends in Sterling and its primary listing remains denominated in Pounds.

④ Financial leverage

Business Model: A1, A3

Strategy: 1. Smart Acquisition

Probability: Medium Impact: High

Description

The Company uses leverage and may utilise borrowings for working capital and interest rate hedging purposes. In case of default under the relevant financing arrangement, the Company may face adverse action from its lenders leading to operating constraints and increased controls. This may affect the Company's ability to pay dividends.

Mitigation

On a quarterly basis, and on the occasion of each drawdown, and prior to each dividend being paid, the Company confirms its compliance with key covenants set out in the loan facility and documented within the Company's policies and procedures.

Furthermore, the Company has renegotiated its Revolving Credit Facility with better terms and there is a greater headroom in the facility.

⑤ Interest rate

Business Model: A1

Probability: Medium Impact: Medium

Description

The Company is exposed to changes in global interest rates in several ways. Predominantly, but not exclusively, the fiscal and monetary decisions of the US Government and its Central Bank will affect the interest rates of the Company's floating-rate RCF. It may also impact the discount rate, which is used to evaluate the current and forecast value of Catalogues purchased, or has already invested in. An increase in the discount rate by the Independent Valuer would reduce NAV. Interest rates also have an impact on exchange rates, mentioned above. The interest rate environment is unpredictable and consequently this could affect our ability to meet bank covenants and pay dividends.

Mitigation

The Company's cash resource must be held by approved banks and deposit rates on cash deposits are being optimised. Following the refinancing of the debt facility, interest swaps have been put in place, thereby fixing the majority of the debt for a tenor between circa 3 and 5 years.

⑥ Key person

Business Model: B1, B3

Strategy: 1. Smart Acquisition; 2. Song Management

Probability: Low Impact: Medium

Description

The Company depends on the services of the Investment Adviser, in particular on Merck Mercuriadis, Chief Executive of the Investment Adviser.

Mitigation

To broaden its expertise within the Investment Adviser, the Investment Adviser has continued to invest in growing its staff and systems which has reduced reliance on any individual especially since the investment made by Blackstone Inc., which brings considerable investment experience and resources. The Investment Adviser is also supported by the Advisory Board members (named on pages 32-33 of this report). Both entities bring their considerable industry experience to bear in support of the Company's investment objectives.

Furthermore, the third-party Administrators to the Company's Catalogues each have an important role to play in pursuing efficiencies in the collection of royalties and active management of the Songs that the Company owns. The Investment Adviser's longstanding relationships with those third-party Administrators bring with them further music management experience that adds support for Merck Mercuriadis and his team in the performance of their services to the Company.

⑦ Market trends

Business Model: A1, A2, A4, B2

Strategy: 1. Smart Acquisition; 2. Song Management

Probability: Medium Impact: High

Description

The Company is heavily reliant on Streaming (or an equivalent technology) remaining popular with consumers. Any adverse change in this would affect revenues. Performance income may be impacted by a major downturn in the global economies if this led to closure of venues. Conversely, technological advances could lead to a growth in royalties as consumers' access to music continues to improve.

Mitigation

The Company has a Portfolio well diversified around vintage, territory, genre and income type and will be heavily reliant on the continuing presence and popularity of DSPs in order to maximise access to the consumer market. The Company is continuously reviewing this risk and most recently took note of the latest report by the IFPI, the organization that represents the recorded music industry worldwide in which they state that there were 589 million users of paid subscription at the end of 2022, an increase of 13% over the year. The Company also took note of a recent note by *J.P. Morgan Cazenove* (published 20 April 2023) in which they estimate global paid subscriptions to grow to 1.62 billion by 2030 as a result of an expected rise in paid subscription penetration.

⑧ Operational reliance on service providers

Business Model: A1, A2, B1, B4

Strategy: 2. Song Management

Probability: Low/Medium Impact: Medium

Description

The Company relies primarily on third-party service providers for its core operations including oversight of its subsidiaries under the terms of its Investment Advisory Agreement. In particular, although the ultimate responsibility for the investment strategy lies with the Company, the Investment Adviser is responsible for sourcing potential opportunities, advising the Company on acquisitions, active management of Catalogues and financial reporting.

The Company also depends heavily on the specialist administrative services of the Investment Adviser, the Portfolio Administrators and other collection agents as well as third-party suppliers with whom the Company conducts business. In the event that these service providers experience business disruption cyber security breaches, or fail in their responsibilities, the ability of the Group to collect revenues due may be limited.

Mitigation

The Investment Adviser is recruiting leading market specialists in Active Management, Finance and Data analytics, with extensive experience in maximising value from the Catalogue Assets.

The Company continually reviews the performance of its service providers and will raise any concerns regarding performance or efficiency should the need arise.

⑨ Shares continue to trade at discount

Business Model: A, B

Strategy: 1. Smart Acquisition

Probability: Medium/High Impact: High

Description

The Company's share price may continue to trade at a discount to the Company's investments' underlying market value. The discount level may remain wide, and any discount management policy may become ineffective, eroding shareholder capital and restricting the ability of the Company to raise further share capital, or pass the Continuation Vote in September 2023.

Mitigation

Mitigation of this risk is a core theme of this report and is addressed in the Strategic Report on pages 2-71.

Our business model and strategy are based on active Song Management as well as the smart acquisition of Catalogues. The former is one of the key mitigations for this risk.

NAVs and share price performance are regularly reviewed at and between board meetings in the context of market conditions. The Company seeks to test the reasonableness of assumptions employed in arriving at the Fair Value of the investments through the use of valuation peers and also note reports from other companies investing in our space.

Discount (or premium) is monitored by the Investment Adviser and Corporate Broker, with an ongoing dialogue involving the Board to consider how the discount may be reduced, e.g. through potential further share buybacks or the strategic disposal of Catalogues.

In the event that a sale of assets should occur, the Company may be unable to fully benefit as an investment trust company on any potential sale of Catalogues, as music Catalogues are considered intangible fixed assets for UK corporation tax purposes.

The Company has sought and will continue to seek tax advice with a view to optimising tax in all potential situations.

The Board is consulting Shareholders ahead of the Continuation Vote.

Emerging Risks

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. These include regulatory/legislative change, macroeconomic and geo-political change, climate risks, the impact of AI as well as new competitors entering the market. These are monitored, mitigated and managed where appropriate, by the Company through continual review, policy setting and updating of the Company's risk matrix at each quarterly meeting to ensure that procedures are in place with the intention of minimising the impact of the above-mentioned risks. We have considered the materiality of our environmental risks and have concluded that they are minimal. The Company relies on periodic reports provided by the Investment Adviser and Administrator regarding risks that the Group faces. When required, experts, including tax advisers and legal advisers, will be employed to gather information and to provide advice.

Key Statements

Viability Statement

To assess the future prospects of the Company the Board has conducted a financial and Portfolio review for a period of three years to 31 March 2026, which is deemed appropriate for the following reasons:

- i. The long-term outlook for music publishing and recorded music remains very positive;
- ii. Three years is often considered the benchmark of normalised earnings within music publishing;
- iii. The remaining copyright term of the Company's Portfolio as of 31 March 2023 will give rise to future income significantly beyond the period of review;
- iv. Experience to date provides confidence that the performance of catalogues will generally continue to perform in accordance with recent forecasts.

Based on past performance and on the anticipated growth in the digital consumption of music as publicised in the wider industry, the returns generated within the investment Portfolio are expected to be stable and predictable in both the medium and long term.

The long copyright term combined with the resilience of music and a continually expanding ecosystem of consumers underpins the value of catalogues and provides the basis for assessing the business of the Company as viable within the three-year forecast period.

The Investment Adviser has prepared, and the Board has reviewed, the Portfolio projections which forecast the Company's revenue, cashflow and working capital projections over the next three years. The Board has also considered all the principal risks and significant emerging risks and their mitigation as identified in the risk register that is periodically reviewed by the Board. The Board paid particular attention to the risk of a deterioration in the short-term economic outlook which would adversely impact catalogue fundamentals causing a reduction in cash flows.

The remaining principal risks, whilst having an impact on the Company's business model, are not considered by the Board to have a reasonable likelihood of impacting the Company's viability over the three-year period to 31 March 2026.

The Board regularly evaluates the performance of the portfolio of Songs and the Company's financial position as well as assessing sensitivities that impact dividend cover, credit facility covenants, cash position and profitability of the Company to assess an 'extreme but possible downside scenario'. Based on our principal risks and uncertainties, an 'extreme but possible downside scenario', reflecting a combination of negative assumptions (mostly macro-economic rather than Company specific) was incorporated as follows:

- Revenues remain constant over the next three-year period, contrary to the increases in prior periods and predicted market growth.
- A strengthening of Sterling versus US Dollar, to account for the fact that the majority of revenues are received from the USA and that the majority of cash outflows are paid in Sterling. This assessment assumes Sterling strengthens against the US Dollar and the exchange rate for £1.00 equals \$1.40 (based on the five year high rate in Q2 2021 as compared to \$1.24 in March 2023).
- Secured Overnight Financing Rate ('SOFR') increases to 8% (from 5.1% as at May 2023), taking the all-in interest rate to 10%. The Company's debt facility is based on a fixed rate margin, plus a floating rate based on SOFR. From 3 January 2023, the Company entered into interest rate swaps to hedge \$540 million out of the \$600m drawn. Of this, \$340 million is hedged for the duration of the RCF (until 30 September 2027) at a fixed rate of 5.67% (including debt margin); a further \$200 million is hedged until 3 January 2026 at a fixed rate of 5.89% (including debt margin). Only the unhedged element of the RCF is susceptible to increases in the underlying SOFR rate. The Board expect no covenant breaches in this scenario.

Each of these scenarios were incorporated into a detailed financial model and their impact assessed on revenues and future cash flows. The results of this stress testing show that a combination of all these hypothetical scenarios in the extreme downside scenario would result in a cash shortfall in FY24 and impact the ability of the Company to maintain the current dividend policy. Were this extreme but possible scenario to occur, the Board would take mitigating actions to ensure the viability and future cash flows of the Company, including remedies such as making changes to the timing or size of future dividend payments.

Given the liquidity available to the Company and based on this analysis, the Directors have a reasonable expectation that, even under these severe stress tests, the Company will be able to continue in operation and meet its liabilities as they fall due and remain viable over the three-year period of assessment.

In arriving at their conclusions, the Board also considered, amongst other things:

- The Company's historic consistency in generating material net cash from operating activities (12 months to 31 March 2023: \$102.1 million, 12 months to 31 March 2022: \$84.9 million).
- The Company's expected credit loss based on the probability that future default on trade receivables has been deemed close to nil, due to the long-standing history of PROs, Publishers and Record Labels within the music industry and the existing framework of cash collection amongst the Company's stakeholders.
- The Company's liquidity, given cash balances of \$38.0 million as at 31 March 2023.
- The Company's headroom under its borrowing policy as a percentage of NAV.

Notwithstanding this assessment, forecasting for individual Catalogues can deliver variances versus the actual revenues received but these variances are considered immaterial in the context of the whole diversified Portfolio. The Board therefore considers that risk associated with individual Catalogue performance is mitigated by diversification, and the overall forecast assumptions adopted are reasonable and sustainable at the present time.

If the Continuation Vote is not passed, the Directors are required to put forward proposals for the reconstruction, reorganisation or winding-up of the Company to the Shareholders for their approval within six months following the date on which the Continuation Vote is not passed. These proposals may or may not involve winding-up the Company or liquidating all or part of the Company's then existing portfolio of investments and, accordingly, failure to pass a Continuation Vote will not necessarily result in the winding-up of the Company or liquidation of all or some of its investments.

The Board is of the opinion that the long-term trends and outlook for music publishing and the consumption of recorded music both remain positive as evidenced throughout this Annual Report.

Going Concern

The Board monitors the liquidity and capital resilience of the Company, prepared by the Investment Adviser monthly, which spans a 12-month forecast horizon. This provides comfort over the Company's ability to continue as a going concern for a period of at least 12 months from the date the financial statements are signed.

Revenue assumptions for future periods, and therefore cash receivable, are based on forecasts of royalties and other revenue receivable combined with the unwinding of revenue accruals. Sensitivities as noted in the Viability Statement are applied to revenues to assess market downside impacts and other economic factors.

Expenses are forecast on both a contractual and non-contractual basis, where the non-contractual analysis is derived from the run-rate expenses over the prior 12-month period.

The 12-month forecast assumes a 'steady state' so does not include the impact of any future equity raises, debt refinancing or acquisitions which is consistent with the Company's short to mid-term strategic objectives.

Based on these sources of information and the Company's history of positive cashflows, which are expected to continue, it is the Board's judgement that the Company will continue to have a reliable source

of revenue from its Publishers and PROs, sufficient for the Company to meet its obligations over at least the next 12 months. Accordingly, the Directors believe it is appropriate to prepare the Consolidated Financial Statements of the Company on a going concern basis.

Although the Board are confident that the Company will have sufficient financial resources, there is a material uncertainty as to the outcome of the Continuation Vote which is due to be held in accordance with Part I, Section 9 of the latest Company prospectus. Should Shareholders vote against continuation of the Company or continuation of the Company in its current form this could impact the longer term viability of the Company and there is a material uncertainty that could cause significant doubt as to the ability of the Group to continue as a going concern.

As a result of the strong fundamentals supporting the Company's investment strategy, robust operating metrics displayed by the Company which include a consistent dividend yield and stable NAV, combined with the strong financial position of the Company, the Directors believe there is a compelling rationale for Shareholders to vote in favour of the Continuation Vote and that the Company will continue as constituted.

Section 172(1) Statement

The purpose of the Strategic Report is to inform members of the Company and help them assess how the directors have performed their duty under section 172. This section 172(1) statement incorporates information from other areas of the Annual Report to avoid unnecessary duplication.

Section 172 of the UK Companies Act 2006 applies directly to UK domiciled companies. Nonetheless the AIC Code requires that the matters set out in section 172(1) are reported on by all companies, irrespective of domicile. This requirement does not conflict with Guernsey company law.

The Directors have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing the duties set out in section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business.

The table below indicates where the relevant information is that demonstrates how we act in accordance with the requirements of s.172(1).

s172 matter

Likely consequences of any decision in the long term

Introduction from Merck Mercuriadis, pages 3-6
 The Chair's Statement, pages 11-15
 Investment Adviser's Report, pages 17-41
 Our Resources and Relationships, pages 57-61
 Our Principal Risks and Uncertainties, pages 62-66
 Viability Statement, pages 67-68
 Going Concern, page 69
 Application of AIC Code Principles, pages 74-77
 Board Leadership and Company Purpose, pages 78-79
 Composition, Evaluation and Succession, pages 84-85
 Report of the Nomination Committee, pages 88-90
 Report of the Audit and Risk Management Committee, pages 92-98
 Report of the Management Engagement Committee, pages 99-100
 Report of the Environmental, Social and Governance Oversight Committee, page 103
 Directors' Remuneration Report, pages 104-107

The interests of the Company's employees

Our Resources and Relationships, page 58
 Compliance Statement, page 73
 Application of AIC Code Principles, pages 74
 Board Leadership and Company Purpose, pages 78
 Report of the Management Engagement Committee, pages 99-100
 Report of the Environmental, Social and Governance Oversight Committee, page 103
 Directors' Remuneration Report, pages 104, 106

s172 matter**The need to foster the Company's business relationships with suppliers, customers and others**

Introduction from Merck Mercuriadis, pages 3-6
 The Chair's Statement, pages 11-15
 Investment Adviser's Report, pages 17-41
 Our Market, pages 42-45
 Our Purpose, Business Model, Culture and Values, pages 50-53
 Our Objective, Strategy and Investment Policy, pages 54-56
 Our Resources and Relationships, pages 57-61
 Our Principal Risks and Uncertainties, pages 63, 65
 Application of AIC Code Principles, pages 74, 76
 Board Leadership and Company Purpose, pages 79
 Report of the Nomination Committee, pages 89
 Report of the Audit and Risk Management Committee, pages 95-97
 Report of the Management Engagement Committee, pages 99-100
 Report of the Environmental, Social and Governance Oversight Committee, page 103

Impact of the Company's operations on the community and environment

Introduction from Merck Mercuriadis, pages 4, 5
 Investment Adviser's Report, pages 28
 Our Purpose, Business Model, Culture and Values, pages 52
 Our Resources and Relationships, pages 57-61
 Principal Risks and Uncertainties 66
 Application of AIC Code Principles, page 74
 Board Leadership and Company Purpose, pages 78-79
 Report of the Audit and Risk Management Committee, pages 93, 98
 Report of the Environmental, Social and Governance Oversight Committee, page 103

The Company's reputation for high standards of business conduct

Introduction from Merck Mercuriadis, pages 5, 6
 The Chair's Statement, pages 11-15
 Our Purpose, Business Model, Culture and Values, pages 52
 Our Resources and Relationships, pages 57-61
 Our Principal Risks and Uncertainties, pages 64
 Governance, pages 72-107

The need to act fairly as between members of the Company

Introduction from Merck Mercuriadis, pages 3
 The Chair's Statement, pages 11, 13
 Our Objective, Strategy and Investment Policy, pages 54-56
 Our Resources and Relationships, pages 58
 Application of AIC Code Principles, page 74
 Board Leadership and Company Purpose, pages 78, 79
 Report of the Directors, pages 108-110

Chair's Introduction



Dear Shareholder,

On behalf of the Board I am pleased to present the Corporate Governance Report for the year ended 31 March 2023. This report describes the Corporate Governance structures and procedures and summarises the work of the Board and its Committees to illustrate how we have discharged our responsibilities over the year. The Board is collectively responsible for how the Company is directed and controlled. Our responsibilities include agreeing the

Company's strategic aims and values; monitoring and constructively challenging the Investment Adviser on the operations of the business; ensuring a framework of prudent and effective controls; and reporting to Shareholders on the Board's stewardship. As Chair, I am responsible for leading and ensuring an effective Board.

The Board recognises its duties and responsibilities to our Shareholders and other stakeholders. Further details of how we take account of Shareholder and wider stakeholder interests in our strategic planning and decision-making processes are set out on pages 57 and 78. We will continue to work with the Investment Adviser to deliver on our strategic goals while ensuring that we continue to engage with all stakeholders.

Andrew Sutch

Chair

12 July 2023

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Corporate Governance Report

Compliance Statement

Hipgnosis Songs Fund Limited is a company registered in Guernsey and has a Premium Listing on the Main Market on the London Stock Exchange. The Company became a member of the AIC on 22 August 2018.

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance 2019 (AIC Code). The AIC Code addresses the relevant Principles and Provisions set out in the UK Corporate Governance Code 2018 (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

Throughout the year ended 31 March 2023, the Company has applied the Principles (as explained on pages 74-77) and complied with the relevant Provisions of the AIC Code.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission, provides more relevant information to Shareholders. By reporting against the AIC Code the Company is meeting its obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report

further on issues contained in the UK Code which are irrelevant to the Company, as set out below:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Code, and as explained in the UK Code, the Board considers that the above provisions are not currently relevant to the position of the Company which delegates most day-to-day functions to third parties.

In September 2020, through acquisition of the assets of HSG, the Company acquired employees. None of the employees are classified as Senior Executives as they do not report directly to the Board, and the management of the employees has been delegated to the Investment Adviser in its entirety; however, the Board retains oversight through the Investment Advisory Agreement. The decision not to have an internal audit function is discussed in the Report of the Audit and Risk Management Committee.

The AIC Code is available on the AIC website www.theaic.co.uk.

Application of the AIC Code Principles

The AIC Code, and the underlying UK Code, have placed increased emphasis on “apply and explain” with regard to the Principles of the Codes.

The Company is a member of the Association of Investment Companies and is a constituent of the AIC’s “Royalties” Specialist Investment Trust sector classification. The Company’s page on the AIC’s website is at www.theaic.co.uk/companydata/hipgnosis-songs-fund

Our explanations about how we have applied the application of the main principles of the AIC Code can be found as follows:

Board Leadership and Company Purpose

Principle A. A successful company is led by an effective Board, whose role is to promote the long-term sustainable success of the company, generating value for Shareholders and contributing to wider society.

Strategic Report, pages 2-71

Governance, pages 72-112

Principle B. The Board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.

Strategic Report, pages 2-71

Board Leadership and Company Purpose, pages 78-79

Principle C. The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Our Resources and Relationships, pages 57-61

Our Principal Risks and Uncertainties, pages 62-66

Section 172(1) Statement, pages 70-71

Board Leadership and Company Purpose, pages 78-79

Audit, Risk and Internal Control, page 91

Report of the Audit and Risk Management Committee, pages 92-98

Principle D. In order for the company to meet its responsibilities to Shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

Our Resources and Relationships, pages 57-61

Section 172(1) Statement, pages 70-71

Board Leadership and Company Purpose, pages 78-79

Division of responsibilities

<p>Principle F. The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgment throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non-executive Directors, and ensures that Directors receive accurate, timely and clear information.</p>	<p>The Chair's Statement, pages 11-15</p> <p>The Chair's Introduction, page 72</p> <p>Board Leadership and Company Purpose, pages 78-79</p> <p>Division of Responsibilities, pages 80-83</p>
<p>Principle G. The Board should consist of an appropriate combination of Directors (and, in particular, independent Non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.</p>	<p>Division of Responsibilities, pages 80-83</p> <p>Board of Directors, pages 85-87</p>
<p>Principle H. Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account.</p>	<p>The Chair's Statement, pages 11-15</p> <p>Board Leadership and Company Purpose, pages 78-79</p> <p>Division of Responsibilities, pages 80-83</p> <p>Report of the Audit and Risk Management Committee, pages 92-98</p> <p>Report of the Management Engagement Committee, page 99-100</p>
<p>Principle I. The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.</p>	<p>Our Resources and Relationships, pages 57-61</p> <p>Our Principal Risks and Uncertainties, pages 62-66</p> <p>Section 172(1) Statement, pages 70-71</p> <p>Board Leadership and Company Purpose, pages 78-79</p> <p>Division of Responsibilities, pages 80-83</p> <p>Audit, Risk and Internal Control, page 91</p> <p>Report of the Audit and Risk Management Committee, pages 92-98</p> <p>Report of the Management Engagement Committee, page 99-100</p>

Composition, succession and evaluation

Principle J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Report of the Nomination Committee, pages 88-90

Principle K. The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

Board of Directors, pages 85-87

Report of the Nomination Committee, pages 88-90

Principle L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Report of the Nomination Committee, pages 88-90

Audit, risk and internal control

Principle M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.

Audit, Risk and Internal Control, page 91

Report of the Audit and Risk Management Committee, pages 92-98

Principle N. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

Strategic Report, pages 2-71

Audit, Risk and Internal Control, page 91

Report of the Audit and Risk Management Committee, pages 92-98

Financial Statements, pages 122-162

Principle O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

Our Principal Risks and Uncertainties, pages 62-66

Viability Statement, pages 67-68

Audit, Risk and Internal Control, page 91

Report of the Audit and Risk Management Committee, pages 92-98

Notes to the Financial Statements, pages 127-162

Remuneration

<p>Principle P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.</p>	Strategic Report, pages 2-71
	Board Leadership and Company Purpose, pages 78-79
	Directors' Remuneration Report, pages 104-107
<p>Principle Q. A formal and transparent procedure for developing policy on remuneration should be established. No director should be involved in deciding their own remuneration outcome.</p>	Directors' Remuneration Report, pages 104-107
<p>Principle R. Directors should exercise independent judgment and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.</p>	Directors' Remuneration Report, pages 104-107

Other Key Governance Statements

The Directors confirm that:

Going Concern

The Going Concern statement is made on page 69.

Viability

The Viability Statement is made on pages 67-68. Further details of the Board's assessment of the viability of the Company are set out in Audit, Risk and Internal Control on pages 91. The Principal Risks and Uncertainties are set out on pages 62-66.

Principal and Emerging Risks

The Board has undertaken a robust review of the Group's principal and emerging risks, including those that would threaten its business model, future performance, solvency or liquidity and reputation. The Principal Risks and Uncertainties are set out on pages 62-66.

Risk management and internal control

The Board has monitored the Company's risk management and internal control systems and carried out a review of their effectiveness. Further details are set out in Audit, Risk and Internal Control on page 91. The Principal Risks and Uncertainties are set out on pages 62-66.

Continuing Appointment of the Investment Adviser

The continuing appointment of Hipgnosis Song Management Limited as the Investment Adviser, on the terms agreed, is in the interests of the Shareholders as a whole. Further details on the basis for this conclusion, and the terms, are set out in the Report of the Management Engagement Committee on page 99-100.

Fair, Balanced and Understandable

The annual report and accounts taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. See the Report of the Audit and Risk Management Committee on page 92 for further information on how this conclusion was reached.

Section 172(1)

The Section 172(1) statement is made on pages 70-71.

It provides cross-references to the required detail set out throughout this annual report.

Board Leadership and Company Purpose

The Role of the Board

The Company is led and controlled by a Board of Directors, who are collectively responsible for the long-term success of the Company. The Board acts in the interests of the Company, creating and preserving value and has as its foremost principle to act in the interests of Shareholders.

Culture and Values

The Board recognises that tone and culture are set from the top, and that every interaction with the Company's stakeholders has a great influence on the sustainability of long-term Shareholder value. This can be the Board's interaction with its Shareholders, or one of the Investment Adviser's junior employees dealing with one of the Company's service providers. The importance of sound ethical values and behaviour is crucial to the ability of the Company to achieve its objectives successfully.

The Board individually and collectively seeks to act with diligence, honesty and integrity and expects the same values from its service providers. It encourages its members to express differences of perspective and to challenge views and opinions but always in a respectful, open, cooperative and collegiate fashion. The Board encourages diversity of thought and approach and chooses its members with this approach in mind.

The Company's culture emulates that of the Investment Adviser, with a focus on long-lasting relationships with its investor base; investment excellence delivered with integrity; and world-class leadership backed by extensive industry knowledge creating a Songwriter community rapport and a diverse, innovative, multi-cultured portfolio of Song assets.

The Board is actively involved in defining and driving strategy whilst ensuring it reflects the Company's culture and values. During the year the Board led or supported a number of key work streams. It was heavily involved in the refinancing of the Company's debt facility as well as discussions regarding operational performance and active portfolio management. The Board requires adequate information to address the key issues faced by the Company and throughout the year has engaged and consulted with the Investment Adviser, the Company's other professional advisers as well as Shareholders. It has outlined the format and quantum of information and specific reports to be provided by

advisers to ensure the Board is well informed when considering recommendations and actions.

Key Decisions

In making its decisions, the Board considered the need to maintain a reputation for high standards of business conduct and the outcome from stakeholder engagement. Investor perceptions and feedback was obtained through consultation with the Company's brokers and additionally through direct engagement between the Investment Adviser, the Board and Shareholders. Consideration was given to the Company's share price which continued to trade at a discount to NAV during the year and the macro-economic environment of high inflation, rising Interest rates, the increasing unpredictability of debt markets, and the objective of efficient and effective management of the Company's Portfolio.

Key decisions through the year are summarised below:

- Maintaining the Company's quarterly dividend at a consistent rate of 1.3125p.
- Entering into a digital administration agreement with Society of Authors, Composers and Publishers of Music (Sacem) and a sub-publishing partnership with peermusic to provide a modern, worldwide network for the collection of Song royalties for the Company.
- Replacing the previous financing arrangements with a \$700m Revolving Credit Facility to materially reduce the Company's interest margins at a time of interest rate volatility as well as improving its terms.
- Completing interest rate swap agreements to provide increased certainty over the cost of the Company's debt.
- Establishing and implementing a Foreign Exchange strategy to provide increased control around future dividend payments.
- Engaging an additional Independent valuation firm to consider and advise on the reasonableness of assumptions employed in arriving at the Fair Value of the Company's Portfolio as at 30 September 2022 and continuing to engage with them through the year ended 31 March 2023 to the date of this report, providing the Board with continuing insights.
- Commencing an irrevocable share repurchase programme resulting in the purchase of 2,000,000 ordinary shares of and by the Company, with a view to reducing the Company's share price discount to NAV.

- Hosting a Capital Markets Day on 8 December 2022 to highlight the active management of the Portfolio and the actions of the Board in managing the Company's share price.
- Convening a Strategy Day with the Investment Adviser and the Company's brokers to focus on the medium- and long-term direction and strategy of the Company.
- Approving an increase in the level of Directors' Remuneration by 10% as further detailed in the Directors' Remuneration Report on page 104.

Relations with Shareholders and other stakeholders

The majority of the key decisions noted above, including the decision to enter into a share buyback scheme, were in line with investor sentiment and were made following consultation with key stakeholders.

The Board places great importance on communication with its Shareholders and welcomes their views. The Board is kept fully informed of all relevant market commentary on the Company by the Investment Adviser and the Corporate Brokers. The Company's refinancing activities were well received, and positive feedback was also received following the Capital Markets Day held on 8 December 2022. Stakeholders reported that they felt the Company had invested in a high-quality Portfolio and appreciated the insights gained surrounding the active management of the Portfolio, although expressed disappointment that the Company's share price continued to trade at a discount to NAV.

In addition, both the Board and the Investment Adviser implemented a programme of regular consultation with all major Shareholders which resulted in a number of productive meetings. The aim of these meetings was to proactively gauge sentiment and to discuss any questions Shareholders may have had in relation to the running of the Company especially in light of the forthcoming Continuation Vote. The Board obtained a broad spectrum of feedback which it is actively considering.

The Company reports formally to Shareholders in a number of ways; regulatory news releases through the London Stock Exchange's Regulatory News Service, annual and interim reports and periodic factsheets issued in response to events or routine reporting obligations. In addition, the Company's website

contains comprehensive information, financial results, events, corporate reports, webcasts and factsheets; these are all stored in the Investor Relations section of the Company's website: <https://www.hipgnosissongs.com/results-center/>

Relationships with other stakeholders are discussed on page 58.

All Shareholders continue to have direct access to the Chair and the other Directors, who are available on request.

Annual General Meeting

The Company's Annual General Meeting (AGM) will be held before the end of September. Notice of the Annual General Meeting, containing full details of the business to be conducted at the meeting, will be published to Shareholders in due course.

Members of the Board and the Investment Adviser will be in attendance at the AGM and available to answer Shareholder questions.

Whistleblowing

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Investment Adviser or Administrator may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters anonymously.

It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within each organisation. The Board routinely reviews this and any reports which may arise from its operation. The Board confirms that no concerns were raised during the year.

Division of Responsibilities

Duties and Responsibilities

The Board is responsible for the determination of the Company's Investment Objective and Policy and has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business, meeting the appropriate interests of Shareholders and relevant stakeholders, and also ensuring the protection of investors.

A summary of the matters reserved for the Board is as follows:

- strategic matters;
- risk assessment and management including reporting, compliance, governance, monitoring and control and financial reporting;
- statutory obligations and public disclosure;
- declaring Company dividends;
- managing and assessing the performance of the Company's advisers and service providers; and
- other matters having a material effect on the Company.

At 31 March 2023, the Board consisted of six independent Non-executive Directors; an independent Chair, one Senior Independent Director and four Independent Non-executive Directors. The Directors believe that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected, as their biographies illustrate, to bring a breadth of knowledge, skills and business experience to the Company. The Directors' details are listed on pages 85-87 which set out their range of investment, financial and business skills and experience.

Mr Sutch is the Chair. He leads the Board and is responsible for its overall effectiveness in directing the Company. The Chair is appointed in accordance with the Company's Articles of Incorporation. In considering the independence of the Chair, the Board took note of the provisions of the AIC Code relating to independence and has determined that Mr Sutch is an independent director. The Board is satisfied that the Chair has no relationships that may create a conflict of interest between his interests and those of Shareholders.

Mr Burger is the Senior Independent Director. The Senior Independent Director acts as a sounding board for the Chair and is a trusted intermediary for other Directors.

The Senior Independent Director is available to meet Shareholders if they have concerns that cannot be resolved through discussion with the Chair or for matters where such contact would be inappropriate. In addition, during the year, the Senior Independent Director leads the other Directors in evaluating the performance of the Chair. The Board is fully satisfied that Mr Burger demonstrates complete independence and robustness of character in this role.

The Directors have access to the advice and services of the Administrator, who also assists the Board in ensuring that Board procedures are followed, and the Board complies with the Companies Law and applicable rules and regulations of the GFSC and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

The Board's responsibilities for the Annual Report are set out in the Directors' Responsibilities Statement on pages 111-112. The Board is also responsible for issuing appropriate Interim Reports and other price-sensitive public reports.

The Company has adopted a share dealing code for the Board and seeks to ensure compliance by the Board and relevant personnel of the Investment Adviser and other third-party service providers with the terms of the share dealing code.

Committees of the Board

As part of the governance framework, the Board has delegated some of its responsibilities to six committees: the Nomination Committee, the Audit & Risk Management Committee, the Management Engagement Committee, the Remuneration Committee, the Portfolio Committee, and the Environmental, Social and Governance Oversight Committee.

The Board is satisfied that the committees have sufficient time and resources to carry out their duties effectively. Each committee of the Board has written terms of reference, approved by the Board, summarising its objectives, remit and powers, which are available on the Company's website (<https://www.hipgnosisongs.com/governance/>) and are reviewed on an annual basis. Committees are supplied with

regular, comprehensive and timely information in a form and of a quality that enables them to discharge their duties effectively. Each committee has access to such external advice as it may consider appropriate, and all committee members are able to make further enquiries of the Investment Adviser or Administrator whenever necessary and have access to the services of the Company Secretary.

The respective committee chairs report on their activities to the Board. Director attendance at Board and committee meetings is summarised on page 82.

The Board believes that it and its Committees have an appropriate composition and blend of backgrounds, skills and experience to discharge their duties effectively. The Board is of the view that no one individual or small group dominates decision-making. The Board keeps its membership, and that of its Committees, under review to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

Minutes of all meetings of the Committees are made available to all Directors and feedback from each of the Committees is provided to the Board by the respective committee chair at the next Board meeting.

Nomination Committee

The Nomination Committee's activities are contained in the Report of the Nomination Committee on page 88.

Audit and Risk Management Committee

The Audit and Risk Management Committee's activities are contained in the Report of the Audit and Risk Management Committee on page 92.

Management Engagement Committee

The Management Engagement Committee's activities are contained in the Report of the Management Engagement Committee on page 99.

Remuneration Committee

The Remuneration Committee's activities are contained in the Directors' Remuneration Report on page 104.

Portfolio Committee

The Portfolio Committee's activities are contained in the Report of the Portfolio Committee on page 101.

Environmental, Social and Governance Oversight Committee

The Environmental, Social and Governance Oversight Committees activities are contained in the Report of the Environmental, Social and Governance Oversight Committee on page 103.

Board of Directors

The Board is accountable for the stewardship of the Company's business to the Shareholders and other stakeholders

Audit and Risk Management Committee

Mr Andrew Wilkinson
Chair of the Committee

Mr Paul Burger
Ms Sylvia Coleman
Mr Simon Holden
Ms Vania Schlogel
Mr Andrew Sutch

Management Engagement Committee

Mr Andrew Sutch
Chair of the Committee

Mr Paul Burger
Ms Sylvia Coleman
Mr Simon Holden
Ms Vania Schlogel
Mr Andrew Wilkinson

Nomination Committee

Mr Paul Burger
Chair of the Committee

Ms Sylvia Coleman
Mr Simon Holden
Ms Vania Schlogel
Mr Andrew Sutch
Mr Andrew Wilkinson

Remuneration Committee

Mr Simon Holden
Chair of the Committee

Mr Paul Burger
Ms Sylvia Coleman
Ms Vania Schlogel
Mr Andrew Sutch
Mr Andrew Wilkinson

Portfolio Committee

Mr Paul Burger
Chair of the Committee

Ms Sylvia Coleman
Mr Simon Holden
Ms Vania Schlogel
Mr Andrew Sutch
Mr Andrew Wilkinson

Environmental, Social and Governance Oversight Committee

Ms Sylvia Coleman
Chair of the Committee

Mr Paul Burger
Mr Simon Holden
Ms Vania Schlogel
Mr Andrew Sutch
Mr Andrew Wilkinson

Board attendance from 1 April 2022 to 31 March 2023:

	Scheduled Board Meetings	⁶ Ad-hoc Board Meetings	Nomination Committee	Audit and Risk Management Committee	Management Engagement Committee	Remuneration Committee	Environmental, Social and Governance Oversight Committee	Total Meetings attended
Total Meetings	4	12	1	5	1	1	1	25
Paul Burger ²	4	11	1	4	1	1	1	23
Sylvia Coleman ⁵	4	12	1	5	1	1	1	25
Simon Holden ⁴	4	12	1	5	1	1	1	25
Andrew Sutch ¹	4	11	1	5	1	1	1	24
Andrew Wilkinson ³	4	9	1	5	1	1	1	22
Vania Schlogel ⁷	3	7	0	3	0	0	0	13

1. Chair of Board and Management Engagement Committee

2. Chair of Portfolio Committee and Nomination Committee

3. Chair of Audit and Risk Management Committee

4. Chair of Remuneration Committee

5. Chair of Environmental, Social and Governance Oversight Committee

6. Includes Strategy Day

7. Resigned 30 April 2023

A quorum for each committee meeting is comprised of any two or more members of the Board from time to time.

Directors work extensively with the Investment Adviser, the Company's brokers and Administrator on strategy, acquisitions, disposals, operational, performance management and reporting related matters between the formal Board meetings, which is not reflected in the above table. Compared with typical investment trusts, this highlights the more in-depth level of management and oversight commensurate with the intrinsic opportunities and risks of this high-growth, intangible asset class.

Attendance

The Board and its committees have a scheduled forward programme of meetings to ensure that sufficient time is allocated to each key area and the Board's time is used effectively.

The Board meets at least four times a year for scheduled quarterly Board meetings, plus other ad-hoc Board meetings. At each meeting the Board follows a formal agenda that covers the business to be discussed. There is sufficient flexibility for items to be added to the agenda which enables the Board to focus on key matters relating to the Company at the right time. Each Board member receives a comprehensive Board pack

prior to each meeting together with supporting papers for items to be discussed at the meeting.

In addition, a number of ad-hoc Board meetings (as detailed above) were called in relation to specific events or to issue approvals outside of the regular quarterly Board meetings. These meetings were often at short notice and were very well attended by Board and committee members. In addition to their meeting commitments, the Directors also liaise with the Investment Adviser whenever required and there is regular and frequent contact outside the Board meeting schedule. The Directors meet regularly with the senior management employed by the Investment Adviser both formally and informally to ensure the Board remains regularly updated on all issues. The Board also has regular contact with the Administrator, and the Board requires to be supplied in a timely manner with information by the Investment Adviser, the Company Secretary and other advisers in a form and of a quality to enable it to discharge its duties.

Directors who have been unable to attend a meeting have given the Chair their views and comments on matters to be discussed, in advance. The Board have met in person for all quarterly Board meetings, as well as for the Annual General Meeting and the Strategy Day convened in February 2023 and have continued to meet remotely as and when necessary for ad-hoc Board meetings.

Time commitment and conflicts of interest

Prior to appointment, each prospective Non-executive Director confirms that they will have sufficient time available to be able to discharge their responsibilities effectively and that they have no conflict of interest.

In addition, the Board reviews and approves in advance, requests by Directors wishing to undertake new responsibilities or directorships and considers both the time commitments involved and any potential conflicts. A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. The Board requires Directors to regularly declare all appointments and other situations that could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts. The Board is satisfied that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company.

It was recognised towards the end of the year that Ms Schlogel's other commitments and responsibilities had increased significantly resulting in a conflict in terms of her time available to attend Board meetings and limiting her participation during the latter part of the year. Ms Schlogel stepped down from the Company as a Director with effect from 30 April 2023 and offered to waive her Director's remuneration for the period from 1 April 2023 to 30 April 2023, such offer having been accepted by the Board.

Throughout the year, the other Directors have devoted sufficient time to undertake their responsibilities effectively, have had excellent attendance records at scheduled meetings, and demonstrated high levels of availability and responsiveness for additional meetings and discussions where these have been required. The Board remains confident that these individual members continue to devote sufficient time to undertake their responsibilities effectively.

Director Independence

The Board confirms that all Directors should be considered as independent in accordance with the provisions of the AIC Code and have the time available to discharge their duties effectively. Accordingly, the Board recommends that Shareholders vote in favour of the re-election of all Directors at the forthcoming AGM.

Composition, Evaluation and Succession

Board Composition and Tenure

Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its composition and succession planning on an on-going basis. The Company's Articles of Incorporation specify that each of the Directors shall retire and may offer themselves for re-election at each AGM of the Company.

To ensure that serving Non-executive Directors of the Company continue to possess the necessary skills and experience required for the strategy of the business, the Board has established a Nomination Committee to consider Board composition and succession planning on an ongoing basis and to oversee the process of appointments of Directors. The role of the Nomination Committee is critical in ensuring that the Company's Board and committee composition and balance support both the Group's business ambitions and best practice in the area of corporate governance.

Upon joining the Board, the Directors received induction programmes which were specifically designed to complement their background, experience and knowledge, as well as on-going access to training.

No member of the Board has served for longer than nine years. As such no issue has arisen to be considered by the Board with respect to long tenure. The Company's policy on Chair tenure is that the Chair should normally serve no longer than nine years as a Director and Chair but, where it is in the best interests of the Company, its Shareholders and stakeholders, the Chair may serve for a limited time beyond that.

In accordance with the AIC Code, when and if any Director shall have been in office (or on re-election would at the end of that term have been in office) for more than nine years the Company will consider further whether there is a risk that such a Director might reasonably be deemed to have lost independence through such long service. The Board recognises that Directors serving nine years or more may appear to have their independence impaired. However, the Board may nonetheless consider Directors to remain independent and will provide a clear explanation in the Annual Report and Consolidated Financial Statements as to their reasoning.

Board Evaluation

As part of the ongoing evaluation of the Board's effectiveness the Board carried out an internal evaluation of its performance and that of its Committees in December 2022. The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement. Internal evaluation of the Board, individual Directors and the Chair is carried out under the mandate of the Nomination Committee. The internal evaluation was facilitated by the Company Secretary with input from the Chair of the Board and the Chair of the committee. Areas reviewed included: investment matters, Board composition and independence, relationships and communication, Shareholder value, knowledge and skills, Board processes, performance of the Chair, how the Board works as a collective and contributions of each individual director. The review required each of the Directors to submit responses to a series of questionnaires to reflect their individual performance, the performance of the Board as a whole and the main areas under consideration by the Board and its Committees. All responses were compiled and discussed at the Board and relevant committee meetings.

The evaluation concluded that the Board should commence a programme to increase Shareholder engagement and consultation and should further progress the Company's succession plan with regards to Directors and Chair. The review found that the Board conducts its business in an environment where freedom of expression, diversity of opinions and challenge are both encouraged and accepted. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is appropriate to the requirements of the Company, whilst recognising that that current composition of the Board does not reflect the FCA's new diversity guidelines, and this will be a key focus of succession planning.

Biographies

Board of Directors



Andrew Sutch

Chair, Non-executive Independent Director and Chair of the Management Engagement Committee

Tenure at 31 March 2023:

4 years 10 months

Skills and Experience

Mr Sutch is a corporate lawyer and a consultant to Stephenson Harwood LLP. He was a partner of that firm for over 30 years and its senior partner for 10 years. He has had extensive experience in advising investment funds, investment managers and boards of investment trusts. This has included advice on complex fund launches, restructurings and corporate actions. He was Chair of two other investment trusts until last year. He is a consultant to an art dealer and until recently a council member of the Royal Academy of Dramatic Art.

Succession Planning

As the majority of Directors were appointed shortly before or after the Initial Public Offering of the Company in July 2018, the aims of the managed succession programme are to preserve continuity whilst ensuring that all of the Board are not required to retire at the same time after serving nine years. Following individual discussions with each Director, a timetable has been set for the phased retirement and, if appropriate, replacement of Directors. The Board will also continue to actively consider its size and composition in light of the developing profile of the Company, aims to ensure that skills and experience are regularly refreshed and that the benefits of a truly diverse Board are further enhanced in terms of age, gender, ethnicity, educational and professional backgrounds, cognitive and personal strengths.

Board of Directors

**Paul Burger**

Senior Non-executive Independent Director, Chair of the Portfolio Committee and Chair of the Nomination Committee

Tenure at 31 March 2023:

4 years 9 months

Skills and Experience

Mr Burger has spent more than 40 years in the music business. As President of Sony Music EMEA, he sat on the board of most of Sony's operating companies in Europe including the UK. Through his SohoArtists company he has nurtured young talent who have risen to great prominence in both the World Music and Folk genres. His marketing skills were recognised by him being awarded Holland's Edison Award for Best Historical Music Series.

Mr Burger's board experience includes stints in both the commercial and not-for-profit sectors. He has been a Director of The BRIT Trust, The Music Managers Forum, The BPI, as well as a number of start-ups and small companies. He serves currently as Chair of the Finance and Investment committee of The BRIT Trust and as a Governor at The BRIT School and served as Chair of Governors for six years. He is also a Director of The New Israel Fund's Global Board as well as of The New Israel Fund UK- an NGO which promotes the values of human rights and social justice for all residents of Israel regardless of race, religion, or ethnicity, as well as the Hofesh Schechter Company.

**Sylvia Coleman**

Non-executive Independent Director and Chair of the Environmental, Social and Governance Oversight Committee

Tenure at 31 March 2023:

3 years 4 months

Skills and Experience

Ms Coleman, initially a lawyer with Stephenson Harwood, has since spent most of her career in the Music Industry serving, across 25 years, as Senior Vice President of Legal and Business Affairs at EMI Music and prior to that, Sony Music where she was responsible for overseeing the company's International and European legal and business affairs respectively. Most recently, she co-founded BPureSounds, a music management company developing music artists and music related properties. Additionally, Ms Coleman was a Non-executive Director of FTSE 250 bwin.party digital entertainment plc until its acquisition by GVC Holdings plc.

She also served as a long-standing Chair of Chickenshed Theatre Company, a not-for-profit music and theatre company for young people celebrating diversity and inclusion and was on the Board of Reprieve, a charitable human rights organisation. She also co-founded Ceroc Enterprises, a dance company creating and franchising a contemporary dance phenomenon across the UK.

**Simon Holden**

Non-executive Independent Director and Chair of the Remuneration Committee

Tenure at 31 March 2023:

4 year 10 months

Skills and Experience

Mr Holden is a Chartered Director (Cdir) and Fellow of the Institute of Directors and adds extensive private equity investing and corporate operations experience to the Company's Board. Previously an investment director at Terra Firma Capital Partners and Candover Investments prior to that, Simon has been an active independent director to listed investment trusts, private equity funds and trading company boards since 2015. In addition, Simon acts as the pro-bono Business Adviser to the States of Guernsey's Trading Assets that operate all of the Bailiwick's critical airports, harbours and maritime fuel supply infrastructure.

Simon graduated from the University of Cambridge with an Meng and MA (Cantab) in Manufacturing Engineering. He is a member of the Association of Investment Companies (AIC), Institute of Directors (IoD), Guernsey Investment Funds Association (GIFA) and several other financial services and intellectual property interest groups.

Listed Company Roles (other than Hipgnosis Songs Fund)

HICL Infrastructure Plc (HICL), Chrysalis Investments Ltd. (CHRY), Trian Investors 1 Ltd. (T11), J.P. Morgan Global Core Real Assets Ltd. (JARA)

Board of Directors

**Vania Schlogel**

Non-executive Independent Director

Tenure at 31 March 2023:

1 years 10 months. Resigned 30 April 2023

Skills and Experience

Ms Schlogel has a wealth of experience of asset management in the media, creative arts and entertainment sectors and a deep understanding of Streaming technology platforms and content licencing. Ms Schlogel founded the global private equity firm Atwater Capital in 2017, with a vision of uniting the valuable creative aspects of evaluating investments and growing companies with deep operational and financial expertise. The firm invests across the media and entertainment sector with a focus on companies that foster cultural diversity, working with management teams committed to embracing strong ESG practices.

Previously, she served as an executive at a number of leading companies, including as Chief Investment Officer of Roc Nation, the entertainment business founded by the artist Jay-Z. She was previously a member of KKR's Private Equity team, where she specialised in the Media sector and launched the Growth Equity division. She began her career at Goldman Sachs in London and Los Angeles.

She is the Chairwoman of the Board for Mediawan US (the holding company of Brad Pitt's Plan B Entertainment) and Chairwoman of the Board for LEONINE Studios.

**Andrew Wilkinson**

Non-executive Independent Director and Chair of the Audit and Risk Management Committee

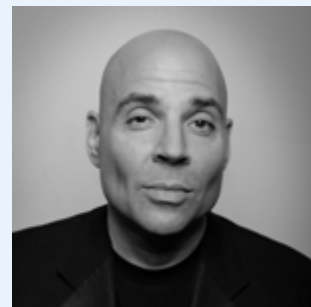
Tenure at 31 March 2023:

4 years 10 months

Skills and Experience

Mr Wilkinson is a chartered accountant who qualified with Peat Marwick Mitchell and subsequently went on to work with the music clientele of merchant bankers Leopold Joseph. Mr Wilkinson was a founder of the Promo Group, which managed the business affairs of the Rolling Stones. In 1981, he became a partner of Prince Rupert Loewenstein, providing business management services to clients in the entertainment and sports sectors. Mr Wilkinson is co-founder and CEO of Music Plus Sport Ltd. and its subsidiary Live at the Races Limited. The group specialises in large-scale concerts at sporting events. Further, Mr Wilkinson was founder and chief executive of Kingstreet Tours Limited, a company that was at the forefront of concert tour production for over 30 years and delivered worldwide concert tours for artists including The Rolling Stones, Pink Floyd, Sir Elton John, Robbie Williams and Shakira. Mr Wilkinson is a member of the fundraising committee and former treasurer of Nordoff Robbins, a charity that uses music therapy in the treatment and care of autistic children.

Founder

**Merck Mercuriadis**

Founder of Hipgnosis Songs Fund Limited and its Investment Adviser, Hipgnosis Song Management Ltd.

Mr Mercuriadis is also the CEO and managing partner of Hipgnosis Songs Ltd, an artist management firm label based in London and Los Angeles.

Experience

Merck has 40 years' music industry experience. He has managed iconic artists including Nile Rodgers, Sir Elton John, Beyoncé, Iron Maiden, Pet Shop Boys and Guns' N'Roses. An unrivalled network and reputation within the songwriting community as a trusted custodian of songs has enabled him to complete over 150 catalogue purchases. Merck is a vigorous campaigner for Songwriters to receive a fair share of music revenues.

Report of the Nomination Committee



Paul Burger, Chair of the Committee

"The committee understands the importance of its role in ensuring the Board contains the right mix of skills and experience to support the business strategy."

Dear Shareholder,

I am pleased to present the Nomination Committee report for the year ended 31 March 2023. The composition of the Nomination Committee meets with the requirements of the AIC Code and, in line with good practice, membership is reviewed annually.

During the year we focussed on the composition of the Board and membership of its committees, succession planning, talent and diversity and commenced a recruitment process for an additional Director.

Purpose and Aim

The terms of reference of the Nomination Committee, which are reviewed annually, are set out on the Company's website: <https://www.hipgnosisongs.com/governance/>. Our principal responsibility is to ensure that, collectively and at any given time, the members of the Board possess the necessary balance of knowledge, skills and experience to support and develop the strategy of the Company. In seeking to achieve this, we recommend new Board appointments as and when considered appropriate and ensure that adequate succession planning procedures are in place and kept under review. In accordance with our Terms of Reference, I, as the Chair of the Nomination Committee, report our conclusions to the Board and it is the Board as a whole which is responsible for making new appointments upon our recommendation. We review the composition of the Board and its Committees and evaluate if the Board has the appropriate balance of skills, knowledge, experience and independence to ensure their continued effectiveness.

Membership and Meetings

During the year we met on one occasion, on 7 December 2022. Attendance is disclosed on page 82. We also provided a formal update on our work to the Board at each scheduled quarterly board meeting. A quorum is two members. Members of the committee are not involved in matters affecting their own position.

Mr Paul Burger (Chair of the Committee)

Ms Sylvia Coleman

Mr Simon Holden

Ms Vania Schlogel (resigned 30 April 2023)

Mr Andrew Sutch

Mr Andrew Wilkinson

Due to the current size of the Board it is deemed appropriate and efficient that each Director is a member of the committee. This ensures that individual directors are not working in silos and that each Director has knowledge of the deliberations of the committee.

During the year we:

- Reviewed the results of the annual internal board performance evaluation, which was conducted during December 2022, and discussed where improvements could be made. Further details of both the internal and external board evaluation are outlined on page 84.
- Reviewed our longer-term strategy for the succession of Board members. Further details of succession planning are outlined on page 84.
- Commenced our programme of succession planning and engaged Nurole to work with us on this.
- Recommended the appointment of Cindy Rampersaud to the Board with effect from 1 August 2023.

Board Composition

We give full consideration to succession planning for Directors of the Company in the course of our work, considering the challenges and opportunities facing the Company and determining what skills and expertise will thus be required on the Board in the future. In making recommendations for the annual re-election of the Chair and Non-executive Directors, we consider the skills, knowledge, experience, independence and also the time commitments of each Director to ensure that they have sufficient time to fulfil their responsibilities to the business.

New Directors receive an induction on joining the Board. During the year the Board arranged for presentations from the Investment Adviser, the Company's brokers and other advisers on matters relevant to the Company's business and assessed the training needs of Directors.

As part of corporate governance, we review our own performance annually and consider where improvements can be made. Our performance was reviewed as part of the annual internal board performance evaluation which was conducted during December 2022 as outlined on page 84.

Board Appointment Process

In general terms, when considering candidates for appointment as Directors of the Company, we draft a detailed job specification and candidate profile, and will give consideration to the existing experience, knowledge and background of Board members as well as the strategic and business objectives of the Company.

Once a detailed specification has been agreed with the Board, we would then work with an appropriate external search and selection agency to identify candidates of the appropriate calibre and with whom an initial candidate shortlist could be agreed. The consultants are required to work to a specification that includes the strong desirability of producing a full list of candidates who meet the essential criteria, whilst reflecting the benefits of diversity. The Board will only engage such consultants who are signed up to the voluntary code of conduct on gender diversity on corporate boards.

Shortlisted candidates would then be invited to interview with members of the committee and, if recommended by us, would be invited to meet the entire Board before any decision is taken relating to their appointment. Appointments are therefore made on personal merit and against objective criteria with the aim of bringing new skills and different perspectives to the Board whilst considering the existing balance of knowledge, experience and diversity. The Board also believes that diversity of experience and approach, including gender and racial diversity, amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments.

During the year we appointed independent consultants Nurole to assist with our succession plan. Nurole was appointed based on its track record and also worked with the Remuneration Committee during the year to review Board remuneration. Nurole commenced the search for an additional director and were requested to identify candidates with accounting and audit expertise. There was a requirement for a qualified accountant, and we were open minded with regards to sector, as investment trust and music industry experience was already well represented on the Board. We were also committed to improving our gender and ethnic minority representation and as such diversity was a consideration in the decision-making process.

We interviewed shortlisted candidates and confirmed that the proposed candidates were independent and had relevant experience. The process resulted in the appointment of Cindy Rampersaud to the Board with effect from 1 August 2023. Cindy brings a wealth of experience across a broad range of sectors including education, entertainment, media and charitable institutions.

Diversity

The Board acknowledges the importance of diversity in its broadest sense in the boardroom as a driver of board effectiveness. This encompasses diversity of perspective, experience, background, directorship style and personality traits. The Board will keep under review and evaluate its balance and composition to ensure that both it and its committees have the appropriate mix of skills, experience, independence and knowledge to ensure their continued effectiveness. In doing so, the Board considers diversity, including age, gender, ethnicity, educational and professional backgrounds, cognitive and personal strengths amongst other relevant factors.

The Board supports the progress being made to improve the governance of listed companies by increasing both gender and racial diversity amongst the Directors who serve these businesses. As at the previous year-end, 31 March 2022, the Board was compliant with the Hampton-Alexander and Parker Review recommendations with 33.33% female representation and one member from a minority ethnic background.

We have continued to monitor and assess the Board's composition and diversity but, as reported in our report last year, believe that due to the size of the Board,

compliance with the revised targets announced by the FCA effective 1 April 2022 present a challenge to us due to the current tenure, knowledge and experience of our relatively small Board. Further consideration will be given to these guidelines during the course of implementing future succession plans which include reducing the size of the Board to five members.

As at 31 March 2023 our Board composition does not comply with the revised gender targets which require at least 40% of the Board to be women and at least one of the senior board positions to be filled by a woman, however we continued to meet the ethnic diversity target of at least one member of the board being from a minority ethnic background.

Reporting table on gender representation

at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair and Senior Independent Director)
Men	4	66.67%	2
Women	2	33.33%	-
Other categories	-	-	-
Not specified/prefer not to say	-	-	-

Reporting table on ethnicity representation

at 31 March 2023

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chair and Senior Independent Director)
White British or other White (including minority-white groups)	5	83.33%	2
Mixed/Multiple Ethnic Groups	1	16.67%	-
Asian/Asian British	-	-	-
Black/African/Caribbean/Black British	-	-	-
Other ethnic group, including Arab	-	-	-
Not specified/prefer not to say	-	-	-

The Company's approach to collecting the data used for the purposes of the above disclosures was to use data from the Directors together with permission to use it for this purpose.

Improving our gender and ethnic minority representation will continue to be a very important consideration in our succession planning.

Our objective of driving the benefits of a diverse Board is underpinned by our Board Diversity Policy which can be viewed on the Company's website: <https://www.hipgnosissongs.com/company-policies/>. The Board keeps the Diversity Policy under review to ensure that it remains an effective driver of diversity having due regard to gender, ethnicity, social background, skillset and breadth of experience.

2024 Objectives

It is our intention to continue to oversee the composition and structure of the Board, ensuring that the Company is at all times structured to successfully deliver its strategy and to compete effectively in the marketplaces within which it operates.

Our proposed activities for the year ahead are to:

- review the Terms of Reference of the committee to ensure they reflect best practice under the Code;
- review the membership and composition of committees of the Board; and
- continue to review longer term strategy for the succession of Board members which includes reducing the size of the Board to five Directors and improving gender and ethnic minority representation.

On behalf of the Nomination Committee,

Paul Burger

Chair of the Nomination Committee

12 July 2023

Audit, Risk and Internal Control

Internal Control and Financial Reporting

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal controls and reviewing their effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss.

The Board has delegated the day-to-day operations of the Group to the Investment Adviser, the Administrator and Portfolio Administrators; however, it remains accountable for all functions it delegates.

The Board clearly defines the duties and responsibilities of the Company's agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisers and will continue to do so through the Management Engagement Committee.

During the year responsibility for the maintenance of the Group's accounting books and records, and associated internal controls and financial reporting, transferred from the Administrator to the Investment Adviser. Subsequently a third party firm was engaged to independently review controls associated with this transition (specifically in relation to accounts payable and receivables) and recommendations from this review are being addressed by the Investment Adviser. This is incorporated within the Board monitoring of the Investment Adviser. The Investment Adviser formally reports to the Board at quarterly Board meetings and also engages with the Board on an ad-hoc basis as required to provide updates on developments, including relevant updates regarding their policies and procedures.

The Administrator maintains a system of internal control and reports to the Board regarding the policies and procedures in place with regards to the administration services it provides to the Company and also formally reports to the Board through a quarterly compliance report. The Administrator undertakes an ISAE 3402: Assurance Report on Controls at a Service Organisation audit which is provided to the Board when finalised. No weaknesses or failing within the Administrator have been identified.

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss. These processes have been in place for the year under review and up to the date of approval of this Annual Report and Consolidated Financial Statements. They are reviewed by the Board and are in accordance with the FRC's internal control publication: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Adviser and the Administrator, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards Shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Report of the Audit and Risk Management Committee



Andrew Wilkinson, Chair of the Committee

"The committee performs a vital role with regards to financial reporting, monitoring and reviewing internal controls and assessing the principal risks facing the Company."

Dear Shareholder,

I am pleased to present the Audit and Risk Management Committee report for the year ended 31 March 2023, which has been approved by both the Audit and Risk Management Committee and the Board.

We have continued to support the Board by ensuring the integrity of the Company's financial reporting, providing independent scrutiny and challenging the judgments made by the Investment Adviser. We have focussed on valuations of catalogues, individual catalogue and portfolio performance, economic outlook, key performance indicators, environmental and social reporting and ongoing monitoring of the Company's risk matrix.

These topics will remain key areas for the year ahead and we will continue to support the Board.

Purpose and Aim

Our terms of reference, which are reviewed annually, are set out on the Company's website (<https://www.hipgnosissongs.com/governance/>) and include all matters indicated by Disclosure and Transparency Rule 7.1, the AIC Code and the UK Code. The Company complies with the provisions of the Competition and Markets Authority's (CMA) Order 2014.

Our primary functions are:

- reviewing and monitoring the integrity of the Financial Statements of the Group and any formal announcements relating to the Group's financial

performance, reviewing significant financial reporting judgments contained in them;

- reporting to the Board on the appropriateness of the Group's accounting policies and practices including critical judgment areas;
- reviewing the valuations of the Group's investments as prepared and presented in report format by the Portfolio Independent Valuer, and making a recommendation to the Board on value of the Group's investments;
- meeting regularly with the external auditor to review their proposed audit plan and the subsequent audit report and assessing the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor and approving their remuneration and the terms of their engagement;
- monitoring and reviewing annually the auditor's independence, objectivity, expertise, resources, qualification and non-audit work;
- considering annually whether there is a need for the Group to have its own internal audit function;
- monitoring the internal financial control and risk management systems on which the Group is reliant;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on audit committees; and
- reviewing the risks facing the Group and monitoring the risk matrix.

We formally report our findings to the Board, identifying any matters on which we consider that action or improvement is needed, and make recommendations on the steps to be taken.

Membership and Meetings

Composition of the Audit and Risk Management Committee:

Mr Andrew Wilkinson (Chair of the Committee)
Mr Paul Burger
Ms Sylvia Coleman
Mr Simon Holden
Ms Vania Schlogel (resigned 30 April 2023)
Mr Andrew Sutch

Due to the current size of the Board it is deemed appropriate and efficient that each Director is a member of the committee. This ensures that individual directors are not working in silos and that each Director has knowledge of the deliberations of the committee.

The Chair of the Board is currently a member of the Audit and Risk Management Committee and was independent on appointment. The varied backgrounds of the committee's members and their collective skills, experience and knowledge of the Company allow them to fulfil the committee's remit. As a chartered accountant with a long professional history in the music industry, I have the necessary recent and relevant experience to chair the Audit and Risk Management Committee. The other members have significant business experience, both within the music industry and in the asset management industry. Detailed information on the experience, qualifications and skillsets of all committee members can be found on pages 85-87. Our performance is evaluated as part of the overall evaluation of the Board and the Board Committees as further disclosed on page 84.

I am available on request to meet investors in relation to the Company's financial reporting and internal controls.

Meeting Schedule

We have an annual work plan, developed from our terms of reference, with standing items that we consider at each meeting, in addition to any specific matters arising and topical items on which we have chosen to focus.

During the year we met formally on five occasions, and attendance at those meetings is shown on page 82 of the Corporate Governance Report. Third parties, including the Portfolio Independent Valuer, have attended meetings as and when deemed appropriate. In addition to the formally convened meetings during the year, I have had regular contact and meetings with the Investment Adviser, the Administrator and the external auditor. We also provide a formal update on our work to the Board at each scheduled quarterly board meeting.

During the year we:

- reviewed our terms of reference for approval by the Board;
- conducted a detailed review of the Interim Report and recommended it for approval by the Board;
- reviewed the Group's updated risk matrix and associated controls;
- reviewed the Company's working capital model prepared by the Investment Adviser focusing on impact of fluctuations in foreign exchange and rising interest rates;
- reviewed the performance of catalogues tracked to the Investment Adviser's initial business case for each acquisition by income type, catalogue and as a portfolio overall with the Investment Adviser;
- reviewed and assessed the assumptions used and resulting valuation of the portfolio prepared by the Portfolio Independent Valuer, which encompassed direct discussions with the Portfolio Independent Valuer, the Investment Adviser and the external auditor;
- reviewed the Company's corporate governance framework, including environmental and social reporting;
- reviewed and approved the audit plan in relation to the audit of the Group's Annual Report;
- reviewed and approved the fee for the external audit as well as non-audit services and associated fees;
- assessed the independence of the external auditor;
- assessed the effectiveness of the external audit process as described below; and
- reviewed the Group's system of internal controls and risk management.

Financial Reporting

Our primary role in relation to financial reporting is to review with the Administrator, the Investment Adviser and the external auditor the appropriateness of Interim Reports and Annual Reports, concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial, environmental, social and governance reporting requirements;
- material areas in which significant judgments have been applied or there has been discussion with external consultants;
- the ongoing assessment of the Company as a going concern;

- the principal risks and period of assessment for the longer term viability of the Company;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy; and
- any correspondence from regulators in relation to the Group's financial reporting.

To aid our review, we consider reports from the Investment Adviser and the external auditor.

Areas of significance considered by us during the year:

Valuations of catalogues

We discussed the impact of macroeconomic factors including rising interest rates and high inflation on the discount rate applied and the valuation of the portfolio with the Portfolio Independent Valuer and other industry experts. The Board engaged the Portfolio Independent Valuer, Citrin Cooperman, to value the Catalogues as at 31 March 2023. Each income type from each catalogue was analysed and forecasts prepared in order to derive the fair value of the catalogues by adopting a discounted cash flow valuation methodology using a discount rate of 8.5%. Income was analysed and forecast at the level of each individual catalogue and by income type.

The Portfolio Independent Valuer has also taken into consideration macro factors including the growth of streaming revenue, the global growth of the recorded music industry and the impact of the ongoing Covid-19 recovery in their analysis. The Board received a report from Citrin Cooperman and held two meetings with them to discuss the fundamental changes emerging over the year influencing the value of catalogues, the discount rate methodology and further factors impacting the movements in valuations before approving the valuation. Further detail is disclosed within Note 6 on pages 139-140.

At the time of the Interim Report the Board also took into consideration a report by Kroll Advisory Limited, who considered and advised on the reasonableness of certain assumptions used by Citrin Cooperman in their valuation of the Group's Catalogues. Following year end, a further analysis was undertaken by Kroll as disclosed in the Chair's Statement on pages 11-15.

Internal Control and Risk Management

The Board has overall responsibility for risk management. The risk management process is designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives and can only provide reasonable, not absolute assurance against material misstatement or loss.

On behalf of the Board, we reviewed the effectiveness of the Group's risk management processes and the way in which significant business risks are managed. Our work is driven primarily by the Company's assessment of its principal risks and uncertainties as set out in the Strategic Report on pages 62-66. We have established a set of ongoing processes designed to meet the particular needs of the Company in managing the risks to which it is exposed. The process is one whereby the Investment Adviser identifies the principal risks to which the Company is exposed and discusses them with me prior to recording them on a risk matrix together with the controls employed to mitigate these risks. We have ongoing discussions with the Investment Adviser and have a process in place to identify emerging risks and to determine whether any actions are required and apply a residual risk rating to each risk. We, as a committee, are responsible for reviewing the risk matrix and associated controls before recommending to the Board for consideration and approval, and we challenge the Investment Adviser's assumptions to ensure a robust internal risk management process.

During the year, we discussed and reviewed the internal controls frameworks in place at the Investment Adviser, the Administrator, and Hipgnosis Songs Group. Following the transition of responsibility for the maintenance of the Group's accounting books and records and financial reporting from the Administrator to the Investment Adviser we received a presentation and report from Deloitte in relation to their review of the procedures, processes and internal controls the Investment Adviser has in place for the Group's financial reporting. Furthermore the Administrator holds the International Standard on Assurance Engagements (ISAE) 3402 Type 2 certification. This entails an independent rigorous examination and testing of their controls and processes. The Audit and Risk Management Committee concluded that these frameworks were appropriate for the identification, assessment, management and monitoring of financial, regulatory and other risks, with particular regard to the protection of the interests of the Company's Shareholders.

FRC

During the year, the Company's Interim Report for the six months ending 30 September 2022 was reviewed by the FRC as part of its routine monitoring of corporate reporting. On 13 February 2023, the FRC's Corporate Reporting Review team requested further information in relation to the Company's accounting for accrued income, Alternative Performance Measures, Impairment of Catalogues of Songs and accrued dividends.

With assistance from the Investment Adviser we collaboratively engaged with the FRC, and their enquiries reached a satisfactory conclusion. The FRC suggested some disclosure enhancements within the Interim Report for the six months ending 30 September 2022 which have been included in this Annual Report. The Directors are pleased to have agreed to adopt these changes in line with their own objective of continuous improvement.

The committee reviewed the disclosures and amendments proposed by management and concluded that they are appropriate.

When reviewing the Interim Report for the six months ending 30 September 2022, the FRC has made clear the limitations of its review as follows:

- The review was based on the interim report and accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into and therefore provides no assurance that the Interim Report is correct in all material respects.
- It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework.

Primary Areas of Judgment and Estimation

The Board, alongside the Investment Adviser, is involved in various estimates and judgments, as noted below:

- Forecasting income for each Catalogue that is acquired in order to appraise investment opportunities. These judgments are based on detailed reports and management accounts prepared by the Investment Adviser showing historical earnings as well as industry projections, published by verified third parties. For the income that is driven by 'active management', judgments are made based on a Song-by-Song assessment by the Investment Adviser;
- Accruals, as estimates, are booked in the financial period based on historical analysis from royalty statements and a conservative calculation. These calculations are reviewed by the Board with the Investment Adviser and the external auditors;
- The estimated amortisation booked per annum is based on 20 years which is the Company's judgment of the useful life of its assets; and
- Indicators of impairment are considered on a timely basis and a judgment would be made as to whether a Catalogue should be impaired in line with the methodology considered appropriate by the Investment Adviser and the Board.

Fair, Balanced and Understandable

At the request of the Board, we have considered whether in our opinion, the 31 March 2023 Annual Report and Financial Statements are fair, balanced and understandable and whether they provide the information necessary for Shareholders to address the Group's position and performance, business and strategy.

We were provided with a full draft of the report and reviewed it for consistency and conducted sample checks and balances and provided feedback highlighting the elements that would benefit from further clarity. The draft report was amended ahead of providing final approval to ensure that the report reflected the key strategic messages without diluting the overall transparency in the disclosures. Following our review, we are of the opinion that the 2023 Annual Report and Financial Statements are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for the Shareholders to assess the position, performance, business model and strategy.

Audit

Internal Audit

We have reviewed the need for an internal audit function and have decided that the systems, processes and procedures employed by the Company, Investment Adviser and Administrator, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control is maintained. We have therefore concluded that an internal audit function specific to the Company is unnecessary.

External Audit

The Audit and Risk Management Committee is the formal forum through which the external auditor reports to the Board. The external auditor is invited to attend our meetings as we deem appropriate. The external auditor also has the opportunity to meet with us without representatives of the Investment Adviser or the Administrator being present at least once per year.

The external audit contract is required to be put to tender at least every 10 years. We shall give advance notice of any retendering plans within the Annual Report. We have considered the re-appointment of the External Auditor and decided not to put the provision of the external audit out to tender at this time.

PricewaterhouseCoopers CI LLP were appointed on 14 January 2019 as the Company's external auditor with Mr Roland Mills as the lead audit partner who can serve as such until the conclusion of the year ended 31 March 2023 in accordance with normal audit partner rotation arrangements at which point a new audit partner will be introduced to the Company in due course. The Companies Law requires the reappointment of the external auditor to be subject to Shareholders' approval at the AGM.

Prior to the commencement of their audit, PricewaterhouseCoopers CI LLP presented their audit plan to the committee, and we requested further clarification on the work they would perform in relation to revenue recognition and accruals, valuation of the portfolio and disclosures in light of the Company's forthcoming Continuation Vote.

Effectiveness of the External Auditors

We evaluated the performance of PricewaterhouseCoopers CI LLP during the year and also reviewed the effectiveness of the external audit process.

The following factors were considered:

- the quality of the interactions between the audit team and the committee, the Investment Adviser and the Administrator;
- key audit risks identified and how the external auditor addressed these risks;
- the external auditor's progress achieved against the agreed audit plan and communication of any changes to the plan, including changes in perceived audit risks;
- the competence with which the external auditor handled the key accounting and audit judgments and communication of the same with management and the committee;
- the external auditor's compliance with relevant regulatory, ethical and professional guidance on the rotation of partners;
- the content of the external auditor's management letter and audit findings report;
- the external auditor's qualifications, expertise and resources and their own assessment of their internal quality procedures; and
- the stability and continuity that would be provided by continuing to use PricewaterhouseCoopers CI LLP.

Details of fees paid to PricewaterhouseCoopers CI LLP during the year are disclosed in Note 21. We approved these fees after a review of the level and nature of work to be performed and are satisfied that they are appropriate for the scope of the work required.

The FRC's Audit Quality Review team (AQR) carried out a review of the audit of PricewaterhouseCoopers CI LLP's financial reporting for the financial year ended 31 March 2022. The Chairman of the committee received a full copy of the findings and met with PricewaterhouseCoopers CI LLP to discuss the matters raised in the review and reported back to the committee on this discussion. PricewaterhouseCoopers CI LLP have acknowledged and addressed the matters raised in the review, and we are satisfied they have been appropriately addressed in the audit for this year end.

We are satisfied with PricewaterhouseCoopers CI LLP's effectiveness and independence as external auditor having considered the degree of diligence

and professional scepticism demonstrated by them. As such, we have not considered it necessary this year to conduct a tender process for the appointment of our external auditor. Having carried out the review described above and having satisfied ourselves that the external auditor remains independent and effective, we have recommended to the Board that PricewaterhouseCoopers CI LLP be reappointed as external auditor for the year ending 31 March 2024.

A resolution to reappoint PricewaterhouseCoopers CI LLP as independent external auditor to the Company will be proposed at the forthcoming AGM.

Independence of External Auditor

We review the objectivity of the external auditor and the terms under which the external auditor may be appointed to perform non-audit services and the level of non-audit fees. In order to safeguard external auditor independence and objectivity, we ensure that no other advisory and/or consulting services are provided by the external auditor. Any non-audit services conducted by the external auditor require our consent before being initiated.

The external auditor may not undertake any work for the Company in respect of preparation of the financial statements, preparation of valuations used in financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

To fulfil our responsibility regarding the independence of the external auditor, we considered:

- the audit personnel in the audit plan for the current period;
- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

Non-audit Services

We seek to ensure that any non-audit services provided by the external auditor do not conflict with their statutory and regulatory responsibilities, as well as their independence, before giving written approval prior to their engagement.

We regularly monitor non-audit services being provided by PricewaterhouseCoopers CI LLP to ensure there is no impairment to their independence or objectivity. The only non-audit services provided by PricewaterhouseCoopers CI LLP related to an interim review of the Company's Interim report for the period ended 30 September 2022.

Nature of service	Fee
Interim Review	£44,000/\$52,600
Threat(s) to independence	Safeguard(s) in place
There may exist a self-interest threat where the fees from non-audit services are in excess of the statutory audit fee or otherwise considered material to PricewaterhouseCoopers CI LLP.	The total non-audit fees for the year are significantly less than the total audit fee for the year ended 31 March 2023, and the total fees paid to the Group for both audit and non-audit services is immaterial to total PricewaterhouseCoopers CI LLP firm revenue.
A self review threat may exist where the audit team places reliance on work performed by the interim review team.	

All approved non-audit services are discussed and sanctioned at meetings of the Audit and Risk Management Committee.

Group audit fees were \$753,431 (£609,350), including fees payable in respect of the separate statutory audits of subsidiaries. The ratio of audit to non-audit work is 14.3:1. Details of Auditor's Remuneration are set out in Note 21.

Notwithstanding such services, we consider PricewaterhouseCoopers CI LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit. We were satisfied that PricewaterhouseCoopers CI LLP had adequate safeguards in place and that provision of these non-audit services did not provide threats to the Auditor's independence.

I approve all non-audit services in advance, and this year they were limited to the review of the Company's Interim report for the period ended 30 September 2022. The interim review procedures are generally considered in the normal course of business, with it being common practice on having the external auditor to undertake this service. This service is permitted under FRC's 2019 Revised Ethical Standards and included within the whitelist. We considered the level of audit fees to non-audit fees to be appropriate and in line with the acceptable threshold applicable to the Company as a Guernsey domiciled company.

2024 Objectives

It is our intention to continue to oversee the Company's governance framework, providing valuable independent challenge and oversight.

Our proposed activities for the year ahead, in line with our core functions, include but are not limited to:

- reviewing and monitoring the integrity of the Company's financial reporting, including considering the appropriateness of environmental and social reporting;
- providing independent scrutiny and challenging the judgments made by the Investment Adviser;
- reviewing the valuations of the Group's catalogues as prepared and presented in report format by the Portfolio Independent Valuer, and making a recommendation to the Board on value of the Group's catalogues;
- reviewing and monitoring individual catalogue and portfolio performance;
- reviewing the risks facing the Group and monitoring the risk matrix;
- monitoring the internal financial control and risk management systems on which the Group is reliant;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on audit committees; and
- meeting regularly with the external auditor to review their proposed audit plan and the subsequent audit report and assessing the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work.

I will be available at the AGM to answer any questions about the work of the Audit and Risk Management Committee.

On behalf of the Audit and Risk Management Committee,

Andrew Wilkinson

Chair of the Audit and Risk Management Committee

12 July 2023

Report of the Management Engagement Committee



Andrew Sutch, Chair of the Committee

"The Committee continues to monitor and review the performance of the Investment Adviser and the Company's other third-party service providers ensuring that their terms are competitive, fair and reasonable for Shareholders."

Dear Shareholder,

I am pleased to present to you the Management Engagement Committee Report for the year ended 31 March 2023, which has been approved by both the Management Engagement Committee and the Board.

During the year, we reviewed the performance of and contractual arrangements with the Investment Adviser and the Company's other third-party service providers. Overall, we agreed that the services currently provided by the Company's key service providers continue to be delivered in line with their respective terms of engagement.

Our work for the year ahead will be focussed on the ongoing review of the performance of the Investment Adviser and the Company's other third-party service providers.

Purpose and Aim

Our terms of reference, which are reviewed annually, are set out on the Company's website: <https://www.hipgnosisongs.com/governance/>.

We provide a formal mechanism for the review of the performance of the Investment Adviser and the Company's other advisers and service providers. We carry out this review through consideration of a number of objective and subjective criteria such as the accuracy, quality and timeliness of advice, information and services provided, and through a review of the terms and conditions of the advisers' appointments with the aim of evaluating performance, identifying

any weaknesses and ensuring that their terms are competitive, fair and reasonable for Shareholders.

Membership and Meetings

As at 31 March 2023, the Committee comprised the Chair and the five independent Non-executive Directors of the Company.

Mr Andrew Sutch (Chair of the Committee)

Mr Paul Burger

Ms Sylvia Coleman

Mr Simon Holden

Ms Vania Schlogel (resigned 30 April 2023)

Mr Andrew Wilkinson

We meet at least once a year pursuant to our terms of reference. During the year we met on one occasion, on 28 March 2023. Attendance is disclosed on page 82. A quorum is two members.

Investment Adviser

The Board is responsible for the determination of the Company's Investment Objective and Policy and has overall responsibility for its activities. The Company entered into an Investment Advisory Agreement dated 27 June 2018 with the Investment Adviser pursuant to which the Investment Adviser will source Songs and provide recommendations to the Board on acquisition and disposal strategies to maximise the earnings potential of the Songs in the portfolio through improved placement and coverage of Songs.

The Company is responsible for paying an advisory fee to the Investment Adviser in return for their services, and, subject to the fulfilment of certain conditions, an additional performance fee.

The committee considered the performance of the Investment Adviser throughout the year both in respect of their implementation of the Company's strategy, operational performance and active portfolio management, and engaged with the Investment Adviser to discuss key performance indicators and provide direction regarding information and specific reports required to ensure the Board is well informed and kept up to date.

In accordance with Listing Rule 15.6.2(2)R and having formally appraised the performance and resources of the Investment Adviser, in the opinion of the Directors the continuing appointment of the Investment

Adviser on the terms agreed is in the interests of the Shareholders as a whole.

The Company has become aware that it, Merck Mercuriadis and Hipgnosis Song Management are named as defendants in a claim form issued in the High Court. The details have not been particularised, nor has the claim been served. It is assumed that the claim refers to matters before the incorporation of the Company in June 2018, as the claimant is a company which was put into liquidation in February 2018. The Company has taken independent legal advice and will continue to monitor the situation.

Third-Party Service Provider Review

The Company works closely with and has delegated the provision of services to a number of service providers (the Administrator, Company Secretary, brokers and other professional advisers) whose interests are aligned to the success of the Company. The quality and timeliness of their service provision is critical to the success of the Company. We review all material contracts for service quality and value and on an annual basis conduct a detailed review of the performance of key third-party service providers pursuant to their terms of engagement, with the exception of the external auditor as their performance review is conducted by the Audit and Risk Management Committee and is discussed on pages 92-98.

We conducted a service provider evaluation in March 2023, based on a questionnaire which also gave service providers an opportunity to provide feedback to the Company. The evaluation results were used to review the Company's policies and procedures to ensure open lines of communication, operational efficiency and appropriate pricing for services provided.

Each service provider completed the questionnaires outlining how they had fulfilled their responsibilities and detailed their relationship with the Board, the Investment Adviser and other service providers. We reviewed and discussed their responses and communicated our conclusions to the Investment Adviser and requested the Investment Adviser to advise the service providers of areas of the service we believed worked well and of areas we believe could be improved or enhanced.

Overall, we agreed that the services currently provided by the Company's key service providers continued to be delivered in line with their respective terms of engagement and concluded that the services were of a satisfactory level, providing assurance to the Board.

2024 Objectives

It is our intention to continue to oversee the terms and conditions of the advisers' appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Shareholders.

Our proposed activities for the year ahead are to:

- review the terms of the Investment Advisory Agreement between the Company and the Investment Adviser, and to ensure that the terms are competitive, fair and reasonable for the Shareholders;
- review the performance of the Investment Adviser including the on-going suitability of the Investment Adviser to manage the assets of the Company, on at least an annual basis;
- review the performance of, and the terms of the Company's arrangements with, other third-party service providers (other than the external auditors), and to ensure that the terms are competitive, fair and reasonable for Shareholders.

On behalf of the Management Engagement Committee,

Andrew Sutch

Chair of the Management Engagement Committee

12 July 2023

Report of the Portfolio Committee



Paul Burger, Chair of the Committee

"The committee is focussed on evaluating investment pipeline opportunities and making the final decision as to the acquisition or disposal of any Catalogue of Songs."

Dear Shareholder,

I am pleased to present to you the Report of the Portfolio Committee for the year ended 31 March 2023 which has been approved by both the Portfolio Committee and the Board.

The committee has focussed on investing in Catalogues of the highest calibre and the Company is now fully invested in a high-quality Portfolio of culturally important songs with a proven track record of success. Due to the macro-economic environment, the Company has not been in a position to raise further capital for reinvesting this year and there were no acquisitions or disposals. The focus has been on considering the potential of the investment pipeline and monitoring and evaluating the performance of the current Portfolio.

The Investment Adviser has continued to make the committee aware of the investment pipeline and the committee has had the opportunity to consider and review investment proposals on a co-investment basis with the Investment Adviser's additional client Hipgnosis Songs Capital. It is worth noting that the committee reviewed a number of such co-investment opportunities, namely Nile Rodgers, Erika Ender, Tobias Jesso Jr., TMS and Justin Bieber, but that these were ultimately not progressed due to the lack of investible funds.

Our work for the year ahead will be focussed on the ongoing review of recommendations from the Investment Adviser on the acquisition of Songs, the investment pipeline and evaluating investment performance reports.

Purpose and Aim

Our terms of reference, which are reviewed annually, are set out on the Company's website: <https://www.hipgnosissongs.com/governance/>.

We provide a formal mechanism for the following functions:

- making the final decision as to the acquisition of Catalogues of Songs based on a comprehensive investment paper, financial model, and legal due diligence report as presented by the Investment Adviser along with an Independent Valuation Report;
- determining, in collaboration with the Company's legal, tax or corporate finance advisers, the most appropriate means for acquiring the Catalogues of Songs in the event that such Catalogues of Songs are not directly transferable, but are available in an intermediated form (such as a special purpose company, or similar) including determining any adjustments to the price if necessary or appropriate;
- making enquiries, at any stage, of the Investment Adviser with regards to the pipeline opportunities identified by the Investment Adviser from time to time;
- making the final decision as to the disposal of any Catalogue of Songs; and
- determining, in collaboration with its legal, tax or corporate finance advisers, the most appropriate means for disposal of the Catalogues of Songs in the event that such Catalogues of Songs are not directly transferable but are held in an intermediated form (such as a special purpose company, or similar).

Membership and Meetings

As at 31 March 2023, given the current size of the Board the composition of the committee is all Directors.

Mr Paul Burger (Chair of the Committee)
Ms Sylvia Coleman
Mr Simon Holden
Ms Vania Schlogel (resigned 30 April 2023)
Mr Andrew Sutch
Mr Andrew Wilkinson

We meet on an ad hoc basis when requested on reasonable prior notice from the Investment Adviser. The quorum for any meeting of the Portfolio Committee shall be at least two Directors. All Board members shall

use reasonable endeavours to attend each meeting of the Portfolio Committee.

Meeting Schedule

As there were no acquisitions or disposals to consider during the year, the committee did not formally meet, though the committee was made aware of the investment pipeline and had the opportunity to consider and review investment proposals on a co-Investment basis with the Investment Adviser's additional client Hipgnosis Songs Capital. A formal update on the performance of the Company's portfolio was presented to the Board at each scheduled quarterly Board meeting.

2024 Objectives

Our proposed activities for the year ahead are to:

- review the Terms of Reference of the committee to ensure they reflect best practice under the AIC Code;
- review the recommendations from the Investment Adviser on the acquisitions and disposals of Catalogues of Songs;
- review the quarterly investment performance reports as prepared by the Investment Adviser, including the pipeline report.

On behalf of the Portfolio Committee,

Paul Burger

Chair of the Portfolio Committee

12 July 2023

Report of the Environmental, Social and Governance Oversight Committee



Sylvia Coleman, Chair of the Committee

"The Committee was established to define our Environmental, Social and Governance ("ESG") strategy and ensure compliance with our ESG obligations."

Dear Shareholder,

I am pleased to present to you the Environmental, Social and Governance Oversight Committee Report for the year ended 31 March 2023, which has been approved by both the committee and the Board.

During the year, we approved the committee's Terms of Reference and Code of Conduct as well as defining our working relationship with the Investment Adviser, having also reviewed their Supplier Code of Conduct and Responsible Investment Policy.

Our work for the year ahead will be focussed on developing an ESG element to the third-party service provider review, reviewing and validating the Investment Adviser's ESG policies and considerations, ensuring acknowledgement of and adherence (insofar as the Board is able) to the Investment Adviser's Supplier Code of Conduct, thereby allowing the Company oversight of all suppliers, both direct and indirect, from an ESG capacity.

Purpose and Aim

Our terms of reference, which are reviewed annually, are set out on the Company's website: <https://www.hipgnosisongs.com/governance/>.

We provide a formal mechanism for the oversight of the Investment Adviser in terms of their Environmental, Social and Governance responsibilities. We monitor the policies in place in terms of the Supplier Code of Conduct and the Responsible Investment Policy and

carry out this function through regular meetings with and updates from the Investment Adviser including consideration on a quarterly basis of a compliance certificate confirming the guidelines and principles being adhered to as well as the responsibilities beholden in consequence thereof.

Membership and Meetings

As at 31 March 2023, the Committee comprised the Chair and the five independent Non-executive Directors of the Company.

Ms Sylvia Coleman (Chair of the Committee)
Mr Paul Burger
Mr Simon Holden
Ms Vania Schlogel (resigned 30 April 2023)
Mr Andrew Sutch
Mr Andrew Wilkinson

We meet at least once a year pursuant to our terms of reference. During the year we met on one occasion, on 7 December 2022. Attendance is disclosed on page 82. A quorum is two members.

2024 Objectives

It is our intention to continue to work with the Investment Adviser in defining and delivering their ESG policies and processes and how they integrate with the corporate strategy.

Our proposed activities for the year ahead are to:

- review the Investment Adviser's Supplier Code of Conduct and adherence to by the suppliers thereto.
- review the Investment Adviser's Responsible Investment Policy.
- review the Committee's Terms of Reference.

On behalf of the Environmental, Social and Governance Oversight Committee,

Sylvia Coleman

Chair of the Environmental, Social and Governance Oversight Committee

12 July 2023

Directors' Remuneration Report



Simon Holden, Chair of the Committee

"The Committee oversees the remuneration of the independent Board of Directors. Board remuneration must align the intellectual capital and time commitments required of Directors in fulfilling their fiduciary responsibilities, overseeing key operational projects, and ensuring the Company achieves strategic milestones and continues generating underlying operational performance for Shareholders and stakeholders alike."

Dear Shareholder,

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 March 2023, which has been approved by both the Remuneration Committee and the Board.

During the year we reviewed our Terms of Reference to re-confirm it reflects best practice under the AIC Code including periodic, independent review of Director Remuneration.

The Company is a self-managed Alternative Investment Fund ("AIF") for the purposes of AIFMD regulations. The Investment Adviser's business is the management of song rights and associated intellectual property rights, activities which mean it is not an FCA regulated firm. For both reasons, the Board have enhanced responsibilities for both portfolio and risk management in addition to those of being a premium listed main market constituent member of the FTSE 250 Index since March 2020.

During 2023, the Committee completed its triennial review of Director remuneration with the assistance of independent consultants Nurole. Having given consideration to the time, skill and effort required of Directors in fulfilling their duties to the Company, which is discussed in further detail below, as well as the fact that remuneration has not increased in nominal terms over the last three years despite high inflation, the Committee has recommended that

Directors' remuneration should increase by 10%, a recommendation supported by Nurole.

As disclosed on page 83 in recognition of the reduced time available to Ms Vania Schlogel to devote to the Company, Ms Schlogel has waived her Director's remuneration for the period post year-end from 1 April 2023 to her effective resignation date of 30 April 2023.

Purpose and Aim

Our terms of reference, which are reviewed annually, are set out on the Company's website: <https://www.hipgnosissongs.com/governance/>. We are responsible for recommending and monitoring the level and structure of remuneration for all the Directors, taking into account the time commitments and responsibilities of Directors and any other factors which we deem necessary, including the recommendations of the AIC Code.

We are also responsible for the review of any workforce remuneration and related policies and the alignment of incentives and rewards with culture and consider these when setting the policy for executive director remuneration. At the moment this involves oversight of the arrangements for the employees of HSG, managed by Hipgnosis Song Management Limited. As at the year ended 31 March 2023 although the Company has employees within HSG, none of the employees are classified as Senior Executives as they do not report directly to the Board of Hipgnosis Songs Fund Limited. At the time of the acquisition of HSG, the Board clarified certain elements of both the Investment Advisory Agreement and the Financial Position and Prospects Procedures in order to delegate full responsibility for the operations of HSG to the Investment Adviser. Accordingly, the Investment Adviser is responsible for HSG's operations, including its executive remuneration, budgeting and performance management.

Membership and Meetings

As at 31 March 2023, the Committee comprised:

Mr Simon Holden (Chair of the Committee)
Mr Paul Burger
Ms Sylvia Coleman
Ms Vania Schlogel (resigned 30 April 2023)
Mr Andrew Sutch
Mr Andrew Wilkinson

Due to the current size of the Board it is deemed appropriate and efficient that each Director is

a member of the committee, this ensures that individual directors are not working in silos and that each Director has knowledge of the deliberations of the committee.

We meet at least once a year pursuant to our terms of reference. During the year we met on one occasion, on 7 December 2022. Attendance is disclosed on page 82. A quorum is two members. Members of the Committee are not involved in matters affecting their individual position.

Increase in Directors' Remuneration

Each Director receives a fixed fee per annum based on their roles and responsibility within the Company and the effective time commitment required. For the last three years, since 1 April 2020 the Chair has been entitled to annual remuneration of £85,000, the chairs of the Audit and Risk Management Committee and the Portfolio Committee have been entitled to annual remuneration of £81,500, and the other Directors have been entitled to annual remuneration of £75,000.

In preparation of the triennial remuneration review, the Committee Chair asked Directors to track the hours they spent between Q4 2022 and Q1 2023 on detailed work, discharging what are often day-to-day responsibilities for the oversight and management of the Company and its many related projects. Taken as an average, Directors are giving 50 days full-time equivalent per annum to their role, the vast majority of which are strategic workstreams, monthly internal performance reporting and advisory discussions. None of these constitute formal Board Meetings that are otherwise captured in the Directors' individual attendance record.

Directors' remuneration was last calibrated in 2020, three years ago. Since then:

- the Company's board remuneration has remained fixed in nominal terms
- Generally, compound inflation in the period February 2020 to February 2023 has been 23.9%¹
- Specifically, a respected survey amongst Guernsey investment companies with assets under management of >£1bn shows board remuneration over the same period has increased by a compound 16.1%, or 5.1% p.a.²
- Had Directors' fees simply tracked pre-Pandemic RPI inflation of 2.4%, they would be 7.5% higher in nominal terms as of March 2023.

Triangulating between these two data points, the Committee concluded that a 10% increase in Directors' remuneration was appropriate (effective from 1 April 2023), such conclusion having been supported by independent scrutiny provided by Nurole. The Committee is mindful of the priority to evidence Board remuneration as a source of Shareholder value and therefore draws Shareholders' attention to the fact that after this uplift, your Board's fees are now:

- 13% lower in real terms over the three-year period
- 6% lower against the index of equivalent board remuneration levels over the same period; and
- Continuing to reflect a sustained and justifiable level of time commitment that remains at the very upper end of what is expected of directors in the closed end alternative fund sector.

Therefore, from 1 April 2023, the Chair has been entitled to annual remuneration of £93,500, the chairs of the Audit and Risk Management Committee and the Portfolio Committee have been entitled to annual remuneration of £89,650, and the other Directors have been entitled to annual remuneration of £82,500.

The schedule of the Directors' attendance in the year under review as disclosed on page 82 evidences the breadth and depth of investment, strategy and other project work we have supported or led during the year. In addition to the formally convened meetings during the year, despite a lower deal flow, we have continued to have a high and sustained workload and have dealt with a number of matters that required fresh thinking and consideration in assisting the Investment Adviser in the management of the Company. In particular we were heavily involved in the refinancing of the Company's debt facility, attended regular and frequent meetings with the Investment Adviser to discuss operational performance and active portfolio management, increased engagement and consultation with the Company's professional advisers and Shareholders, and considered appropriate actions to take with a view to reducing the Company's share price discount to NAV, whilst addressing a fast-developing macro-economic environment.

1. Office of National Statistics RPI time series MM23 (www.gov.uk)

2. Source: Trust Associates "Investment Company Non-Executive Directors' Fees Review" 2020, 2021, 2022

All Directors are non-executive. The Directors' remuneration, excluding disbursements, for the year ended 31 March 2023 amounted to £473,000/\$576,355, with no outstanding fees due to the Directors at 31 March 2023 (31 March 2022: £458,360/\$613,720 with outstanding fees of £18,750/\$24,745 due at 31 March 2022). There were no supplementary fees paid to Directors in the year ended 31 March 2023. Directors are reimbursed for out-of-pocket expenses incurred in fulfilling their roles, including costs of travel and accommodation (as required).

In accordance with the AIC Code, we consider the level of the Directors' fees at least annually.

During the year ended 31 March 2023 the Directors' remuneration was as shown in the table below.

The Company's investment proposition of acquiring, integrating and overseeing the active management of a diverse portfolio of song copyrights necessarily requires a more operational mandate of its Board than typical investment trusts. Albeit that all Directors are non-executive, distinguishing responsibilities of our Board include oversight and consideration of:

- the status of both contractual and registration rights that require resolving as part of the ongoing optimisation of current and past acquisitions;
- the Investment Adviser's function in the tracking and collection of royalty and licence obligations from a complex supply chain of global revenue sources;

- the disclosure and measurement of performance relative to the Investment Adviser's initial business case for each acquisition (by income type, catalogue and at a portfolio level);
- the business case for value enhancement from internalising certain functions (such as copyright administration via HSG and digital administration via Sacem)
- ensuring that assets are securely under the Company's custody within reasonable timeframes post-acquisition; and
- an efficient capitalisation and credit strategy for the Company to enhance and safeguard returns on investment for Shareholders.

The remuneration of employees in the Company's subsidiary, HSG, which undertakes administration and Song management activities in the United States, is delegated to the Investment Adviser under the terms of the Investment Advisory Agreement.

Remuneration Policy

The Company's remuneration policy, as published on the Company's website (<https://www.hipgnosisongs.com/governance/> alongside the terms of reference for the Remuneration Committee), is put to a vote by Shareholders every three years and was ratified by Ordinary Resolution at the Annual General Meeting of the Company on 21 September 2022.

	Fixed Element FY2023 £	31 March 2023 Total £	31 March 2023 Total \$	Fixed Element FY2022 £	31 March 2022 Total £	31 March 2022 Total \$
Andrew Sutch	85,000	85,000	103,573	85,000	85,000	113,811
Paul Burger	81,500	81,500	99,309	81,500	81,500	109,124
Andrew Wilkinson	81,500	81,500	99,309	81,500	81,500	109,124
Simon Holden	75,000	75,000	91,388	75,000	75,000	100,421
Sylvia Coleman	75,000	75,000	91,388	75,000	75,000	100,421
Vania Schlogel	75,000	75,000	91,388	60,360	60,360	80,819

2024 Objectives

It is our intention to continue to oversee the remuneration arrangements in a manner which is aligned with the delivery of key operational goals and continued positive strategic outcome for our Shareholders and stakeholders.

Our proposed activities for the year ahead are:

- review the Terms of Reference of the Committee to ensure they reflect best practice under the Code;
- revert to an annual, more gradual, cycle of reviewing factors that influence Director remuneration; this is more typical across the closed-ended funds sector and would also be fairer to the Board who have historically only recalibrated their fees after performing their roles in steering the Company towards its current steady-state scale and operational performance;
- engage with Shareholders on any future review of the remuneration policy.

On behalf of the Remuneration Committee,

Simon Holden

Chair of the Remuneration Committee

12 July 2023

Report of the Directors

The Directors hereby present the Annual Report and Audited Consolidated Financial Statements for the Group, Hipgnosis Songs Fund Limited and its subsidiaries, for the year ended 31 March 2023. This Report of the Directors should be read together with the Strategic Report on pages 2-71 and the Corporate Governance Report on pages 72-107, which are both incorporated into this Report of the Directors by reference.

General Information

The Company is a company limited by shares incorporated on 8 June 2018 under the Companies Law. The Company's registration number is 65158, and it has been registered with the GFSC as a registered collective investment scheme. The Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 11 July 2018, and migrated to a Premium Listing on the Main Market of the London Stock Exchange on 25 September 2019. The Company was promoted to the FTSE 250 Index on 20 March 2020. The Company converted to an investment trust company with effect from 1 April 2021 and is therefore treated as being resident in the UK for tax purposes and has ceased to be a Guernsey tax exempt vehicle under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, as amended.

The registered office address is Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

Principal Activities

The investment objective of the Group is to provide Shareholders with an attractive and growing level of income, together with the potential for capital growth, from investment in a portfolio of Songs and their associated musical intellectual property rights. The Group's principal activities are to invest in a diverse Portfolio of Song Catalogues, to collect income generated across a wide variety of sources from the ongoing exploitation of those copyrights, and to manage the development of those assets as intensively as possible to broaden awareness and stimulate consumption.

Provision of information elsewhere in this annual report

Business Review

A review of the Group's business and its likely future development is provided in the Strategic Report on pages 2-71.

Financial Risk Management Policies and Objectives

Financial risk management policies and objectives are disclosed in Note 17.

Section 172(1) Statement

The Section 172(1) statement is made on page 70.

Going Concern and Viability Statements

Going Concern and Viability Statements are made on pages 67-69.

Principal and Emerging Risks

Principal and emerging risks are discussed in the Strategic Report on pages 62-66.

Subsequent Events

Significant subsequent events have been disclosed in Note 24.

Alternative Performance Measures and/or Key Performance Indicators

The Directors believe that the performance indicators detailed in the Financial Highlights, on pages 8-9, and Financial Review on pages 34-41, will provide Shareholders with sufficient information to assess how effectively the Company is meeting its objectives. The Alternative Performance Measures are described on pages 163-170.

Listing Requirements

Since being admitted to the Official List of the UK Listing Authority, as maintained by the FCA, the Company has been required to comply with the applicable Listing Rules.

Results and Dividends

The results for the year are set out in the Consolidated Financial Statements on pages 122-162. Dividends are set out on Note 16.

During the year, and since the year end, the Directors declared the following dividends to Ordinary Shareholders:

Dividend	Quarter Ended	Date of Declaration	Payment Date	Amount per Ordinary Share (pence)
Interim dividend	30 Jun 2022	21 Sep 2022	28 Oct 2022	1.3125
Interim dividend	30 Sep 2022	8 Dec 2022	31 Jan 2023	1.3125
Interim dividend	31 Dec 2022	16 Mar 2023	28 Apr 2023	1.3125
Interim dividend	31 Mar 2023	23 Jun 2023	28 Jul 2023	1.3125

Share Capital

The Company has two classes of share capital:

(i) Ordinary Shares; and (ii) C Shares. C Shares constitute a temporary and separate class of shares which can be issued at a fixed price determined by the Company. These are subsequently converted into Ordinary Shares, at NAV, once the proceeds of each C Share issue have been invested or substantially invested in accordance with the Company's investment policies. There are no C-shares in issue at 31 March 2023.

Under the Company's Articles of Incorporation, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every Ordinary Share or C Share held.

Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the residual assets of the Company.

Shareholdings of the Directors

The Directors with beneficial interests in the Ordinary Shares of the Company as at 31 March 2023 are detailed below:

Director	Ordinary Shares held 31 March 2023	% holding at 31 March 2023	Ordinary Shares held 31 March 2022	% holding at 31 March 2022
Paul Burger	66,000	0.005	66,000	0.005
Sylvia Coleman	61,201	0.005	38,701	0.003
Simon Holden	100,796	0.008	100,796	0.008
Andrew Sutch	63,953	0.005	60,668	0.005
Vania Schlogel*	10,000	0.001	10,000	0.001
Andrew Wilkinson	97,258	0.008	72,973	0.006

* Resigned 30 April 2023

In addition, the Company also provides the same information as at 12 July 2023, being the most current information available:

Director	Ordinary Shares held 12 July 2023	% holding at 12 July 2023
Paul Burger	66,000	0.005
Sylvia Coleman	61,201	0.005
Simon Holden	100,796	0.008
Andrew Sutch	64,925	0.005
Andrew Wilkinson	97,258	0.008

Directors' Authority to Buy Back Shares

The Directors will consider repurchasing Ordinary Shares in the market if they believe it to be in the Shareholders' interests as a whole and as a means of correcting any imbalance between supply and demand for the Ordinary Shares.

The timing, price and volume of any buy back of Ordinary Shares will be at the absolute discretion of the Directors and is subject to the Company having sufficient working capital for its requirements and surplus cash resources available. Ordinary Shares acquired pursuant to this authority are subject to compliance with the solvency test and any other relevant provisions of the Companies Law. Annually the Company passes a resolution granting the Directors general authority to purchase in the market up to 14.99% of the number of Ordinary Shares in issue. During the year the Directors exercised the authority granted at the Annual General Meeting of the Company held on 21 September 2022 to repurchase a total of 2 million shares with an aggregate value of £1.7million. The Directors intend to seek renewal of this authority from the Shareholders at the AGM.

In the event that the Board decides to repurchase Ordinary Shares, purchases will only be made through the market for cash at prices not exceeding the last reported Operative NAV per Share and such purchases will only be made in accordance with: (a) the Listing Rules, which currently provide that the maximum price to be paid per Ordinary Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the relevant Ordinary Shares for the five business days before the purchase is made; or (ii) the higher of: (1) the price of the last independent trade; and (2) the highest current independent bid for an Ordinary Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by that resolution will be carried out; and

(b) the Companies Law, which provides among other things that any such purchase is subject to the Company passing the solvency test contained in the Companies Law at the relevant time.

The Directors will not buy back any Shares from any class of C Shares in issue prior to Conversion. Therefore, the Company will not assist any class of C Shares in limiting discount volatility or provide an additional source of liquidity.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liability in relation to their activities on behalf of the Group.

Substantial Shareholdings

As at 31 March 2023, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules of the following substantial voting rights as Shareholders of the Company.

Shareholder	Shareholding	% holding
Investec Wealth & Investment	116,792,830	9.66%
Newton Investment Management	108,489,848	8.97%
Aviva Investors	81,790,812	6.76%
Cazenove Capital Management	78,357,597	6.48%
RBC Brewin Dolphin	73,144,523	6.05%
CCLA Investment Management	58,688,592	4.85%
BlackRock	39,868,886	3.30%
Brooks Macdonald	38,120,744	3.15%

In addition, the Company also provides the same information as at 30 June 2023, being the most current information available.

Shareholder	Shareholding	% holding
Investec Wealth & Investment	116,565,828	9.64%
Newton Investment Management	105,329,783	8.71%
Aviva Investors	81,790,812	6.76%
Cazenove Capital Management	76,276,653	6.31%
Brewin Dolphin	72,136,781	5.97%
CCLA Investment Management	59,079,304	4.89%
BlackRock	38,920,378	3.22%

The Directors confirm that there are no securities in issue that carry special rights with regard to the control of the Company.

Independent External Auditor

PricewaterhouseCoopers CI LLP has been the Company's external auditor since the Company's incorporation. The Audit and Risk Management Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Company, which includes monitoring the use of the external auditor for non-audit services and the balance of audit and non-audit fees paid, as included in Note 21. Following a review of the independence and effectiveness of the external auditor, a resolution will be proposed at the AGM to re-appoint PricewaterhouseCoopers CI LLP. Each Director believes that there is no relevant information of which the external auditor is unaware. Each had taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that PricewaterhouseCoopers CI LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies Law. Further information on the work of the external auditor is set out in the Report of the Audit and Risk Management Committee on page 92.

Articles of Incorporation

The Company's Articles of Incorporation may only be amended by special resolution of the Shareholders.

AEOI Rules

Under AEOI Rules the Company continues to comply with both FATCA and CRS requirements to the extent relevant to the Company.

Annual General Meeting

The Company's Annual General Meeting will be held before the end of September. Notice of the Annual General Meeting, containing full details of the business to be conducted at the meeting, will be published to Shareholders in due course.

Members of the Board and the Investment Adviser will be in attendance at the AGM and will be available to answer Shareholder questions.

By order of the Board,

Andrew Sutch
Chair

12 July 2023

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and Consolidated Financial Statements in accordance with applicable law and regulations.

The Companies Law requires the Directors to prepare the Annual Report and Consolidated Financial Statements for each financial year. Under the Companies Law, the Directors must not approve the Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Consolidated Financial Statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- prepare the Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Annual Report and Consolidated Financial Statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Consolidated Financial Statements comply with the Companies Law. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The Directors are responsible for ensuring that the Annual Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's performance, business model and strategy.

The Directors are also responsible under the AIC Code to promote the success of the Group for the benefit of its members as a whole and in doing so have regard for the needs of wider society and other stakeholders.

As part of the preparation of the Annual Report and Consolidated Financial Statements the Directors have received reports and information from the Company's Investment Adviser and Administrator. The Directors have considered, reviewed and commented upon the Annual Report and Financial Statements throughout the drafting process in order to satisfy themselves in respect of the content.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website: www.hipgnosisongs.com

Legislation in Guernsey governing the preparation and dissemination of the Consolidated Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report under the Disclosure and Transparency Rules

Each of the Directors confirms to the best of their knowledge that:

- the Consolidated Financial Statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries, together with a description of the principal risks and uncertainties faced; and
- the Annual Report and Consolidated Financial Statements include information required by the FCA ensuring that the Company complies with the provisions of the Listing Rules, Disclosure Guidelines and Transparency Rules of the FCA. With regard to corporate governance, the Company is required to disclose how it has applied the principles and complied with the provisions of the AIC Code applicable to the Company with which it has agreed to comply. In addition, there is no information that is required to be disclosed under Listing Rule 9.8.4.

By order of the Board

Andrew Sutch

Chair

12 July 2023

Hipgnosis Songs Fund Limited

Independent Auditor's Report to the Members of Hipgnosis Songs Fund Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Hipgnosis Songs Fund Limited (the "company") and its subsidiaries (together "the group") as at 31 March 2023, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

What we have audited

The group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2023;
- the consolidated statement of profit and loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of the group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

We draw attention to note 2(b) to the financial statements,

which indicates that a continuation vote is due to be held by the end of September 2023. Should shareholders vote against continuation of the company or continuation of the company in its current form this would impact the longer term viability of the group. As stated in note 2(b) these events or conditions along with other matters set forth in note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach Overview

Audit scope

- The company is incorporated in Guernsey and has underlying subsidiaries incorporated in the United Kingdom ("UK") and the United States of America ("USA"). The consolidated financial statements are a consolidation of the company and all of the underlying subsidiaries.
- We conducted our audit of the consolidated financial statements based on information provided by Hipgnosis Song Management Limited (the "Investment Adviser"), to whom the board of directors has delegated the provision of certain functions.
- We conducted our audit work in Guernsey and we tailored the scope of our audit taking into account the types of investments within the group, and the industry in which the group operates.
- The components of the group in Guernsey, UK and USA, to which we applied full audit scoping and audit procedures, accounted for 100% of the net assets and total comprehensive income.

Key audit matters

- Material uncertainty related to going concern
- Risk of fraud in revenue recognition and accuracy of revenue accruals
- Carrying value and fair value disclosure of intangible assets

Materiality

- Overall group materiality: \$17.5 million (2022: \$17.8 million) based on 1% of the group's Adjusted Net Asset Value
- Performance materiality: \$13.1 million (2022: \$13.4 million)
- The group's Adjusted Net Asset Value is calculated using the Net Asset Value determined in accordance with International Financial Reporting Standards ("IFRS"), adjusted by adding back the cumulative amortisation of intangible assets and any cumulative impairment of intangible assets

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditor's professional judgement, were of most significance in the

audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty related to going concern, we have determined the matters described below to be the key audit matters to be communicated in our report.

This is not a complete list of all risks identified by our audit.

Key audit matter

Risk of fraud in revenue recognition and accuracy of revenue accruals

Please refer to Notes 4 and 13 to the consolidated financial statements.

The group earns revenue from the rights it owns over its catalogues of songs. Such revenue takes the form of royalties, licence fees and/or other receipts such as mechanical royalties, performance royalties, and synchronisation fees, as examples.

Revenue is collected by the portfolio administrators/royalty collection agents, reported on a periodic basis and paid based on predetermined revenue payment dates thereafter.

In addition, because of the time lag between the contractual reporting and revenue payment dates with the various portfolio administrators/royalty collection agents, the directors make an estimate of the revenue accrued to the group at the period end. These accruals include an estimate of revenue not yet reported to the group by the portfolio administrators/royalty collection agents and, where appropriate, an estimate of unreported usage related to the expected consumption of the group's songs that have yet to be presented in statements received from the portfolio administrators/royalty collection agents.

How our audit addressed the key audit matter

We met with the directors and Investment Adviser and understood and evaluated the group's relevant processes, internal controls and revenue recognition policies relating to the various music royalty, license fees and other revenue earned from the catalogues of songs owned by the group.

We also assessed the group's revenue recognition accounting policies for compliance with IFRS, and in particular IFRS 15 – Revenue from Contracts with Customers.

Our audit procedures over revenue recognition, in so far as they addressed the specific risk of fraud in revenue recognition included:

- We confirmed any changes to key contracts with portfolio administrators/royalty collection agents or of existing catalogues of songs and understood the impact to revenue recognised by the group;
- We reconciled the revenue listing to the general ledger. We also selected a sample of catalogues from the revenue listing and tested these to portfolio administration statements/royalty collection agent statements and investigated any differences;
- We performed a year on year analytical review over total revenue by catalogue and discussed with management any unusual movements, taking into consideration changes in catalogue performance and other factors impacting revenue during the year; and
- We identified and evaluated all unusual combinations of revenue journals that occurred during the year, as well as material period 13 revenue journals for reasonableness based upon underlying supporting evidence.

For the year ended 31 March 2023, the group has also reflected an accrual at the year-end relating to the final US Copyright Royalty Board ("CRB") III ruling announced on 1 July 2022. This accrual includes both a portion related to the current financial year's expected revenue increase at the higher rate enacted by the ruling, and an accrual for an expected retroactive payment related to historic periods back to the implementation date, that has not been previously recognised by the group because of the outcome of the CRB III ruling.

The directors seek the input of the Investment Adviser in making these revenue estimates and accruals, which involve significant estimates and judgements (see Note 4). The period end accruals are based on the catalogues of songs' historic performance, adjusted for the Investment Adviser's and directors' assessment of the expected performance of the various catalogues of songs and by taking into account the latest available music consumption information, the lag inherent in the industry and the understanding of the limitations of the usage data presented to the group by the portfolio administrators/royalty collection agents. These judgements and estimates could pose an increased risk of fraud in revenue recognition.

Revenue is also one of the key performance indicators of the group and significant changes in contractual arrangements with the portfolio administrators/royalty collection agents, changes in royalty and license rates and catalogue of songs' performance can have a significant impact on the recognition of revenue by the group and the estimates and judgements applied by the directors. As a result, there is a heightened risk of material misstatement as a result of fraud or error and therefore the risk of fraud in revenue recognition and the accuracy of revenue accruals are considered to be a key audit matter for audit purposes.

We also performed the following procedures with respect to the period end revenue accruals:

- We evaluated the methodology applied by the Investment Adviser in developing the year end revenue accruals recommended to the directors;
- We evaluated the underlying information used by the Investment Adviser in the revenue accrual calculations by comparing this to the revenue information audited;
- We evaluated and challenged the reasonableness of the revenue accrual assumptions made by the directors and Investment Adviser;
- We reconciled a sample of the most recent royalty statements received by the group post year end to the corresponding revenue accrual, and obtained supporting evidence to challenge and understand any differences noted from the sample selected;
- We tested a sample of data used as the basis of the unreported song usage calculation to source documentation and for the sample selected, we also re-performed the calculation of the unreported usage gaps related to the expected consumption of the group's songs but not yet reported by the portfolio administrators / royalty collection agents;
- We tested the inputs used within the CRB III accrual by agreeing the data to supporting documentation and challenged any assumptions made by management; and
- We performed back testing by comparing the prior year revenue accruals to subsequently received royalty statements in order to assess the reliability of the prior year revenue accrual estimates and judgements.

Based on our work performed, we did not identify any material matters to report to those charged with governance.

Carrying value and fair value disclosure of intangible assets

Please refer to Notes 4 and 6 to the consolidated financial statements.

The group's portfolio of catalogues of songs are classified as intangible assets under IAS 38 – Intangible Assets ("IAS 38"). The catalogues of songs are held at cost and amortised over their useful life less any impairment. The catalogues of songs are subject to an impairment assessment at the earlier of the end of each accounting period and when an indicator of impairment is identified.

The directors determine the useful life of the catalogues at acquisition using what they consider to be industry practice (see Note 4).

Whilst other factors are considered, the directors and the Investment Adviser have determined that one of the most relevant indicators of impairment for a catalogue of songs would be where the fair value as determined by the Portfolio Independent Valuer is lower than the carrying value of that catalogue of songs (as determined in accordance with IFRS) for a sustained period of at least two years. Such catalogues of songs are subjected to the group's impairment assessment procedures.

The directors disclose the fair value of the catalogues of songs (see Note 6) and also present an 'Operative Net Asset Value', which takes into account the catalogues of songs at this fair value rather than at the IFRS carrying value. The directors have, in consultation with the Investment Adviser, engaged the Portfolio Independent Valuer to assess the fair value of each catalogue of songs. The fair value of each catalogue of songs is determined using a discounted cash flow model and incorporates assumptions that are subject to significant judgement by the Portfolio Independent Valuer, Investment Adviser and directors. These estimates and assumptions include forecast catalogue royalty receipts, music industry growth rates by revenue type (e.g. mechanical, performance, digital downloads, streaming, synchronisation etc.) and the determination of an appropriate discount rate. The fair value of the catalogues of songs as disclosed in Note 6 reflects the fair value as calculated by the Portfolio Independent Valuer, recommended by the Investment Adviser and adopted by the board of directors.

We met with the Investment Adviser and updated our understanding of the relevant processes and controls related to the assessment and calculation of the carrying value of the catalogues of songs. We also sought to update our understanding of and evaluate the group's impairment process related to catalogues of songs where an indicator of impairment had been identified, which included also meeting with the Portfolio Independent Valuer to update our understanding and evaluation of the valuation process applied by them in calculating the fair value of the catalogues of songs.

As part of our audit procedures:

- We discussed the selection of the useful life applied to the catalogues of songs with the Investment Adviser and directors and considered the ongoing appropriateness in light of other publicly available information that reflects industry practice and performance of the catalogues; and
- For all catalogues of songs, we recalculated the carrying value in accordance with the useful life determined by the directors.

With regard to the fair value of the catalogues of songs disclosed in Note 6 to the consolidated financial statements, used in determining the Operative Net Asset Value of the group by the directors, and used as an initial indicator of impairment, we performed the following procedures:

- We contacted the Portfolio Independent Valuer directly and obtained their valuation model for each catalogue of songs. We also held discussions with the Portfolio Independent Valuer, assessed their competence, capabilities and objectivity;
- We obtained an understanding of the assumptions applied by the Portfolio Independent Valuer in projecting growth rates used to determine future revenue across a sample of catalogues of songs and of the discount rate applied to the projected revenue/cash flow streams and challenged the reasonableness of these by using available industry data;
- On a sample basis, we agreed the baseline revenue used by the Portfolio Independent Valuer in their model to the revenue recognised by the group and assessed and challenged the rationale for any adjustments made thereto;

As part of the impairment assessment process, the directors calculate a value in use for each of the catalogues of songs which have shown indicators of impairment as described above. The original projected cash flows used during the fair value calculation by the Independent Portfolio Valuer are applied but the directors use an amended discount rate to reflect the group's ability to actively manage the catalogues of songs (whereas the fair value determined by the Independent Portfolio Valuer reflects cash flows on a passive holding basis).

As the catalogues of songs are significant to the net asset value of the group and given the level of estimation applied in the consideration of impairment and in determining the fair value and value in use of each catalogue, there is a heightened risk of misstatement. As a result, the carrying value of the catalogues of songs carried at cost less accumulated amortisation and any accumulated impairment losses and the fair value of the catalogues of songs as disclosed in the notes to the consolidated financial statements (and used in the determination of the Operative NAV and used as an initial basis as an indicator of impairment) are considered to be key audit matters.

- Through engagement with our auditor's expert, we independently recalculated and validated the components of the discount rate applied by the Portfolio Independent Valuer to external sources, and where necessary, challenged the methodology adopted. Through the involvement of the auditor's expert, we also evaluated and challenged the appropriateness of the overall valuation methodology and the reasonableness of the terminal growth rates to external sources;
- In addition to the work undertaken by our auditor's expert, we also assessed and challenged the growth rates applied by the Portfolio Independent Valuer to independently obtained music industry market growth data on a sample basis;
- We recalculated the arithmetic accuracy of the valuation of all the catalogues of songs; and
- We reperformed the sensitivity analysis of the discount rate and the terminal growth rate as disclosed in note 6 to the consolidated financial statements.

With regard to the impairment assessment and the determination of the value in use that is used by management, we performed the following procedures:

- We obtained, discussed and challenged the directors and Investment Adviser on their impairment assessment undertaken;
- We obtained the schedule of catalogues of songs with indicators of impairment from management and assessed this list for completeness by independently comparing the carrying value of the catalogues of songs to their fair values, ensuring all of these had been included in the impairment assessment;
- We challenged management and the directors on the assumptions used to amend the discount rate used in determining the fair value when applying this to and calculating the value in use which is used in the impairment assessment;
- We evaluated the impact of, and challenged management on application of the 2 year minimum period applied (where the fair value is below the carrying value) before an impairment assessment is undertaken; and
- For all catalogues that were impaired, we checked the mathematical accuracy of the value in use and the impairment assessment calculations.

Based on our work performed, we did not identify any material matters to report to those charged with governance.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, the industry in which the group operates, and we considered the risk of climate change and the potential impact thereof on our audit approach.

The company is based in Guernsey and has subsidiaries in the UK and the USA. The consolidated financial statements are a consolidation of the company and all the subsidiaries.

Scoping was performed at the group level, irrespective of whether the underlying transactions took place within the company or within the subsidiaries. The group audit was led, directed and controlled by PricewaterhouseCoopers CI LLP and all audit work for material items within the consolidated financial statements was performed in Guernsey by PricewaterhouseCoopers CI LLP.

The transactions relating to the company and many of the subsidiaries are maintained by the Investment Adviser, or were made directly available to us by the management of the remaining subsidiaries, and therefore we were not required to engage with component auditors operating under our instruction. Our testing was therefore performed on a consolidated basis using thresholds which were determined with reference to the overall group materiality and the risks of material misstatement identified.

As noted in the overview, the components of the group for which we performed full scope audit procedures accounted for 100% of consolidated net assets and total consolidated comprehensive income.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole as follows:

Overall group materiality	\$17.5 million (2022: \$17.8 million)
How we determined it	1% of Adjusted Net Asset Value
Rationale for benchmark applied	We believe that Adjusted Net Asset Value represents the most appropriate benchmark given the nature and activities of the group, and that this is a key consideration for investors when assessing the financial performance. The group's Adjusted Net Asset Value is calculated as \$1.75 billion (2022: \$1.78 billion)

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to \$13.1 million (2022: \$13.4 million) for the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above \$875,000 (2022: \$890,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all the information included in the Annual Report (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or

otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the consolidated financial statements and the audit

Responsibilities of the directors for the consolidated financial statements

As explained more fully in the Directors Responsibilities' statement, the directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the consolidated financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Company Law exception reporting

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

The company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the Listing Rules of the FCA.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement and the strategic report is materially consistent with the consolidated financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the consolidated financial statements about whether they considered it

appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the consolidated financial statements;

- The directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the consolidated financial statements and our knowledge and understanding of the group and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the consolidated financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Management Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these consolidated financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Roland Mills

For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands

12 July 2023

Consolidated Statement of Profit and Loss

For the year ended 31 March 2023

	Notes	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Income			
Total revenue	13	177,312	200,384
Interest income		237	5
Royalty costs		(30,316)	(32,041)
Net revenue		147,233	168,348
Expenses			
Advisory and performance fees	19	(12,472)	(16,548)
Administration fees		(608)	(1,152)
Legal and professional fees		(3,794)	(5,999)
Audit fees	21	(753)	(600)
Brokers' fees		(554)	(274)
Directors' remuneration	18	(643)	(696)
Listing fees		(84)	(34)
Subscriptions and licences		(607)	(526)
Public relations fees		(780)	(702)
Catalogue bonus provision	10	(43,757)	(936)
Movement in ECL provision for HSG advances		(2,196)	(1,570)
Other operating expenses	14	(10,354)	(10,105)
Amortisation of Catalogues of Songs	6	(111,583)	(105,787)
Impairment of Catalogues of Songs	6	(3,901)	(1,490)
Amortisation of borrowing expenses		(1,618)	(1,635)
Borrowing cost extinguishment	9	(5,007)	-
Fixed asset depreciation		(653)	(712)
Loan interest	9	(33,700)	(20,377)
Fair value gain on held for trading derivative financial instruments	22	2,622	-
Finance charges for deferred consideration		-	(212)
Net loss from joint ventures		(264)	(836)
Foreign exchange losses	15	(3,157)	(14,857)
Operating expenses		(233,863)	(185,048)
Operating loss for the year before taxation		(86,630)	(16,700)
Taxation	5	(3,008)	(2,743)
Loss for the year after tax		(89,638)	(19,443)
Basic Earnings per Share (cents)	20	(7.41)	(1.65)
Diluted Earnings per Share (cents)	20	(7.41)	(1.65)

All activities derive from continuing operations.

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Loss for the year after tax		(89,638)	(19,443)
Other comprehensive income:			
Movement in foreign currency translation reserve		(6)	(1,816)
		(6)	(1,816)
Total comprehensive loss for the year		(89,644)	(21,259)

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	31 March 2023 \$'000	31 March 2022 \$'000
Assets			
Catalogues of Songs	6	1,921,248	2,036,732
Other assets		917	568
Goodwill	3	272	272
Non-current receivables	8	13,210	640
Non-current assets		1,935,647	2,038,212
Trade and other receivables	8	139,999	144,450
Held for trading derivative financial asset	22	4,914	-
Cash and cash equivalents	7	37,965	30,067
Current assets		182,878	174,517
Total assets		2,118,525	2,212,729
Liabilities			
Loans and borrowings	9	594,428	593,992
Catalogue bonus provision	10	33,080	925
Non-current liabilities		627,508	594,917
Held for trading derivative financial liability	22	3,395	-
Other payables and accrued expenses	10	53,088	35,413
Current liabilities		56,483	35,413
Total liabilities		683,991	630,330
Net assets		1,434,534	1,582,399
Equity			
Share capital	11	1,692,198	1,692,198
Foreign currency translation reserve		(2,241)	(2,235)
Treasury share reserve	11	(1,961)	-
Retained earnings		(253,462)	(107,564)
Total equity attributable to the owners of the Company		1,434,534	1,582,399
Number of Ordinary Shares in issue at year end (excluding Treasury Shares)		1,209,214,286	1,211,214,286
IFRS Net Asset Value per Ordinary Share (cents)	12	118.63	130.65
Operative Net Asset Value per Ordinary Share (cents)	12	191.53	184.91

Approved and authorised for issue by the Board of Directors on 12 July 2023 and signed on their behalf by:

Andrew Sutch Chair

Andrew Wilkinson Director

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Notes	Number of Ordinary Shares	Share capital \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	Treasury reserve \$'000	Retained earnings* \$'000	Total equity \$'000
As at 1 April 2022		1,211,214,286	1,692,198	-	(2,235)	-	(107,564)	1,582,399
Dividends paid	16	-	-	-	-	-	(56,260)	(56,260)
Repurchase of ordinary shares into treasury	11	(2,000,000)	-	-	-	(1,961)	-	(1,961)
Loss for the year		-	-	-	-	-	(89,638)	(89,638)
Foreign currency translation reserve movement		-	-	-	(6)	-	-	(6)
As at 31 March 2023		1,209,214,286	1,692,198	-	(2,241)	(1,961)	(253,462)	1,434,534

* Distributable Revenues (as defined in the Alternative Performance Measures on page 163) arising during the year were \$81.0 million which, taken together with the \$18.7 million of Distributable Revenue reserves carried forward from the previous financial year ended 31 March 2022, result in Distributable Revenue Reserves of \$43.4 million as at 31 March 2023.

For the year ended 31 March 2022

	Notes	Number of Ordinary Shares	Share capital \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	Treasury reserve \$'000	Retained earnings \$'000	Total equity \$'000
As at 1 April 2021		1,073,440,268	1,466,851	234	(419)	-	(3,821)	1,462,845
Shares issued	11	137,774,018	229,702	(234)	-	-	-	229,468
Share issue costs	11	-	(4,355)	-	-	-	-	(4,355)
Dividends paid	16	-	-	-	-	-	(84,300)	(84,300)
Loss for the year		-	-	-	-	-	(19,443)	(19,443)
Foreign currency translation reserve movement		-	-	-	(1,816)	-	-	(1,816)
As at 31 March 2022		1,211,214,286	1,692,198	-	(2,235)	-	(107,564)	1,582,399

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	31 March 2023 \$'000	31 March 2022 \$'000
Cash flows generated from operating activities			
Operating loss for the year before taxation		(86,630)	(16,700)
Adjustments for:			
Movement in trade and other receivables		(14,018)	(37,274)
Movement in other payables and accrued expenses		3,890	(1,545)
Lease liability interest		369	-
Loan interest	9	33,700	20,377
Movement in ECL provision for HSG advances		2,196	1,570
HSG restructuring provision		1,028	-
Catalogue bonus provision		43,719	-
Depreciation of fixed assets		653	712
Amortisation of Catalogues of Songs and borrowing costs		113,201	107,422
Impairment of Catalogue of Songs	6	3,901	1,490
Borrowing cost extinguishment	9	5,007	-
Fair value gain on held for trading derivative financial assets		(2,622)	-
Foreign exchange losses	15	3,157	14,857
Taxation paid		(5,422)	(6,040)
Net cash generated from operating activities		102,129	84,869
Cash flows used in investing activities			
Purchase of Catalogues of Songs		-	(300,455)
Purchase of other assets		(51)	(173)
Writer advances paid		(4,040)	(8,509)
Deferred consideration paid		(2,500)	-
Net cash used in investing activities		(6,591)	(309,137)
Cash flows generated from financing activities			
Proceeds from issue of shares		-	229,468
Repurchase of ordinary shares into treasury	11	(1,961)	-
Issue costs paid		-	(4,355)
Dividends paid	16	(56,260)	(84,300)
Lease interest paid		(592)	-
Interest paid		(23,433)	(20,775)
Borrowing costs	9	(960)	(1,274)
Bank loan repaid	9	(7,000)	(50,000)
Bank loan drawn down	9	1,771	72,708
Net cash (used)/generated from financing activities		(88,435)	141,472
Net movement in cash and cash equivalents		7,103	(82,796)
Cash and cash equivalents at the start of the year		30,067	112,635
Effect of foreign exchange rate changes on cash and cash equivalents		795	228
Cash and cash equivalents at the end of the year		37,965	30,067

The accompanying notes form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1. General information

Hipgnosis Songs Fund Limited was incorporated and registered in Guernsey on 8 June 2018 with registered number 65158 and is governed in accordance with the provisions of the Companies Law. The registered office address is Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

The Company is registered with the Guernsey Financial Services Commission under the Registered Collective Investment Scheme Rules 2015, and the Protection of Investors (Bailiwick of Guernsey) Law, 2020. The Company is not authorised or regulated by the Financial Conduct Authority.

The Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 11 July 2018 and migrated to a Premium Listing on the Main Market of the London Stock Exchange on 25 September 2019. The Company was added as a constituent of the FTSE 250 Index effective from after the market close on 20 March 2020.

The Company makes and manages its investments through its subsidiaries, which are registered in the UK and US as limited companies. The Consolidated Financial Statements present the results of the Group for the year ended 31 March 2023, rounded to the nearest US Dollar. The Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property.

There has been a presentational change in the comparative period in the Consolidated Statement of Profit and Loss, as set out in Note 23.

2. Accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied, unless otherwise stated.

New and amended standards and interpretations applied

On incorporation, the Company adopted all of the IFRS standards and interpretations that were in effect at that date and are applicable to the Group. No new standards during the year ended 31 March 2023 had a material impact on the Consolidated Financial Statements.

Amended standards and interpretations not applied

The following are amended standards and interpretations in issue effective from years beginning on or after 1 January 2023:

Amended standards and interpretations	Effective date
IFRS 17 Insurance Contracts	1 January 2023
IAS 1 Presentation of Financial Statements (Amendments regarding financial statements' on classification of liabilities and disclosure of accounting policies)	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
IAS 12 Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023

The Group has considered the IFRS standards and interpretations that have been issued but are not yet effective.

None of these standards or interpretations are likely to have a material effect on the Group, as it is the belief of the Board that the activities of the Group are unlikely to be affected by the changes to these standards, although any disclosures recommended by these standards, where applicable, will be provided as required.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

a) Group information

As at 31 March 2023, the details of the Company's subsidiaries are as follows:

Name of the subsidiary	Place of incorporation and operation	% of voting rights	% interest	Consolidation method	Functional Currency
Hipgnosis Holdings UK Limited	UK	100	100	Full	USD
Hipgnosis SFH I Limited	UK	100	100	Full	USD
Hipgnosis SFH XIII Limited	UK	100	100	Full	USD
Hipgnosis SFH XIX Limited	UK	100	100	Full	USD
Hipgnosis SFH XX Limited	UK	100	100	Full	GBP
RubyRuby (London) Limited ¹	UK	100	100	Full	GBP
Hipgnosis Songs Group LLC ²	US	100	100	Full	USD
Hipgnosis Acquisition Corp ²	US	100	100	Full	USD
Kennedy Publishing & Productions Limited ¹	UK	100	100	Full	GBP
Robot of the Century Music Publishing Company Inc	US	100	100	Full	USD
Deamon Limited ¹	UK	100	100	Full	GBP
PB Songs Ltd ¹	UK	100	100	Full	GBP

¹ These companies are subsidiaries of Hipgnosis SFH XX Limited and therefore an indirect subsidiary of Hipgnosis Songs Fund Limited.

² On 10 September 2020 the Company acquired the entire share capital of Big Deal Music Group (rebranded to Hipgnosis Songs Group) which includes BDM Acquisition Corp (rebranded to Hipgnosis Acquisition Corp) and Big Deal Music LLC (rebranded to Hipgnosis Songs Group LLC) both incorporated in the US. Big Deal Music LLC is part of a joint venture with Big Family LLC, a publishing company which was formed in June 2018 and is equity accounted for in the Consolidated Financial Statements.

All subsidiaries undertake the same activities as the Group. In addition, Hipgnosis Songs Group LLC undertakes publishing administration.

The majority of subsidiaries of the Company are considered tax resident in the UK and are subject to UK corporation tax. Robot of the Century Music Publishing Inc is registered in New York, Hipgnosis Songs Group LLC and Hipgnosis Acquisition Corp. are registered in Delaware and all are subject to applicable State and Federal Taxes.

b) Going concern

The Directors monitor the capital and liquidity requirements of the Company on a regular basis. They have also reviewed cash flow forecasts prepared by the Investment Adviser which are based in part on assumptions about the future purchase and returns from existing Catalogues of Songs and the annual operating cost.

Based on these sources of information and their judgement, the Directors believe it is appropriate to prepare the Consolidated Financial Statements of the Group on a going concern basis.

Although the Board is confident that the Company will have sufficient financial resources to meet their obligations due within 12 months of the reporting date, the outcome of the Continuation Vote which is due to be held before the end of September 2023 in accordance with Part I, Section 9 of the latest Company prospectus creates a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern or in its current form and, therefore, that it may be unable to realize its assets and discharge its liabilities in line with the current normal course of business.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

c) Basis of preparation

Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with IFRS and applicable company law. The Consolidated Financial Statements have been prepared on a historical cost basis as amended from time to time by the fair valuing of certain financial assets and liabilities where applicable.

Consolidation

In accordance with section 244 of the Companies Law, the Directors have elected to prepare only consolidated accounts for the financial year for the Group. Therefore, there is no requirement to present individual accounts for the Company within the Consolidated Financial Statements.

The Company is not considered to be an Investment Entity, as defined by IFRS 10. Whilst the Company evaluates the Portfolio on a fair value basis as demonstrated by the Operating NAV provided as an alternate performance measure, the Company also actively manages the Songs to add further value and has no defined exit strategy for any of its investments.

All companies in which the Company has a controlling interest, namely those in which it has the power to govern financial and operational policies in order to obtain benefits from their operations, are fully consolidated. Control as defined by IFRS 10 is based on the following three criteria to be fulfilled simultaneously to conclude that the parent company exercises control:

- a parent company has power over a subsidiary when the parent company has existing rights that give it the current ability to direct the relevant activities of the subsidiary, i.e. the activities that significantly affect the subsidiary's returns. Power may arise from existing or potential voting rights, or contractual arrangements. Voting rights must be substantial, i.e. they shall be exercisable at any time without limitation, particularly during decision making related to significant activities. The assessment of the exercise of power depends on the nature of the subsidiary's relevant activities, the internal decision-making process, and the allocation of rights among the subsidiary's other shareowners;
- the parent company is exposed, or has rights, to variable returns from its involvement with the subsidiary which may vary as a result of the subsidiary's performance. The concept of returns is broadly defined and includes, among other things, dividends and other economic benefit distributions, changes in the value of the investment in the subsidiary, economies of scale, and business synergies; and
- the parent company has the ability to use its power to affect the returns. Exercising power without having any impact on returns does not qualify as control.

Consolidated Financial Statements of a group are presented as if the Group were a single economic entity. The Group does not include any non-controlling interest.

Segmental reporting

The chief operating decision maker is the Board of Directors. All of the Company's income is global but received from sources within US, Europe and UK. While the Company's income is derived internationally, the Directors are of the opinion that the Group is engaged in a single segment of business, being the investment of the Company's capital in a Portfolio of Song copyrights, together with the potential for capital growth.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

d) Revenue recognition

Bank interest income

Interest income from cash deposits is recognised as it accrues by reference to the effective interest rate applicable.

Revenue from operations and associated costs

Revenues from operations are recorded when it is probable that future economic benefits will be obtained by the Group and when they can be reliably measured. The revenue earned by the Group is recognised in accordance with IFRS 15 and solely consists of royalty income, which is divided into these main revenue categories:

- i) Mechanical royalties – these are collected by PROs worldwide which represent Songwriters and other copyright owners. Mechanical royalties are also collected by royalty collection agents or the portfolio administrators with whom the Group contracts. This includes mechanical income, an element of streaming income and publishing admin income and digital downloads income;
- ii) Performance royalties – these are collected by various PROs worldwide which represent Songwriters and other copyright owners. This includes performance income, an element of streaming income and publishing admin income and writer share income;
- iii) Synchronisation fees – these are typically paid directly to the owner of the relevant copyright or its publisher, on the terms and in the amounts agreed with the relevant film or television production company, advertising agency or end customer. This includes synchronization income and an element of publishing admin income; and
- iv) Masters royalties – these are royalties collected on our masters rights. These are collected by record companies and collection agencies and paid to master rights owners based on their contractual rates. This revenue category includes masters income, neighbouring rights income and producer royalties.

These revenue categories are further disaggregated into individual revenue streams which are disclosed in detail in Note 13. The Group follows the same accounting policies in respect of all revenue streams, unless otherwise disclosed.

As royalty income is typically reported by the royalty collection agents/performance rights organisations on an arrears basis via statement and where statements have not been received at the year end, the Group accrues for revenue relating to processing delays (outstanding royalty statements/time lag in royalty reporting) and for the period between consumption and reporting. This is done by assessing historic and forecasted earnings over the equivalent reporting period based on evidenced historic revenue reporting, seasonality and industry consumption and growth rates since the last statement date.

Licence arrangements for all income types which include publishing income (mechanical, performance, downloads, Streaming, Synchronisation and writer share income), income derived from master recordings and producer royalties.

The Group enters into licence arrangements in respect of Catalogues of Songs with third-party collection agents. Licences granted to collection agents are deemed to constitute usage based, right of use licences as per IFRS 15.

Revenue arising from licences entered into with collection agents is therefore recognised in the period. Payment is received once the royalty statement is delivered, the royalty statement includes amounts covered by both the usage and processing accrual.

This revenue, which is net of the administration fee retained by the collection agent, is disaggregated to be reviewed by song usage period, source of income, work title, reporting period and any third-party royalty entitlements where necessary.

The contractual basis of the licence arrangements are such that the agents are deemed as 'principals' for tax purposes, therefore the Group recognises its revenue net of administration fees.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

Where available at the end of each month or at an earlier interval to which the revenue relates, revenue is recorded on the basis of royalty statements received from collection agents.

Where notification has not yet been received from collection agents, an estimate is made of the revenue due to the Group at the end of the month to which the usage of the music copyright relates. Estimates are made on the basis of the historical track record of music Catalogues, ad hoc data provided by collection agents, industry forecasts and expected seasonal variations.

Non-recourse fixed fee arrangements are recognised at the point at which control of the licence passes to the collection agents. Variable consideration is recognised in the period when the usage of the Catalogues of Songs occurs.

e) Royalty costs

Royalty costs are contractual royalties due to Songwriters, calculated on a quarterly or semi-annual basis, and these are deducted from gross revenue when calculating net revenue. Royalty costs are paid when the Songwriter is in a recouped position. These royalty costs are associated with Songwriters that are published or administered by Kobalt or HSG.

f) Expenses

Expenses are accounted for on an accruals basis. Expenses are charged through the Consolidated Statement of Profit and Loss.

g) Dividends to Shareholders

Dividends are accounted for in the year in which they are paid. The Company, being a Guernsey regulated entity, is able to pay dividends out of capital, subject to the assessment of solvency in accordance with the Companies Law and subject to a levered free cashflow test as required by the Revolving Credit Facility. Nonetheless, the Board of Directors carefully consider any dividend payments made to ensure the Company's capital is maintained in the longer term. Careful consideration is also given to ensuring sufficient cash is available to meet the Company's liabilities as they fall due.

h) Assets

Catalogues of Songs

Catalogues of Songs include music Catalogues, artists' contracts and music publishing rights and are recognised as intangible assets measured initially at the fair value of the consideration paid. Catalogues of Songs are subsequently amortised in expenses over the useful life of the asset and shown net of any impairment considered. This amortisation is shown in the Consolidated Statement of Profit and Loss as 'Amortisation of Catalogues of Songs'. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with what the Board of Directors and Investment Adviser deem to be industry standard.

Useful life of intangible assets

In order to calculate the amortised cost of the intangible assets it is necessary to assess the useful economic life of the copyright interests in Songs. This requires forecasts of the expected future revenue from the copyright interests, which contains uncertainties as the ongoing popularity of a song can fluctuate unexpectedly. An assessment of the useful life of Catalogues is considered initially at acquisition, which is 20 years, and assessed for continued applicability at each reporting period. A useful life of 20 years is what the Board of Directors and the Investment Adviser deem to be industry standard. Although an estimate, the Board do not believe that there is significant judgement applied and as a result no sensitivity has been performed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

Asset impairment

Intangible assets are subject to a bi-annual review to identify any indicators of impairment; this review can also be performed when events or the economic environment indicate a risk of impairment. When there are indicators of impairment, the recoverable amount of the asset is compared to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value as described hereafter, for each individual asset.

The Fair Value of the Catalogues as calculated by the Independent Portfolio Valuer is used to identify any indicators of impairment. The Independent Portfolio Valuer adopts a DCF valuation approach and applies a number of significant assumptions to the projected future earnings for all Catalogues including:

- Market factors impacting revenues;
- Discount rate, currently 8.5% (31 March 2022: 8.5%); and
- Terminal value at 16 years.

The fair value uses an IFRS 13 approach that a market participant might apply and does not factor in the impact of any future active management by the Investment Adviser or other planned activities to increase the revenue of those Catalogues. Any Catalogues which have a carrying value higher than their Fair Value are at risk of impairment.

As part of the bi-annual impairment review, the Company then considers whether there are mitigating factors relevant to the Catalogues which have a carrying value higher than their Fair Value to assess if there is a residual risk of impairment in the Catalogues. These factors include a requirement that the Catalogue's Fair Value has been lower than its carrying value for a period of at least 2 years and any future planned activities by the artist which are not factored into the fair value model but could reasonably be expected to increase the future earnings of the Catalogue.

After the above mitigating factors have been applied, a Value-In-Use is calculated for any Catalogues with a residual risk of impairment. The Value-In-Use is calculated by using the original projected cash flows used during the Fair Value calculation by the Independent Portfolio Valuer, with a 0.5% reduction to the discount rate. The reduction in the discount rate reflects the Company's ability to drive additional value through active management of a Catalogue and addresses the passive nature of the Company's cash flows. If the Value-In-Use calculation for the Catalogue is lower than the carrying value of the Catalogue, an impairment loss equal to the difference between the Value-In-Use calculated and the carrying value is recognised in the Consolidated Statement of Profit and Loss. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

The impairment review is performed at an individual Catalogue level with the exception of Kobalt. The Kobalt portfolio contains a number of Catalogues; the Company identifies a number of these Catalogues as 'key Catalogues'. The Company has performed a purchase price allocation within the Kobalt portfolio between the key Catalogues and the other Catalogues. The key Catalogues represent 91% of the carrying value of the Kobalt portfolio. The Portfolio Independent Valuer values both the key Catalogues and the remaining Catalogues within the Kobalt portfolio under the same methodology as the other Catalogues held by the Company. The impairment review for both the key Catalogues and the remaining Catalogues within the Kobalt portfolio follow the same process as the other Catalogues held by the Company.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are initially measured at fair value plus transaction costs directly attributable to the acquisition and subsequently measured at amortised cost using the effective interest method, less allowance for Expected Credit Loss (Note 4). Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

Held for trading derivative financial assets

Derivative financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at fair value through profit and loss (FVTPL). Net unrealised and realised gains and net unrealised and realised losses (including any interest expense if applicable) are recognised in the Consolidated Statement of Profit and Loss.

Derecognition of assets

The Group derecognises an asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of an asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the Consolidated Statement of Profit and Loss.

i) Catalogue bonus provision

Under the terms of the acquisition agreements for Catalogues, the Group recognises a financial liability for consideration that may be payable in line with the acquisition agreements that are dependent on the performance of the respective Catalogues. Such financial liabilities are initially recognised at fair value and subsequently carried at amortised cost. Management consider both the revenue forecasts used in the independent valuation and their expectation of revenue expected to be received within the specified performance time frame of acquiring the Catalogues when assessing the initial recognition of this financial liability. At 31 March 2023 a provision for the financial liability of \$45.0 million was recognised as a Catalogue bonus provision given the likelihood of economic outflow being triggered through respective Catalogue performance (31 March 2022: \$1.3 million).

j) Deferred consideration

In such cases where payment is deferred and capitalised under the terms of the acquisition agreements for Catalogues, a liability will be recognised at net present value with any associated finance charge to be accrued over the respective deferral period.

k) Financial liabilities and equity

Financial liabilities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the value of proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the Consolidated Statement of Profit and Loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Loans and borrowings

Loans and borrowings are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

2. Accounting policies (continued)

Held for trading derivative financial liabilities

Held for trading derivative financial liabilities are classified as measured at fair value through profit and loss (FVTPL). Financial liabilities at FVTPL are measured at fair value. Net unrealised and realised gains and net unrealised and realised losses (including any interest expense if applicable) are recognised in the Consolidated Statement of Profit and Loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Consolidated Statement of Profit and Loss.

l) Share-based payments

Investment Adviser's performance fee

The Group recognises the variable fee for the services received in a share-based payment transaction as the Group becomes liable to the variable fee on an accruals basis.

The fair value of the performance fee, as defined in the Investment Advisory Agreement, which is payable to the Investment Adviser in Shares is recognised as an expense when the fees are earned with a corresponding increase in equity.

m) Cash and cash equivalents

Cash at bank and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as call deposits, short term deposits with a term of no more than 3 months from the start of the deposit and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of 3 months or less.

n) Functional and foreign currency

Determination of functional currency

Whilst the functional currency of the Company is Dollars, some subsidiaries have a functional currency of Sterling which is translated into the presentation currency. The entities which continue to have a functional currency of Sterling are shown in Note 2(a).

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Dollars, which is the Group's functional and presentation currency of the Company and each of its subsidiaries.

Treatment of foreign currency

At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the Consolidated Statement of Profit and Loss in the year in which they arise. Transactions denominated in foreign currencies are translated into Dollars at the rate of exchange ruling at the date of the transaction.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

3. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the:

- consideration transferred; and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in Consolidated Statement of Profit and Loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in the Consolidated Statement of Profit and Loss.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires the application of estimates and assumptions which may affect the results reported in the Consolidated Financial Statements. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and made estimates based on the information available when the Consolidated Financial Statements were prepared. However, these assumptions and estimates may change based on market changes or circumstances beyond the control of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. Significant accounting judgments, estimates and assumptions (continued)

Critical estimates in applying the Group's accounting policies – revenue recognition and royalty costs

Accrued income as at 31 March 2023 was \$126.2 million (31 March 2022: \$105.3 million), a breakdown of which is set out below:

- \$62.3 million for earnings where, due to the time lag in royalty reporting, Statements are not expected to be received until calendar Q2 2023 onwards. This includes international PRO reporting and HSG (31 March 2022: \$69.3 million).
- \$21.7 million CRB III accruals (31 March 2022: \$Nil) as discussed below.
- \$42.2 million Usage Accrual, which recognises revenues that have triggered a contractual payment but have not been paid to, and processed by, collection societies, publishers and administrators (31 March 2022: \$36.0 million).

In calculating accruals, the Company makes judgments around seasonality, over or under performance, and commercial factors based on historical performance, and its knowledge of each Catalogue through its regular correspondence with the various administrators, record labels and international societies. The Company also makes an estimate of revenue from consumption to reporting.

Estimated royalty revenue receivable is accrued for on the basis of historical earnings for each Catalogue, which incorporates an element of uncertainty. The estimated revenue accrual may not therefore directly equal the actual cash received in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual revenue received is known, and these adjustments may be material.

Net revenues also include an accrual for performance income, to account for the writer's share of Performance royalties which are subject to a significant time lag in reporting in the industry, but which the Group is entitled to receive in due course. In recommending the estimate of this accrual to the Board of Directors the Investment Adviser used its analysis of each Catalogue's revenue history as well its knowledge of the respective Catalogue performance trends to recommend the estimated accruals.

Net revenue is subject to a royalty cost accrual applied to gross revenue receipts primarily within the Hipgnosis Songs Group ("HSG") subsidiaries. Royalty cost accruals represent contractual royalties due to Songwriters and other rights holders that are payable on a 6-monthly basis for writers under publishing contracts and quarterly for clients under administration contracts. Royalty rates vary by writer (negotiated by contract) and by revenue stream.

In July 2022, after a lengthy process, the 2018-22 rate increases on the Songwriter's and publisher's mechanical portion of US Streaming income, known as CRB III, were finally agreed. The Group has reflected accruals of \$21.7 million for the year ended 31 March 2023 as a result of the confirmation of the CRB III rate increases for the Songwriters' mechanical portion of US Streaming income. Of this, \$5.6 million is the impact of the higher 15.1% rate on the income earned by the Company during the year and \$16.1 million has been recognised for the retro-active payment due as a result of revenues historically not having been recognised at the full CRB III rates. The amount recognised in relation to the retro-active payment will not recur in future years. As the ruling was made final in July 2022 there was no CRB III revenue recognised in the prior year.

Both the CRB III retroactive and uplift accruals are based off historical earnings paid through to the Company by Publishers. In order to calculate the accrual, the US mechanical portion of those earnings were analysed and uplifted accordingly based on the CRB III rates over the five year period from 2018 to 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. Significant accounting judgments, estimates and assumptions (continued)

Whilst some Publishers had different policies regarding the distribution of the higher rates received from DSPs up to when the CRB III ruling was appealed, the Company has applied a consistent approach and has not considered any Publisher specific policies given the lack of clarity from the various payors.

In order to provide additional rigour on the calculation, the CRB III retroactive and uplift accrual estimates were compared and benchmarked against the estimates provided by the Portfolio Independent Valuer and the fair value appraiser for the CNB Revolving Credit Facility.

A sensitivity of the significant estimates used in calculating accrued income and the impact of the sensitivities on the balance is performed below:

Name of the subsidiary	31 March 2023	Sensitivity +10%	Sensitivity -10%
Accruals due to the time lag in royalty reporting	\$62.3 million	\$6.2 million	(\$6.2) million
CRB III accruals*	\$21.7 million	\$2.2 million	(\$2.2) million
		One quarter increase	One quarter reduction
Usage accrual	42.2 million	\$10.8 million	(\$10.1 million)

* The CRB III sensitivity represents the variability of the historical US streaming mechanical revenue that the contractual rates are applied to.

Expected Credit Loss (ECL) in relation to revenue receivables

Royalty earnings for accruals and receivables recognised in the year ended 31 March 2023 are distributed by PROs, Publishers and Record Labels who collect royalties at the source of usage and distribute those earnings directly to Hipgnosis.

The probability of future default has been deemed close to nil, due to the long-standing history of PROs, Publishers and Record Labels within the music industry and the existing framework of cash collection amongst the Company's stakeholders. Whilst there are smaller/newer organisations that have relatively unproven credit resilience these account for a small minority of the Group's receivables.

The Company's current risk assessment includes analysis of the exposure to commercial risk by PROs, Publishers and Record Labels, and the likely impact of their credit risk on Hipgnosis' revenue streams. This impact is considered immaterial and a sensitivity analysis on this is performed in Note 8.

Expected Credit Loss (ECL) in relation to HSG advances

Hipgnosis Songs Group LLC advances royalty payments to Songwriters. Management are required to assess the recoverability of these advances bi-annually in accordance with IFRS 9 Financial Instruments. Management will consider market conditions and historic trading patterns affecting the relevant assets.

Management adopts a simplified approach, has analysed their historical loss ratio data and applied this using a risk based methodology as there are no defined terms of repayment related to advances. The risk categories against which the historical loss ratios are assessed and expected credit losses are calculated are:

- low risk advances where the advance is expected to be recouped in full under the terms of the writer's agreement (because of the writer's reputation, previous success etc);
- medium risk advances where there is reasonable expectation that a level of the advances will be recouped; and
- high risk advances, where management believe that either because of the writer's unknown potential or other factors, a large level of recoverability may not be achieved.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

4. Significant accounting judgments, estimates and assumptions (continued)

At 31 March 2023 HSG gross recoupable advances are \$32.0 million (31 March 2022: \$31.6 million) with an expected credit loss provision of \$15.5 million (31 March 2022: \$13.0 million) recognised against the advances. A sensitivity analysis on this provision is performed in Note 8.

Assessment of impairment and the calculation of Operative NAV

As disclosed in Note 2(h) intangible assets are subject to a bi-annual review to identify any indicators of impairment.

The Fair Value of the Catalogues as calculated by the Independent Portfolio Valuer is used to identify any indicators of impairment. The Portfolio Independent Valuer adopts a DCF valuation approach and applies a number of significant assumptions to the projected future earnings for all Catalogues including:

- Market factors impacting revenues;
- Discount rate, currently 8.5% (31 March 2022: 8.5%); and
- Terminal value at 16 years.

As disclosed in Note 2(h) a Value-In-Use is calculated for any Catalogues with a residual risk of impairment. The Value-In-Use is calculated by using the original projected cash flows used during the Fair Value calculation by the Independent Portfolio Valuer, with a 0.5% reduction to the discount rate. The reduction in the discount rate reflects the Company's ability to drive additional value through active management of a Catalogue and addresses the passive nature of the Company's cash flows within the Portfolio Independent Valuer's fair value analysis.

If the Value-In-Use calculation for the Catalogue is lower than the carrying value of the Catalogue, an impairment loss equal to the difference is recognised in the Consolidated Statement of Profit and Loss. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

Management's impairment review as at 31 March 2023 concluded that an impairment of \$3.9 million (31 March 2022: \$1.5 million) was required to the Group's Catalogues. A sensitivity analysis on the Value-In-Use calculation and impact on the impairment charge is performed in Note 6.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

5. Taxation

The major components of income tax expense for the years ended 31 March 2023 and 31 March 2022 are:

	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Current tax		
United Kingdom corporation tax based on the loss for the year at 19% (31 March 2022: 19%)	-	123
Adjustments in respect of prior periods	2,837	2,369
Non-reclaimable withholding tax on royalty payments received	171	251
Total current tax	3,008	2,743
Deferred tax		
Origination and reversal of timings differences	656	-
Deferred tax asset recognised to extent of liability on timing difference	(656)	-
Total deferred tax	-	-
Total tax	3,008	2,743

Prior to 1 April 2021 the Company was Guernsey tax resident but exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989.

From 1 April 2021 the Company was granted investment trust company status by HMRC and is UK tax resident from that date.

Whilst the Company is incorporated in Guernsey, the majority of the Company's subsidiaries are incorporated and tax resident in the UK and the majority of the Group's income and expenditure is incurred in these UK entities. Therefore it is considered most appropriate to prepare the tax reconciliation below at the standard UK tax rate of 19% (31 March 2022: 19%).

The March 2021 UK Budget announced an increase to the main rate of UK corporation tax to 25% from April 2023. This rate was substantively enacted prior to the balance sheet date and consequently this rate has been considered when assessing items of deferred tax.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

5. Taxation (continued)

The actual tax charge differs from the standard rate for the reasons set out in the following reconciliation:

	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Loss on the Group's ordinary activities before tax	(86,630)	(16,700)
Tax on the loss on the Group's ordinary activity at the standard UK rate of 19%	(16,460)	(3,173)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	3,405	887
Adjustment in respect of previous periods	2,837	2,369
Effect of overseas tax rate	(649)	(760)
Deferred tax not recognised – US	2,704	3,169
Deferred tax not recognised – UK	11,000	–
Net non-reclaimable withholding tax on royalty payments received	171	251
Total actual amount of current tax	3,008	2,743

	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Deferred tax		
Short term timing differences related to hedging arrangements	656	–
Deferred tax asset recognised in relation to UK tax losses	(656)	–
Total deferred tax	–	–

The following potential deferred tax assets have not been recognised as it is not considered suitably probable that such assets will be utilised based on forecasts.

	31 March 2023 \$'000	31 March 2022 \$'000
Deferred tax		
Unrecognised deferred tax asset in relation to UK tax losses	(14,474)	–
Unrecognised deferred tax asset in relation to US tax losses	(5,873)	(3,169)

There is currently no expiry date for the utilisation of UK tax losses.

The unrecognised deferred tax asset in relation to UK and US losses arise on the following tax losses:

	31 March 2023 \$'000	31 March 2022 \$'000
UK tax losses	(57,895)	–
US tax losses	(23,490)	(12,676)

Disposals of Catalogues may give rise to potential tax charges depending on the availability of tax attributes (tax losses) to offset any taxable gains otherwise arising. There were no such disposals of Catalogues in the year (or prior year) and so no such tax liabilities arose.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

6. Catalogues of Songs

	\$'000
Cost	
At 1 April 2022	2,237,284
Additions	–
At 31 March 2023	2,237,284
Amortisation and impairment	
At 1 April 2022	200,552
Amortisation	111,583
Impairment	3,901
At 31 March 2023	316,036
Net book value	
At 1 April 2022	2,036,732
At 31 March 2023	1,921,248
Fair value as at 31 March 2023	2,802,762
Cost	
At 1 April 2021	1,972,199
Additions	265,085
At 31 March 2022	2,237,284
Amortisation and impairment	
At 1 April 2021	93,275
Amortisation	105,787
Impairment	1,490
At 31 March 2022	200,552
Net book value	
At 1 April 2021	1,878,924
At 31 March 2022	2,036,732
Fair value as at 31 March 2022	2,693,974

The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years (other than in exceptional circumstances for specific Catalogues of Songs). An assessment of the useful life of Catalogues is considered at each reporting period, which is 20 years, in line with what the Board of Directors and the Investment Adviser deem to be industry standard. The Company performs an impairment review as disclosed in Note 2(h). At 31 March 2023 accumulated amortisation for Catalogues of Songs is \$310.6 million (31 March 2022: \$199.1 million) and the accumulated impairment to date is \$5.4 million (31 March 2022: \$1.5 million).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

6. Catalogues of Songs (continued)

The Board engaged Portfolio Independent Valuer, Citrin Cooperman Advisors LLC, to value the Catalogues as at 31 March 2023. The Board has approved and adopted the valuations prepared by the Portfolio Independent Valuer which are used as an input into the impairment review process and for the Operative NAV.

The sensitivity of the discount rate to the fair value of the Portfolio is as follows:

Discount Rate	8.00%	8.50%	9.00%
Portfolio Value (\$'000)	3,065,753	2,802,762	2,580,725
Variance to Fair Value (\$'000)	262,991	-	(222,037)
Variance to Fair Value (%)	9.4%	-	(7.9%)

The sensitivity of the terminal value growth rate to the fair value of the Portfolio is as follows:

Sensitivity to the Terminal Value Growth Rate	-1.00%	Current	+1.00%
Portfolio Value (\$'000)	2,637,623	2,802,762	3,035,424
Variance to Fair Value (\$'000)	(165,139)	-	232,662
Variance to Fair Value (%)	(5.9%)	-	8.3%

The sensitivity of the applied growth rate to the fair value of the Portfolio is as follows:

Growth Rate	-1.00%	Current	+1.00%
Portfolio Value (\$'000)	2,573,221	2,802,762	3,048,641
Variance to Fair Value (\$'000)	(229,541)	-	245,879
Variance to Fair Value (%)	(8.2%)	-	8.8%

A Value-In-Use is calculated for any Catalogue with a residual risk of impairment following the impairment review. The Value-In-Use is calculated by using the original projected cash flows used during the Fair Value calculation by the Portfolio Independent Valuer, with a 0.5% reduction to the discount rate.

The sensitivity of the Value-In-Use calculation to the impairment charge is as follows:

Discount Rate used in the Value-In-Use calculation	-0.50%	Current	+0.50%
Impairment of Catalogues of Songs (\$'000)	1,378	3,901	11,934

7. Cash and cash equivalents

	31 March 2023 \$'000	31 March 2022 \$'000
Cash available on demand	37,965	30,067
	37,965	30,067

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

8. Trade and other receivables

	31 March 2023 \$'000	31 March 2022 \$'000
Non-current receivables		
Accrued income	13,210	640
	13,210	640
Current receivables		
Accrued income	112,943	104,658
Royalties receivable	7,078	6,605
HSG net recoupable advances	16,436	18,604
Prepayments and other debtors	3,542	7,274
VAT Receivable	-	7,309
	139,999	144,450

In the current year, an accrual for \$21.7 million has been recognised as a result of the confirmation of the CRB III rate increases for the Songwriters' mechanical portion of US Streaming income. Of this, \$5.6 million is the impact of the higher 15.1% rate on the income earned by the Company during this financial year and \$16.1 million has been recognised for the retro-active payment due as a result of revenues historically not having been recognised at the full CRB III rates.

At 31 March 2023, the aging of the Company's trade and other receivables are:

	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Accrued income	4,430	34,593	73,920	13,210	-	-	126,153
Royalties receivable	2,960	2,701	1,417	-	-	-	7,078
HSG net recoupable advances	99	119	16,218	-	-	-	16,436
Prepayments and other debtors	86	142	3,314	-	-	-	3,542
Total	7,575	37,555	94,869	13,210	-	-	153,209

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

8. Trade and other receivables (continued)

Credit Risk and Provision for Expected Credit Losses

The Group has applied IFRS 9, Financial Instruments, during the year, which includes the requirements for calculating a provision for expected credit losses on financial assets. As disclosed in Note 4, the probability of future default against revenue receivable balances has been deemed close to nil. At 31 March 2023, an ECL provision is recognised against the HSG recoupable advances as below:

At 31 March 2023	High Risk \$'000	Medium Risk \$'000	Low Risk \$'000	Total \$'000
<i>Expected loss rates</i>	-100.0%	-24.0%	0.0%	-48.6%
Gross carrying amounts	13,000	10,520	8,436	31,956
Provision for expected credit losses	(13,000)	(2,520)	-	(15,520)
Net carrying amounts	-	8,000	8,436	16,436
At 31 March 2022	High Risk \$'000	Medium Risk \$'000	Low Risk \$'000	Total \$'000
<i>Expected loss rates</i>	-100.0%	-41.1%	0.0%	-41.1%
Gross carrying amounts	6,712	15,324	9,576	31,612
Provision for expected credit losses	(6,712)	(6,296)	-	(13,008)
Net carrying amounts	-	9,028	9,576	18,604

If the probability of future default against the revenue receivable balances was 5% higher, this would result in a \$0.4 million increase to the ECL provision on revenue receivables. If the probability of future default against the medium risk HSG recoupable advances was 41.1%, which is consistent with the prior year, this would result in a \$1.8 million increase to the ECL provision on HSG recoupable advances.

9. Loans and borrowings

On 30 September 2022 the Company entered into a new Revolving Credit Facility (RCF) with a commitment of \$700 million which runs for five years until 30 September 2027. City National Bank is lead arranger and sole bookrunner for the new debt facility with Truist Securities, Inc., MUFG Union Bank, N.A. and Fifth Third Bank as co-leads. On the same day the Company drew down \$607 million, as part of the arrangement City National Bank repaid in full the Company's pre-existing J.P. Morgan RCF of \$600 million directly to J.P. Morgan and paid \$5.2 million of fees on behalf of the Company. The remaining \$1.8 million was received as cash by the Company. During the year \$6.2 million of costs relating to the set-up of the new RCF were capitalised, to be amortised over the five year length of the agreement. On derecognition of the pre-existing J.P. Morgan RCF, \$5.0 million was recognised as a borrowing cost extinguishment charge and represents the unamortised capitalised borrowing costs on the pre-existing J.P. Morgan RCF.

On 31 March 2023 the Company repaid \$7 million of the new RCF. \$100 million remains available under the new RCF which provides the Company with flexibility to fund investments and provide additional working capital.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

9. Loans and borrowings (continued)

Interest on the new facility charged is based on the Secured Overnight Financing Rate (SOFR), published by the New York Federal Reserve, plus a margin of either 2.00% or 2.25% depending on the gross drawn debt. The current margin is 2.00%. As disclosed in Note 17, the Company has entered into an interest rate swap agreement to manage its exposure to interest rate risk.

The RCF's key covenants are set out in the below table:

Key financial covenant	31 March 2023 Actual	Lender Covenants
i) Total debt to Catalogue value as determined by the lender	31.5%	Must not exceed 40%
ii) Total debt leverage	5.5:1.0	Not greater than 7:1
iii) Fixed charge coverage	1.3:1.0	Not less than 1:1

The Catalogue value as determined by the lender is specifically prepared for the banking syndicate based on a set of assumptions that reflect an immediate sale of the portfolio in order to provide maximum loan security.

The covenants are reviewed quarterly and are secured by, inter alia, a charge over the shares in all the subsidiaries of the Company, a charge over all of their assets including all Catalogues of Songs of the Company held through these subsidiaries and a charge over the bank accounts of the Company and its subsidiaries. The Company has also provided a parent company guarantee. In accordance with the Investment Policy, any borrowings by the Company will not exceed 30% of the Operative NAV which is \$694.8 million.

	31 March 2023 \$'000	31 March 2022 \$'000
Opening balance	600,000	577,292
Amounts drawn down during the period	607,000	72,708
Amounts repaid during the year – pre-existing RCF	(600,000)	(50,000)
Amounts repaid during the year – new RCF	(7,000)	–
Total loan drawn down	600,000	600,000
Cumulative borrowing costs	(5,572)	(6,008)
Closing balance	594,428	593,992

During the year ended 31 March 2023 \$33.7 million (31 March 2022: \$20.4 million) was charged as interest on the amounts drawn down.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

10. Liabilities and accrued expenses

	31 March 2023 \$'000	31 March 2022 \$'000
Non-current liabilities		
Catalogue bonus provision	33,080	925
	33,080	925
Current liabilities		
Amounts owed to Songwriters	18,799	16,957
Catalogue bonus provision	11,962	398
Deferred investment payable	–	10,799
Loan interest payable	9,891	500
Trade creditors and accruals	5,846	4,106
PRO Advances	3,178	–
Corporation tax payable	67	2,570
VAT	1,789	–
Lease liability	735	–
Directors fees payable	27	83
Other creditors	794	–
	53,088	35,413

The Group has a number of Catalogue bonuses which are dependent on the individual Catalogues meeting certain defined performance hurdles as defined in the Catalogue acquisition agreements which the Group consider when assessing the recognition of the Catalogue bonus provision as a financial liability. As at 31 March 2023, the Group recognised a financial liability of \$45.0 million relating to the bonuses on 6 Catalogues (31 March 2022: \$1.3 million relating to 2 Catalogues). Management consider that the carrying value of this financial liability would not differ significantly from its fair value. The last performance hurdle period to be assessed across the remaining Catalogues is 29 January 2029.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

11. Share capital and capital management

Ordinary Share Capital

The share capital of the Company may consist of an unlimited number of:

- i) Ordinary Shares of no par value which upon issue the Directors may classify as Ordinary Shares;
- ii) C Shares denominated in such currencies as the Directors may determine; and
- iii) Ordinary Shares purchased by the Company through share repurchases and held as Treasury Shares.

Ordinary Shares of no par value

	No. of Units outstanding	Share Capital \$'000	Treasury Reserve \$'000
Issued and fully paid:			
Shares as at 1 April 2022	1,211,214,286	1,692,198	-
Repurchase of ordinary shares into treasury	(2,000,000)	-	(1,961)
Shares as at 31 March 2023	1,209,214,286	1,692,198	(1,961)

	No. of Units outstanding	Share Capital \$'000	Treasury Reserve \$'000
Issued and fully paid:			
Shares as at 1 April 2021	1,073,440,268	1,466,851	-
Shares issued on 29 April 2021	9,000,000	14,938	-
Shares issued on 9 July 2021	128,774,018	214,764	-
Share issue costs	-	(4,355)	-
Shares as at 31 March 2022	1,211,214,286	1,692,198	-

As at 31 March 2023 the Company's authorised and issued share capital consisted of 1,211,214,286 ordinary shares, of which 2,000,000 were held in treasury.

On 29 April 2021 the Company issued 9,000,000 new Ordinary Shares at a price of 119.5p per Ordinary Share and on 9 July 2021 the Company issued 128,774,018 new Ordinary Shares at a price of 121p per Ordinary Share. These shares rank pari passu with the existing Ordinary Shares in issue. The net proceeds have been used to fund an investment in accordance with the Company's Investment Policy.

Under the Company's Articles of Incorporation, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every Ordinary Share held.

Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the residual assets of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

11. Share capital and capital management (continued)

Treasury Share Reserve

During the year, the Company launched a Share Repurchase Program to repurchase Ordinary Shares. The repurchased shares are not cancelled but held as Treasury Shares by the Company. Treasury shares hold no voting rights, are not entitled to a dividend and are excluded from the EPS, IFRS and Operative net asset value per share calculation. The consideration for the shares repurchased are detailed below:

	No. of Shares repurchased	Consideration per Share £	Amount \$'000
Shares repurchased on 18 October 2022	250,000	0.85850	240
Shares repurchased on 19 October 2022	250,000	0.84320	235
Shares repurchased on 28 October 2022	250,000	0.88000	252
Shares repurchased on 31 October 2022	250,000	0.88000	252
Shares repurchased on 1 November 2022	250,000	0.87200	250
Shares repurchased on 2 November 2022	250,000	0.85826	246
Shares repurchased on 17 November 2022	250,000	0.82890	238
Shares repurchased on 2 December 2022	250,000	0.83400	248
Treasury Shares as at 31 March 2023	2,000,000		1,961

12. Net Asset Value per share and Operative Net Asset Value per share

	31 March 2023	31 March 2022
Number of Ordinary Shares outstanding	1,209,214,286	1,211,214,286
IFRS NAV per share (cents)	118.63	130.65
Operative NAV per share (cents)	191.53	184.91

The IFRS NAV per share and the Operative NAV per share are arrived at by dividing the IFRS Net Assets and Operative Net Assets (respectively) by the number of Ordinary Shares outstanding.

Catalogues of Songs are classified as intangible assets and measured at amortised cost or cost less impairment in accordance with IFRS.

The Directors are of the opinion that an Operative NAV provides a meaningful alternative performance measure and the values of Catalogues of Songs are based on fair values produced by the Portfolio Independent Valuer.

Reconciliation of IFRS NAV to Operative NAV

	31 March 2023 \$'000	31 March 2022 \$'000
IFRS NAV	1,434,534	1,582,399
Adjustments for revaluations of Catalogues of Songs to fair value	565,478	457,441
Reversal of accumulated amortisation and impairment	316,036	199,800
Operative NAV	2,316,048	2,239,640

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

12. Net Asset Value per share and Operative Net Asset Value per share (continued)

Tax considerations

As noted in the Chair's Statement, the Board are considering a number of options to enhance Shareholder value which may include the potential strategic sale of Catalogues of Songs. The Company's Investment Trust Company (ITC) status may allow for the Company to make disposals of shares or certain other capital assets on a tax-exempt basis for UK corporation tax purposes. However, a disposal of music Catalogues, considered intangible fixed assets for UK corporation tax purposes, would not qualify for exemption in the same way.

A disposal of music Catalogues by way of a sale of shares of a Group subsidiary company by the Company, in order to take advantage of its ITC tax-exempt status, would not necessarily result in greater value for the Group, depending on the attractiveness of such a transaction structure to the prospective purchaser and their other potential tax considerations on future sales of the acquired shares.

If the Group were to dispose of all of its Catalogues, an indicative tax calculation (subject to a number of assumptions in its preparation – see below) estimates that a potential corporation tax charge (or equivalent in the US) could be incurred by the Group subsidiary companies, of approximately \$245 million. This has been calculated based on comparing the Fair Value determined by the Portfolio Independent Valuer (as a representation of indicative sales proceeds) to the Catalogues' carrying value as at 31 March 2023.

The calculations assumes a 25% tax rate as: (a) the prevailing rate of UK corporation tax from 1 April 2023 and (b) a proxy for US Federal and State corporate income tax. This indicative tax calculation does not take into account attributes such as UK tax losses, which could be used to offset some of the taxable gains, or where the tax treatment of an element of sale proceeds may be considered to be the sale of a receivable aligned with a Catalogue rather than part of the disposal value of that Catalogue, which could result in a materially lower tax charge.

As the Company has not disposed of any catalogues to date, no such tax liability currently exists.

13. Revenue

	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Mechanical income	5,465	10,657
Performance income	17,972	22,291
Digital downloads income	3,635	4,405
Streaming income	83,886	72,850
Synchronization income	19,381	22,530
Publishing admin income	406	300
Masters income	7,582	8,448
Writer share income	26,076	45,103
Neighbouring rights income	4,120	–
Other income	715	6,037
Producer royalties	8,074	7,763
	177,312	200,384

There is an inherent time lag with royalties between the time a song is performed, and the revenue being received by the copyright owner. The revenue accruals are disclosed in Note 8 Trade and other receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

14. Other operating expenses

	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Aborted deal expenses	468	1,951
Bank charges	50	34
Record label costs	98	–
Charitable donations	293	208
Directors' and officers' insurance	347	366
Disbursements	411	355
Postage, stationery and printing	153	41
Lease liability interest	369	–
HSG staff payroll and expenses	6,244	6,598
HSG restructuring provision	1,028	–
Travel and accommodation fees	499	162
HSG travel and accommodation fees	362	389
Sundry	32	1
	10,354	10,105

15. Foreign exchange

	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Foreign exchange losses	3,157	14,857
	3,157	14,857

The foreign exchange impact reflects the effect of movements in foreign currency exchange rates throughout the year. Currency risk is discussed further in Note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

16. Dividends

A summary of the dividends paid are set out below:

	Dividend per share Pence	Total Dividend \$'000
1 April 2022 to 31 March 2023		
Interim dividend in respect of quarter ended 31 March 2022	1.3125	19,313
Interim dividend in respect of quarter ended 30 June 2022	1.3125	17,744
Interim dividend in respect of quarter ended 30 September 2022	1.3125	19,203
	3.9375	56,260

On 16 March 2023, the Company announced an interim dividend for the quarter from 1 October 2022 to 31 December 2022 of 1.3125p per Ordinary Share, paid on 28 April 2023.

	Dividend per share Pence	Total Dividend \$'000
1 April 2021 to 31 March 2022		
Interim dividend in respect of quarter ended 31 March 2021	1.3125	20,093
Interim dividend in respect of quarter ended 30 June 2021	1.3125	21,807
Interim dividend in respect of quarter ended 30 September 2021	1.3125	21,214
Interim dividend in respect of quarter ended 31 December 2021	1.3125	21,186
	5.250	84,300

The Company, being a Guernsey regulated entity, is able to pay dividends out of capital, subject to the assessment of solvency in accordance with the Companies Law and subject to a levered free cashflow test as required by the Revolving Credit Facility.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17. Financial risk management objectives

Financial risk management objectives

The Group's activities expose it to various types of financial risk, principally market risk, credit risk, and liquidity risk. The Board has overall responsibility for the Group's risk management and sets policies to manage those risks at an acceptable level.

Fair values

Management assessed that the fair values of cash and cash equivalents, current trade and other receivables and current trade and other payables approximate their carrying amount largely due to the short-term maturities and high credit quality of these instruments. The carrying value of the non-current accrued income and non-current Catalogue bonus provision reflect their fair value.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the capital return to Shareholders. The capital structure of the Group consists of issued share capital and retained earnings, as stated in the Consolidated Statement of Financial Position. In order to maintain or adjust the capital structure, the Group may repurchase shares or issue new shares. There are no external capital requirements imposed on the Group.

As detailed in Note 9, on 30 September 2022 the Company entered into a new Revolving Credit Facility (RCF) with a commitment of \$700 million which runs for five years until 30 September 2027. On the same day the Company drew down \$607 million to repay in full the Company's pre-existing J.P. Morgan RCF (\$600 million). On 31 March 2023 the Company repaid \$7 million of the new RCF.

The Group's investment policy is set out in the Investment Objective and Policy section of the Annual Report.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to currency risk and interest rate risk.

a) Currency risk

Currency risk is the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The revenue earned from the Catalogue of Songs may be subject to foreign currency fluctuations. Royalties are earned globally and paid in a number of currencies, therefore the Group may be impacted by adverse currency movements. The Group will convert the majority of overseas currency receipts into US Dollars by agreeing to currency exchange arrangements with collection agents, or otherwise itself undertaking foreign exchange conversions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17. Financial risk management objectives (continued)

Dividend payments are denominated in Sterling and also may be impacted by adverse currency movements. In order to mitigate currency risk and provide certainty over the US Dollar value of future Sterling dividend payments the Company entered into US Dollar to Sterling foreign exchange forward contracts as discussed in Note 22.

Settlement Date	Contract Value £'000	Outstanding Contracts \$'000	Mark to Market equivalent \$'000	Unrealised (losses)/gains \$'000
17 April 2023	11,250	12,501	13,883	1,382
17 July 2023	11,250	12,477	13,906	1,429
16 October 2023	7,500	8,305	9,278	973
16 January 2024	5,000	5,528	6,189	661
15 April 2024	3,750	4,139	4,640	501
16 October 2024	3,750	4,644	4,639	(5)
16 January 2025	2,500	3,101	3,094	(7)
15 April 2025	1,250	1,552	1,546	(6)
15 July 2025	3,750	4,656	4,642	(14)
	50,000	56,903	61,817	4,914

The currencies in which financial assets and liabilities are denominated are shown below:

As at 31 March 2023	USD \$'000	GBP converted to USD* \$'000	EUR converted to USD** \$'000	Other converted to USD \$'000	Total \$'000
Non current and current receivables	147,955	4,987	205	62	153,209
Held for trading derivative financial asset	4,914	–	–	–	4,914
Cash and cash equivalents	32,530	4,074	1,361	–	37,965
Total financial assets	185,399	9,061	1,566	62	196,088
Revolving Credit Facility	600,000	–	–	–	600,000
Held for trading derivative financial liability	3,395	–	–	–	3,395
Non current and current payables	81,958	3,736	232	241	86,167
Total financial liabilities	685,353	3,736	232	241	689,562
Net asset/(liability) position	(499,954)	5,325	1,334	(179)	(493,474)

*At the reporting date 31 March 2023, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the impact on post tax loss and components of equity would have been \$0.5 million higher/lower.

**At the reporting date 31 March 2023, if the EUR had strengthened/weakened by 10% against the Dollar with all other variables held constant, the impact on post tax loss and components of equity would have been \$0.1 million higher/lower.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17. Financial risk management objectives (continued)

As at 31 March 2022	USD \$'000	GBP converted to USD* \$'000	EUR converted to USD** \$'000	Other converted to USD \$'000	Total \$'000
Non current and current receivables	132,276	10,503	1,745	566	145,090
Cash and cash equivalents	25,454	4,314	299	-	30,067
Total financial assets	157,730	14,817	2,044	566	175,157
Revolving Credit Facility	600,000	-	-	-	600,000
Non current and current payables	31,448	4,883	7	-	36,338
Total financial liabilities	631,448	4,883	7	-	636,338
Net asset/(liability) position	(473,718)	9,934	2,037	566	(461,181)

*At the reporting date 31 March 2022, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the impact on post tax loss and components of equity would have been \$1.0 million higher/lower.

**At the reporting date 31 March 2022, if the EUR had strengthened/weakened by 10% against the Dollar with all other variables held constant, the impact on post tax loss and components of equity would have been \$0.2 million higher/lower.

b) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk on cash and cash equivalents and also on the interest bearing RCF. The RCF bears a fixed rate of interest plus a floating rate of interest based on Secured Overnight Financing Rate (SOFR). In order to mitigate interest rate risk and provide certainty over interest payments, the Company entered into interest rate swap agreements as detailed below:

- From 3 October 2022 until 2 January 2023, interest on all the drawn debt is based on a three-month fixed SOFR of 5.71% (including debt margin); and
- From 3 January 2023, the Company has agreed to enter into interest rate swaps to hedge \$540 million. Of this, \$340 million is hedged for the duration of the RCF (until 30 September 2027) at a fixed rate of 5.67% (including debt margin); a further \$200 million is hedged until 3 January 2026 at a fixed rate of 5.89% (including debt margin). The balance remains unhedged to provide flexibility in the operation of the RCF facility.

At 31 March 2023, the unhedged RCF balance exposed to interest rate risk was \$60 million.

The average interest rate during the year was 5.58%. If interest rates had been 100 basis points higher and all other variables were held constant, the Company's loan interest expense would have been \$6.0 million higher.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17. Financial risk management objectives (continued)

Credit Risk

Credit risk is the risk of loss due to failure of a counterparty to fulfil its contractual obligations. The Group is exposed to credit risk in respect of its contracts with PROs and other collection societies. This exposure is minimised by dealing with reputable PROs whose credit risk is deemed to be low given their respective position in the industry.

As reported in Note 4, there is no impairment of the receivables balance, credit risk of third parties has been taken into account when calculating accruals and expected credit loss charge for the year on HSG advances was \$2.2 million (31 March 2022: \$1.6 million). The Group is exposed to credit risk through its balances with banks and its indirect holdings of money market instruments through those money market funds which are classified as cash equivalents for the purposes of these Consolidated Financial Statements.

The table below shows the Group's material cash balances and the short-term issuer credit rating or money-market fund credit rating as at the year-end date:

	Location	Rating*	31 March 2023 \$'000	31 March 2022 \$'000
Barclays Bank UK plc	Guernsey/UK	A-1	25,063	27,367
BlackRock	US	AA-	8,435	-
City National Bank	US	A-2	3,950	2,599

* Rated by Standard & Poor's

Liquidity Risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Group's liquidity risk is managed by the Investment Adviser and Directors on a monthly basis.

Liquidity risk is also the risk that the Group may not be able to meet their financial obligations as they fall due. The Group maintains a prudent approach to liquidity management by maintaining sufficient cash reserves to meet foreseeable working capital requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

17. Financial risk management objectives (continued)

Liquidity Risk (continued)

The Group prepares a 3 year rolling cash forecast, which is reviewed by the Board. The cash flow forecast includes a sensitivity analysis with downside scenarios on income streams, foreign exchange rate movements and interest rate movements. Cash is delivered with royalty statements, and the majority are delivered quarterly or semi-annually. A small number of collections are delivered monthly. Cash is collected and processed throughout the year by the administrators.

At the reporting date, the Group's financial liabilities are:

	Carrying amount \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Bank loan and future interest payments	(600,000)	-	-	(30,684)	(40,912)	(712,507)	-	(784,103)
Held for trading financial liability	(3,395)	1,139	-	(4,534)	-	-	-	(3,395)
Amounts owed to								
Songwriters	(18,799)	-	(640)	(18,159)	-	-	-	(18,799)
Catalogue bonus provision	(45,042)	-	(3,450)	(8,512)	(16,540)	(16,540)	-	(45,042)
Trade creditors and accruals	(5,846)	(4,168)	(1,040)	(638)	-	-	-	(5,846)
Loan interest payable	(9,891)	(9,891)	-	-	-	-	-	(9,891)
PRO Advances	(3,178)	-	(3,178)	-	-	-	-	(3,178)
VAT	(1,789)	(1,789)	-	-	-	-	-	(1,789)
Other creditors	(794)	(415)	-	(379)	-	-	-	(794)
Lease liability	(735)	(28)	(61)	(646)	-	-	-	(735)
Corporation tax payable	(67)	-	(67)	-	-	-	-	(67)
Directors fees payable	(27)	(27)	-	-	-	-	-	(27)
	(689,563)	(15,179)	(8,436)	(63,552)	(57,452)	(729,047)	-	(873,666)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

18. Related party transactions and Directors' remuneration

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

All Directors are non-executive. The Directors' remuneration, excluding disbursements, for the year ended 31 March 2023 amounted to £473,000/\$576,355 with no outstanding fees due to the Directors at 31 March 2023 (31 March 2022: £458,360/\$613,720, with outstanding fees of £18,750/\$24,745). There were no supplementary fees paid to Directors in the year ended 31 March 2023. Directors are reimbursed for out-of-pocket expenses incurred in fulfilling their roles, including costs of travel and accommodation (as required).

Directors' transactions in or holdings in shares of the Company are not disclosed as related party transactions as they do not receive shares as part of their remuneration. Any shares held or transacted are acquired or disposed of in their own right as Shareholders and as result, it is management's assessment that the Company has not transacted with the Directors as related parties in this regard.

19. Material Agreements

Investment Adviser

The Company has entered into an Investment Advisory Agreement with the Investment Adviser pursuant to which the Investment Adviser will source Songs and provide recommendations to the Board on acquisition and disposal strategies, manage and monitor royalty and/or fee income due to the Company from its copyrights and collection agents, and develop strategies to maximise the earning potential of the Songs in the portfolio through improved placement and coverage of Songs.

During the year responsibility for the maintenance of the Group's accounting books and records, systems of internal control and financial reporting transferred from the Administrator to the Investment Adviser.

The Investment Adviser is entitled to receive an advisory fee (payable in cash) and a performance fee (usually payable predominantly in Shares subject to an 18 month lock up arrangement). The full terms and conditions of the calculation of the advisory and performance fees are disclosed in the Company's prospectus, which is available on the Company's website (<https://www.hipgnosissongs.com/>). However in summary:

Advisory fee

The advisory fee is calculated at the rate of:

1% per annum of the Average Market Capitalisation up to, and including, £250 million;

ii) 0.90% per annum of the Average Market Capitalisation in excess of £250 million and up to and including £500 million; and

iii) 0.80% per annum of the Average Market Capitalisation in excess of £500 million.

Advisory fees for the year were \$12.5 million (31 March 2022: \$16.5 million) with \$0.4 million outstanding at 31 March 2023 (31 March 2022: \$Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

19. Material Agreements (continued)

Performance Fee

In respect of each accounting period, the Investment Adviser (or, where the Investment Adviser so directs, any member of the Investment Adviser's team) is entitled to receive a performance fee (the "Performance Fee") equal to 10% of the Excess Total Return relating to that accounting period provided that the Performance Fee shall be capped such that the sum of the advisory fee (payable in respect of the Average Market Capitalisation of Ordinary Shares only) and the Performance Fee paid in respect of that accounting period is no more than 5% of the lower of: (i) Net Asset Value; or (ii) Closing Market Capitalisation at the end of that accounting period.

The Excess Total Return for an accounting period is calculated by reference to: (i) the difference between the Performance Share Price at the end of that Accounting Period and the higher of: (a) the Performance Hurdle (being issue price compounded by 10% per annum from initial Admission subject to appropriate adjustments in certain situations); and (b) high watermark (being the Performance Share Price at the end of the last Accounting Period where a Performance Fee was payable); multiplied by (ii) the weighted average of the number of Ordinary Shares in issue (excluding any shares held in treasury) at the end of each day during that accounting period.

For the purposes of calculating the Performance Fee:

"Performance Share Price" means, in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the 1 month period ending on the last business day of that accounting period (which shall be adjusted as appropriate: (i) to include any dividend declared but not paid where the Ordinary Shares are quoted ex such dividend at any time during that month; (ii) to exclude any dividend paid in respect of the shares during that month; and (iii) for the PSP Adjustments). During the year, the average of the middle market quotations was 81.0p; and

"Performance Share Price Adjustments" means adjustments to the Performance Share Price to (i) include the gross amount of any dividends and/or distributions paid in respect of an Ordinary Share since initial Admission; and (ii) make such adjustments to take account of C Shares as were agreed between the Company and the Investment Adviser, acting reasonably and in good faith, at the time of issuance of such C Shares.

The amount of Performance Fee payable to the Investment Adviser shall be paid in the form of a combination of: a) cash equal to all taxes or charges payable with respect to the Performance Fee by the Investment Adviser or member(s) of the Investment Adviser's Team; and b) Ordinary Shares ("Performance Shares") which are either issued by the Company where the Ordinary Shares are on average trading at par or at a premium to the last reported Operative NAV per Ordinary Share at the relevant time or purchased from the secondary market where the Ordinary Shares are on average trading at a discount to the last reported Operative NAV per Ordinary Share at the relevant time and transferred to, the Investment Adviser or member(s) of the Investment Adviser's Team.

The Performance Shares are subject to 18-month lock-up arrangements. The performance fee for the year ended 31 March 2023 was \$Nil (31 March 2022: \$Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

19. Material Agreements (continued)

Administration Agreement

Pursuant to the Administration Agreements: (i) Ocorian Administration (Guernsey) Limited has been appointed as Administrator of the Company; and (ii) Ocorian Administration (UK) Limited has been appointed as administrator to the subsidiaries. The Administrator or Ocorian Administration (UK) Limited (as applicable) are responsible for the day-to-day administration of the Company and its subsidiaries subject to the relevant Administration Agreement and general secretarial functions required by the Companies Law. During the year responsibility for the maintenance of the Group's accounting books and records, systems of internal control and financial reporting transferred from the Administrator to the Investment Adviser. For the purposes of the RCIS Rules, the Administrator is the designated manager of the Company.

Under the terms of the Administration Agreement between the Administrator and the Company, the Administrator is entitled to a fixed fee as at 31 March 2023 of £193,000 (\$231,600) (31 March 2022: £187,500, \$246,259) per annum for services such as administration, corporate secretarial, corporate governance, regulatory compliance and stock exchange continuing obligations. Additional ad hoc fees are payable in respect of certain additional services as determined by the Administration Agreement. Administration fees for the year to 31 March 2023 amounted to £209,873 (\$251,848) (31 March 2022: £364,612, \$478,875) of which nil (31 March 2022: £43,125, \$56,639) was outstanding at the year end.

Under the terms of the Administration Agreement between Ocorian Administration (UK) Limited and the subsidiaries the Administrator is entitled to a fixed fee as at 31 March 2023 of £3,500 (\$4,200) (31 March 2022: £14,000, \$18,387) per subsidiary and a variable incremental fee per annum per additional Catalogue held by a subsidiary for services such as administration and corporate secretarial. Administration fees for the subsidiaries for the year amounted to £296,595 (\$355,914) (31 March 2022: £489,683, \$673,007) of which nil (31 March 2022: £237,490, \$311,916) was outstanding at the year end.

20. Earnings per share

	31 March 2023 Basic	31 March 2023 Diluted
Loss for the year (\$'000)	(89,638)	(89,638)
Weighted average number of Ordinary Shares outstanding	1,210,360,176	1,210,360,176
Earnings per share (cents)	(7.41)	(7.41)

	31 March 2022 Basic	31 March 2022 Diluted
Loss for the year (\$'000)	(19,443)	(19,443)
Weighted average number of Ordinary Shares outstanding	1,175,596,128	1,175,596,128
Earnings per share (cents)	(1.65)	(1.65)

The earnings per share is based on the loss of the Group for the year and on the weighted average number of Ordinary Shares outstanding for the year ended 31 March 2023. As disclosed in Note 11, the Company repurchased Ordinary Shares during the year which are held as Treasury Shares at year end and these shares are not included the EPS calculation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

21. Auditor's remuneration

Audit and non-audit fees payable to the Auditors can be analysed as follows:

	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
PricewaterhouseCoopers CI LLP annual audit fees	753	600
PricewaterhouseCoopers CI LLP annual audit fees	753	600
Pricewaterhouse Coopers CI LLP Interim review fees	53	53
PricewaterhouseCoopers CI LLP non audit fees	53	53

22. Fair value gain on held for trading derivative financial instruments

The Company has the following derivative financial instruments in the following line items in the Consolidated Balance Sheet:

	31 March 2023 \$'000	31 March 2022 \$'000
Held for trading financial assets		
Foreign exchange forward contracts	4,914	-
Held for trading financial liabilities		
Interest rate swap arrangements	(3,395)	-

The carrying value of the held for trading financial instruments represent their fair value at year end.

The fair value gain on the held for trading derivative financial instruments are set out in the below table:

	1 April 2022 to 31 March 2023 \$'000	1 April 2021 to 31 March 2022 \$'000
Fair value gain on foreign exchange forward contracts	6,017	-
Fair value loss on interest rate swap arrangements	(3,395)	-
	2,622	-

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

23. Presentation Change

The Company has made immaterial changes to the presentation of the Consolidated Statement of Profit and Loss and accompanying notes during the year. This has resulted in the following changes of the comparative figures.

Consolidated Statement of Profit and Loss

	As reported in 31 March 2022 Annual Report 1 April 2021 to 31 March 2022 \$'000	Presentation change \$'000	As reported in 31 March 2023 Annual Report 1 April 2021 to 31 March 2022 \$'000
Income			
Total revenue	200,384	-	200,384
Interest income	5	-	5
Royalty costs	(32,041)	-	(32,041)
Net revenue	168,348	-	168,348
Expenses			
Advisory and performance fees	(16,548)	-	(16,548)
Administration fees	(1,152)	-	(1,152)
Legal and professional fees	(5,999)	-	(5,999)
Audit fees	(600)	-	(600)
Brokers' fees	(274)	-	(274)
Directors' remuneration	(696)	-	(696)
Listing fees	(34)	-	(34)
Subscriptions and licences	(526)	-	(526)
Public relations fees	(702)	-	(702)
Catalogue bonus provision	-	(936)	(936)
Charitable donations	(208)	208	-
Movement in ECL provision for HSG advances	-	(1,570)	(1,570)
Other operating expenses	(12,403)	2,298	(10,105)
Amortisation of Catalogues of Songs	(105,787)	-	(105,787)
Impairment of Catalogues of Songs	(1,490)	-	(1,490)
Amortisation of borrowing expenses	(1,635)	-	(1,635)
Borrowing cost extinguishment	-	-	-
Fixed asset depreciation	(712)	-	(712)
Loan interest	(20,377)	-	(20,377)
Fair value gain on held for trading derivative financial assets	-	-	-
Finance charges for deferred consideration	(212)	-	(212)
Net loss from joint ventures	(836)	-	(836)
Foreign exchange losses	(14,857)	-	(14,857)
Operating expenses	(185,048)	-	(185,048)
Operating loss for the year before taxation	(16,700)	-	(16,700)
Taxation	(2,743)	-	(2,743)
Loss for the year after tax	(19,443)	-	(19,443)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

24. Subsequent Events

On 28 April 2023 the Company's interim dividend of 1.3125 pence per Ordinary Share in respect of the period from 1 October 2022 to 31 December 2022 was paid.

On 23 June 2023 the Company's interim dividend of 1.3125 pence per Ordinary Share in respect of the period from 1 January 2023 to 31 March 2023 was declared.

Alternative Performance Measures

For the year ended 31 March 2023

Adjusted EPS

Definition

Loss after tax excluding Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses and Provision for HSG Advances divided by weighted average number of Ordinary Shares outstanding.

Reason for Use

Adjusted EPS is a strong indicator of Company performance and profitability after adjusting for non cash and financing items. Catalogue Bonus Provision has been included in the calculation in the current year as the Company does not anticipate this provision to occur at a material level in future years.

	31 March 2023 \$'000	31 March 2022* \$'000
Calculation		
Loss after tax	(89,638)	(19,443)
Total Amortisation	113,201	107,633
Impairment of Catalogues of Songs	3,901	1,490
Borrowing cost extinguishment	5,007	-
Depreciation	653	712
Lease liability interest	369	-
Catalogue bonus provision	43,757	936
HSG restructuring costs	1,028	-
Foreign exchange losses	3,157	14,857
Fair value gain on held for trading financial instruments	(2,622)	-
Movement in ECL provision for HSG advances	2,196	1,570
Adjusted earnings	81,009	107,755
Tax arising on above adjusting items [†]	(31,169)	(23,348)
	49,840	84,407
Weighted Average number of Ordinary Shares outstanding (number)	1,210,360,176	1,175,596,128
Adjusted Earnings per Share (cents)	4.12	7.18

[†] This figure is the sum of the tax effects of individual adjusting items other than permanent differences, calculated using the prevailing 19% corporation tax rate for the periods for UK items and 21% rate of US Federal corporate income tax for US items.

Adjusted Operating Costs less Interest Expense

Definition

Operational expenses less Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses, Provision for HSG Advances and Interest Expense.

Reason for Use

An indicator to Shareholders of the Company's underlying operational expenditure excluding non cash and financing items. Catalogue Bonus Provision has been included in the calculation in the current year as the Company does not anticipate this provision to occur at a material level in future years.

	31 March 2023 \$'000	31 March 2022* \$'000
Calculation		
Operational expenses	233,863	185,048
Total Amortisation	(113,201)	(107,633)
Impairment of Catalogues of Songs	(3,901)	(1,490)
Borrowing cost extinguishment	(5,007)	-
Depreciation	(653)	(712)
Lease liability interest	(369)	-
Catalogue bonus provision	(43,757)	(936)
HSG restructuring costs	(1,028)	-
Foreign exchange losses	(3,157)	(14,857)
Fair value gain on held for trading financial instruments	2,622	-
Provision for HSG advances	(2,196)	(1,570)
Interest expense	(33,700)	(20,377)
	29,516	37,473

* Refer to change in definitions on Alternative Performance Measures

Annualised Ongoing Charges

Definition

Adjusted Operating Costs less Interest Expense and non-recurring administrative expenses over a 12-month period.

Reason for Use

Ongoing Charges are a good indicator to Shareholders of the Company's continuing operating expenses excluding the cost of financing. These operating expenses are likely to recur in the foreseeable future.

	31 March 2023 \$'000	31 March 2022 \$'000
Calculation		
Adjusted Operating Costs less Interest Expense*	29,516	37,474
Non Recurring Administrative Expenses	(2,195)	(6,063)
	27,321	31,411

* Refer to change in Adjusted Operating Costs definition on Alternative Performance Measures

Distributable Revenues

Definition

Distributable Revenues are the Loss after Tax excluding Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses and Provision for HSG Advances.

Reason for Use

Distributable Revenues are the adjusted profits attributable to the Company's revenue activities and are an indicator of the Company's ongoing ability to pay its dividends, thereby excluding the impact of IFRS accounting matters, liabilities and costs not expected to occur at levels of current year.

	31 March 2023 \$'000	31 March 2022 \$'000
Calculation		
Loss after tax	(89,638)	(19,443)
Total Amortisation	113,201	107,633
Impairment of Catalogues of Songs	3,901	1,490
Borrowing cost extinguishment	5,007	-
Depreciation	653	712
Lease liability interest	369	-
Catalogue bonus provision	43,757	936
HSG restructuring costs	1,028	-
Foreign exchange losses	3,157	14,857
Fair value gain on held for trading financial instruments	(2,622)	-
Movement in ECL provision for HSG advances	2,196	1,570
	81,009	107,755

Dividend Cover

Definition

Distributable Revenues divided by the dividend paid during the year.

Reason for Use

A strong indicator to Shareholders of the Company's ability to pay a dividend from retained earnings.

	31 March 2023 \$'000	31 March 2022 \$'000
Calculation		
Distributable Revenues	81,009	107,755
Dividend Paid	56,260	84,300
	1.44	1.28

EBITDA

Definition

The Operating loss before Tax plus Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses, Provision for HSG Advances and Interest Expense.

Reason for Use

A strong indicator to Shareholders of Company performance and profitability after adjusting for non cash and financing items. Catalogue Bonus Provision has been included in the calculation in the current year as the Company does not anticipate this provision to occur at a material level in future years.

	31 March 2023 \$'000	31 March 2022* \$'000
Calculation		
Operating loss	(86,630)	(16,700)
Total Amortisation	113,201	107,633
Impairment of Catalogues of Songs	3,901	1,490
Borrowing cost extinguishment	5,007	-
Depreciation	653	712
Lease liability interest	369	-
Catalogue bonus provision	43,757	936
Restructuring costs	1,028	-
Foreign exchange losses	3,157	14,857
Fair value gain on held for trading financial instruments	(2,622)	-
Movement in ECL provision for HSG advances	2,196	1,570
Interest expense	33,700	20,377
	117,717	130,875

* Refer to change in definitions on Alternative Performance Measures

Leveraged Free Cash Flow

Definition

Net Cash from operating activities less interest paid, acquisition related balances and foreign exchange losses.

Reason for Use

A good indicator to Shareholders of the cash position of the Company and the availability of cash flows to fund dividend payments.

	31 March 2023 \$'000	31 March 2022* \$'000
Calculation		
Net Cash from operating activities	102,129	84,869
Acquisition related balances	-	9,505
Foreign exchange losses	3,157	11,098
Interest paid	(23,433)	(20,775)
	81,853	84,697

* Refer to change in definitions on Alternative Performance Measures

Net Debt

Definition

Loan facility amount utilised less cash held at bank.

Reason for Use

Liquidity metric used to determine how well a company can pay all of its debts if they were due immediately.

	31 March 2023 \$'000	31 March 2022 \$'000
Calculation		
Loan facility amount	600,000	600,000
Cash at bank	(37,965)	(30,067)
	562,035	569,933

Non recurring administrative expenses

Definition

Non recurring expenditure included within operating expense.

Reason for Use

A good indicator to Shareholders of expenses not likely to recur in the foreseeable future.

	31 March 2023 \$'000	31 March 2022* \$'000
Calculation		
Non recurring expenses included within:		
Legal and professional fees	546	2,099
Brokers' fees	122	18
Public relations fees	100	145
Advisory and performance fees	-	43
Other operating expenses	1,427	3,758
	2,195	6,063

* Refer to change in definitions on Alternative Performance Measures

Ongoing Charges %

Definition

Annualised ongoing charges divided by Average Operative NAV.

Reason for Use

To monitor the expenses, which are likely to recur, relative to the fund size over time.

	31 March 2023 \$'000	31 March 2022 \$'000
Calculation		
Annualised Ongoing Charges*	27,321	31,411
Average Operative NAV	2,257,887	2,044,831
	1.21%	1.54%

* Refer to change in Adjusted Operating Costs definition on Alternative Performance Measures

Operative NAV

Definition

The IFRS NAV adjusted for the Fair Value of the Catalogues of Songs.

Reason for Use

The Operative NAV reflects the values of the Catalogues of Songs based on fair values produced by the Portfolio Independent Valuer.

	31 March 2023 \$'000	31 March 2022 \$'000
IFRS NAV	1,434,534	1,582,399
Adjustments for revaluations of Catalogues of Songs to fair value	565,478	457,441
Reversal of accumulated amortisation and impairment	316,036	199,800
Operative NAV	2,316,048	2,239,640

Total Amortisation

Definition

Amortisation of Catalogues of Songs plus amortisation of capitalised borrowing costs plus finance charges for deferred consideration.

Reason for Use

Total amortisation is the measure of the non-cash items arising from accounting treatment and includes the amortisation of borrowing costs, and is used to evaluate the performance without any amortisation.

	31 March 2023 \$'000	31 March 2022 \$'000
Calculation		
Amortisation of Catalogues of Songs	111,583	105,787
Amortisation of capitalised borrowing costs	1,618	1,635
Finance charges for deferred consideration	-	212
	113,201	107,634

NAV Total Return

Definition

Operative NAV per share plus cumulative dividends paid up to year end less the Operative NAV per share as at 11 July 2018, divided by the Operative NAV as at 11 July 2018.

Reason for Use

To show how the assets have performed since IPO to Shareholders.

	31 March 2023 \$'000	31 March 2022 \$'000
Calculation		
Operative NAV per share	1.9153	1.8491
Cumulative dividends paid to year end	0.2789	0.2159
Operative NAV at IPO	(1.2983)	(1.2983)
	0.8959	0.7667
Operative NAV at IPO	1.2983	1.2983
	69.01%	59.05%

12 Month NAV Total Return

Definition

Operative NAV per share as at year end plus dividend paid during the 12-month to year end less the Operative NAV per share as at the beginning of the year divided by the Operative NAV per share as at the beginning of the year.

Reason for Use

To show how the assets have performed over the past 12 months to Shareholders.

	31 March 2023 \$'000	31 March 2022 \$'000
Calculation		
Operative NAV per share at year end	1.9153	1.8491
Dividend paid during the 12-month period to year end	0.0631	0.0726
	1.9784	1.9217
Operative NAV per share at beginning of year	1.8491	1.6829
	6.99%	14.19%

Change in definitions on Alternative Performance Measures

Performance Measure	Definition as reported in March 2023 Annual Report	Definition as reported in March 2022 Annual Report	Reason for change
Adjusted EPS	Loss after tax excluding Total Amortisation, Impairment of Catalogues of Songs, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses and Provision for HSG Advances divided by weighted average number of Ordinary Shares outstanding.	Loss after tax excluding Total Amortisation, Impairment of Catalogues of Songs, Depreciation, Foreign Exchange Losses and Provision for HSG Advances divided by weighted average number of Ordinary Shares outstanding.	Catalogue Bonus Provision and Restructuring Costs are now included in the Adjusted EPS calculation as they are liabilities recognised based on Catalogue performance in the current year which the Company doesn't anticipate will incur at a material level in future years.
Adjusted Operating Costs less Interest Expense	Operational expenses less Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses, Provision for HSG Advances and Interest Expense.	Operational expenses less Total Amortisation, Depreciation, Impairment, Foreign Exchange Losses and Provision for HSG Advances less Interest Expense.	Catalogue Bonus Provision and Restructuring Costs are now included in the Adjusted Operating Costs less interest calculation as they are liabilities, and costs not expected to occur to current year's levels, in the current year which the Company doesn't anticipate will incur at a material level in future years.
EBITDA	The Operating loss before Tax plus Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses, Provision for HSG Advances and Interest Expense.	The Operating loss before Tax plus Total Amortisation, Impairment, Loan Interest, Depreciation, Foreign Exchange Losses and Provision for HSG Advances	Catalogue Bonus Provision and Restructuring Costs are now excluded from the EBITDA calculation as they are liabilities recognised based on Catalogue performance outside of the operating activities of the Company which the Company doesn't anticipate will incur at a material level in future years.
Leveraged Free Cash Flow	Net Cash from Operating Activities less interest paid, acquisition related balances and foreign exchange losses.	Net Cash from Operating Activities less Purchase of Fixed Assets.	To provide increased clarity to investors that interest is considered to be a leveraged payment. The purchase of fixed assets is not significant to the calculation and was removed. The calculation disclosure has been expanded to include Acquisition related balances and the impact of Foreign Exchange to provide clarity to investors on the Company's calculation methodology of Leveraged Free Cash Flow.
Non recurring administrative expenses	Non recurring expenditure included within operating expenses.	Exceptional costs included within legal and professional and listing fees plus Aborted deal expenses plus interest costs.	Non recurring expenditure in the current year is included throughout operating expenses and is not isolated to legal and professional and listing fees. Interest costs have been removed from the calculation as this calculation seeks to present the leveraged free non-recurring administrative expenses.

Glossary of Capitalised Defined Terms

“Administrator” means Ocorian Administration (Guernsey) Limited;

“Admission” means admission, on 11 July 2018, to trading on the SFS of the London Stock Exchange, of the Ordinary Shares becoming effective in accordance with the Listing Rules and/or the LSE Admission Standards and on 25 September 2019 to a Premium Listing on the Main Market;

“AEOI” means Automatic Exchange of Information;

“AIC” means the Association of Investment Companies;

“AIC Code” means the AIC Corporate Governance Code 2019;

“Annual General Meeting” or **“AGM”** means the annual general meeting of the Company;

“Annual Report” or **“Annual Report and Consolidated Financial Statements”** means the annual publication of the Company provided to the Shareholders to describe their operations and financial conditions, together with their Consolidated Financial Statements;

“Apple Music” means the music and video Streaming service developed by Apple Inc.;

“Articles of Incorporation” or **“Articles”** means the articles of incorporation of the Company;

“ASCAP” means the American Society of Composers, Authors and Publishers;

“Audit Committee” or **“Audit and Risk Management Committee”** means a formal committee of the Board with defined terms of reference;

“Average Market Capitalisation” means, in relation to each month where the advisory fee is payable, (“A” multiplied by “B”) plus (“C” multiplied by “D”), where: “A” is the average of the middle market quotations of the Ordinary Shares for the five day period ending on the last business day of that month (adjusted as appropriate to exclude any dividend where the Ordinary Shares are quoted ex such dividend at any time during that five day period);

“B” is weighted average of the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the end of each day during that month;

“C” is the average of the middle market quotations of a class of C Shares in issue for the five day period ending on the last business day of that month (adjusted as appropriate to exclude any dividend where the C Shares of that class are quoted ex such dividend at any time during that five day period); and “D” is weighted average of the number of that class of C Shares in issue (excluding any Shares held in treasury) at the end of each day during that month;

“Board” or **“Directors”** means the Directors of the Company;

“BMI” means Broadcast Music, Inc;

“BPI” means the British Phonographic Institute;

“C Shares” means a temporary and separate class of shares which are issued at a fixed price determined by the Company;

“Catalogue” means one or more Songs acquired from a single Songwriter, artist or company;

“CBS” means the US commercial broadcast television and radio network;

“CD” means compact disc;

“Closing Market Capitalisation” means, in relation to each Accounting Period, “E” multiplied by “F”, where:

“E” is the Performance Share Price; and “F” is the weighted average of the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the end of each day during the Accounting Period;

“CMO” means Collection Management Organisation. A CMO is appointed by copyright holders to manage both the mechanical and performance rights in their copyright works;

“Companies Law” means the Companies (Guernsey) Law, 2008;

“Company” means Hipgnosis Songs Fund Limited. References to the Company are also considered to be references to the Group, where applicable;

“Company Secretary” means Ocorian Administration (Guernsey) Limited;

“Consolidated Financial Statements” means the audited financial statements of the Company, including the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and associated notes;

“Continuation Vote” means the ordinary resolution that the Company continues its business as a closed-end investment company;

“Conversion” means the conversion of C Shares to Ordinary Shares;

“Copyright Royalty Board” or **“CRB”** means the US Copyright Royalty Board;

“Corporate Brokers” means Singer Capital Markets Advisory LLP, J.P. Morgan Securities plc and RBC Europe Limited;

“Covid-19” means the global coronavirus pandemic;

“DCF” means discounted cash flow;

“Disclosure Guidance and Transparency Rules” or **“DTRs”** mean the disclosure guidance published by the FCA and the transparency rules made by the FCA under section 73A of FSMA;

“Distributable Revenues” means profit after tax attributable to the Company’s revenue activities;

“Downloads” means royalties for the permanent digital mechanical transfer of music;

“DSP” means digital service providers;

“Earnings per Share” or **“EPS”** means the Earnings per Ordinary Share and is expressed in pounds Sterling;

“EU” means European Union;

“Fair Value” means the fair value as calculated by the Portfolio Independent Valuer;

“FCA” means the UK Financial Conduct Authority (or its successor bodies);

“FRC” means the UK Financial Reporting Council;

“FSMA” means the UK Financial Services and Markets Act 2000;

“GFSC” means the Guernsey Financial Services Commission;

“Grammy” means an award presented by the Recording Academy to recognise achievements in the music industry;

“Group” means Hipgnosis Songs Fund Limited and its subsidiaries;

“HSG” means Hipgnosis Songs Group, which was rebranded from Big Deal Music Group (BDM) on acquisition;

“IAS” means international accounting standards as issued by the Board of the International Accounting Standards Committee;

“IFPI” means International Federation of the Phonographic Industry which measure global recorded market revenues;

“IFRS” means the International Financial Reporting Standards, being the principles-based accounting standards, interpretations and the framework by that name issued by the International Accounting Standards Board;

“IFRS NAV” means the value of the Gross Assets of the Company less its liabilities (including accrued but unpaid fees) in accordance with the accounting policies adopted by the Directors;

“Interim Report” means the Company’s half yearly report and unaudited condensed consolidated financial statements for the period ended 30 September;

“Investment Adviser” means Hipgnosis Song Management Ltd, formerly The Family (Music) Limited;

“Investment Advisory Agreement” means the investment advisory agreement dated 27 June 2018, as amended, between Hipgnosis Song Management Ltd, formerly known as The Family (Music) Limited, the Company and its subsidiaries;

“Investment Entity” means an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both;

“IPO” means the initial public offering of shares by a private company to the public;

“ISAE 3402” means International Standard on Assurance Engagements 3402, “Assurance Reports on Controls at a Service Organisation”;

“ISIN” means an International Securities Identification Number;

“ISWC” means International Standard Musical Work Code. It is a unique, permanent and internationally recognised reference number for the identification of musical works;

“Kobalt” means Kobalt Music Copyrights S.à.r.l.;

“Kobalt Fund 1” means a portfolio of 42 Catalogues acquired in September 2020, from Kobalt Music Copyrights S.à.r.l., an investment fund advised by Kobalt Capital Limited;

“Letter of Direction” means a document sent by the current copyright owner or the recipient of music royalties to the Publisher, Record company or Collection Society requesting a re-direction of royalties to be paid. It is sent from the current owner/recipient who is selling the assets, directing that all future payments should go to the buyer of the assets;

“LIBOR” means the London Interbank Offered Rate the basic rate of interest used in lending between banks on the London interbank market and also used as a reference for setting the interest rate on other loans;

“Listing Rules” means the Listing Rules made by the UK Listing Authority under section 73A FSMA;

“Live” means publishing revenue derived from the live performance of music copyrights at concerts;

“London Stock Exchange” or **“LSE”** means London Stock Exchange Plc;

“MAR” means EU regulation 596/2014 on market abuse;

“Master Recording royalties” aka **“Recording Royalties”** mean royalties that are generated on behalf of a sound/master recording. This is the most basic royalty performing artists and labels earn when their master recording is downloaded, physically bought, or streamed;

“Mechanical” means royalties for reproducing music, for example CD, vinyl, etc. (excluding mechanical downloads and mechanical Streaming);

“NAV per Share” means the Net Asset Value attributable to the Ordinary Shares in issue divided by the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the relevant time and expressed in Dollars;

“Neighbouring Rights Income” is the payment to the recording artist or performer for the public performance usage related to the Master Recording;

“Net Asset Value” or **“NAV”** means the value of the assets of the Company less its liabilities as calculated in accordance with the Company’s valuation policy and expressed in Dollars;

“Net revenue” or **“NPS”** means Net Publisher Share and refers to revenue collected by Publishers from PROs, net of contractual royalties due to writers i.e. deductions for administration and publishing fees;

“NFT” means Non Fungible Token;

“Nomination Committee” means a formal committee of the Board with defined terms of reference;

“Operative NAV” means NAV as adjusted for the fair value of Catalogues of Songs;

“Ordinary Shares” means redeemable Ordinary Shares of no par value in the capital of the Company issued and designated as “Ordinary Shares” and having the rights, restrictions and entitlements set out in the Articles;

“Other income” means any income not covered by the other income types, for example sheet income and lyric exploitation;

“Performance” means royalties for playing music in public, for example TV/radio broadcasts, live performance, etc. and paid through to the publisher;

“Performance Fee Shares” means Ordinary Shares issued to the order of the Investment Adviser in accordance with the performance fee arrangements in the Investment Advisory Agreement;

“Performance Rights Organisations” or **“PROs”** means a performing rights organisation, such as PRS or BMI, which represents and collects Performance royalties for and on behalf of each of its members;

“Performance Share Price” means in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the one month period ending on the last business day of that accounting period;

“Portfolio” means the portfolio of Songs (whether organised into Catalogues or otherwise) held by the Company directly or indirectly from time to time;

“Portfolio Committee” means a committee of the Board which approves all purchases of Catalogues of Songs;

“Portfolio Independent Valuer” means Citrin Cooperman Advisors LLC, formerly Massarsky Consulting, Inc., appointed by the Board to independently value the Company’s Catalogues within the Portfolio;

“Portfolio Administrator(s)” means portfolio administrators appointed by the Company in order to assist with the administration of the Portfolio;

“Premium Listing” means a Premium Listing on the Main Market of the London Stock Exchange;

“Premium / Discount to Operative NAV” means the situation where the Ordinary Shares of the Company are trading at a price higher/lower than the Company’s Operative NAV;

“Prospectus” means the most recent prospectus issued by the Company unless the context refers to a version of the prospectus published at an earlier date;

“Pro Forma Annual Revenue” or **“PFAR”** – Pro Forma Annual Revenue (PFAR) is a non IFRS measure and represents the royalty revenue earned in a 12-month period by the Portfolio of Songs held by the Company at a specific date, largely based on royalty statements received, irrespective of whether the songs were owned by the Company over the period analysed. This is unlike IFRS 15 revenue which is accounted for from acquisition date and PFAR doesn’t include any revenue accruals as these are accounted for under IFRS;

“Public Performance” means revenue generated from licenses for the right to play music publicly in a commercial environment e.g. shops, bars, restaurants and shopping malls;

“Publishing Share” means the share of the rights in a music composition (lyrics and/or music) which generate Mechanical and Performance royalties. In the UK, “blanket licences” are issued to organisations including radio and TV;

“RCF” means the Revolving Credit Facility arranged from City National Bank, as Lead Arranger;

“RCIS Rules” means the Registered Collective Investment Scheme Rules 2015;

“Record Labels” means a company that owns, distributes and promotes musical recordings;

“Recording Academy” means a US academy of musicians, producers, recording engineers and other musical professionals;

“Registrar” means Computershare Investor Services (Guernsey) Limited;

“Remuneration Committee” means a formal committee of the Board with defined terms of reference;

“Revenue activities” means all revenues generated from the Company's principal activities which is investing in and managing music copyrights and associated musical intellectual property;

“RIAA” means Recording Industry Association of America;

“Right To Income” or “RTI” means a right to income recognised as part of the Catalogue acquisition, which is typically dependent on the timing of the negotiations and relates to royalty income paid over to the Company on closing of the acquisition and the accrued receivables. The right to income related to the period before the start of the financial year is now defined as **“Pre-FY (RTI)”**; the portion of RTI that falls within the Financial Year is now defined as **“Within FY, pre-acq (RTI)”**;

“Sacem” – Société des auteurs, compositeurs et éditeurs de musique, the French Collection Society;

“SFS” means London Stock Exchange’s specialist fund segment of the Main Market for listed securities;

“Shareholder” means the holder of one or more Ordinary Shares;

“SOFR” means the Secured Overnight Financing Rate, a benchmark interest rate for dollar-denominated derivatives and loans;

“Song” means a Songwriter’s and/or publisher’s share of copyright interest in a song, being a musical composition of words and/or music and the Songwriter’s proportion of the publishing rights of a single musical track, and when construction permits, the collection of words and/or music as purchased by consumers;

“Song Management” Active Management of the placing of songs in Films, TV Adverts, TV Programs, Video Games and Streaming playlists also including promoting the Interpolation of our songs by new Songwriters and Covers of our songs by new artists;

“Streaming” means performance and Mechanical royalties for digitally playing music in real-time, for example through Spotify;

“Synchronisation” or “Synch” means royalties for playing music in connection with visual media (for example Film, TV, advertisements);

“The MLC” is a collection society designated by the U.S. Copyright Office, that since January 2021 has begun administering blanket mechanical licenses to digital service providers in the United States, and then paying out the royalties collected;

“TV” means television;

“UK” or “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland;

“UK Code” means The UK Corporate Governance Code 2019 as published by the Financial Reporting Council;

“UKLA” means UK Listing Authority;

“US” or “United States” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“Usage Accrual” the Usage Accrual is an element of the revenue accrual to recognise the estimated revenue at the point at which usage is expected to occur;

“Writer’s Share” means Performance royalties collected by a Performance Rights Organisation and paid through directly to the Songwriter as opposed to the Publisher Share of performance;

“YouTube” means the US video-sharing website;

“£” or “Pounds Sterling” or “Sterling” or “GBP” means British pounds sterling and **“p” or “pence”** means British pence;

“\$” or “USD” or “Dollar” or “Dollars” means United States dollars and **“cents”** means United States cents; and

“€” or “EUR” is the currency of the majority of member states of the EU.

Directors and General Information

Company Registration Number: 65158

Board of Directors

Andrew Sutch, Chair
 Paul Burger, Senior Independent Director
 Andrew Wilkinson
 Simon Holden
 Sylvia Coleman
 Vania Schlogel*

* Resigned 30 April 2023

Founder

Merck Mercuriadis

Advisory Board

Nile Rodgers
 The-Dream
 Giorgio Tuinfort
 Starrah
 David A. Stewart
 Poo Bear
 Bill Leibowitz
 Ian Montone
 Rodney Jerkins

Investment Adviser

Hipgnosis Song Management
 Merck Mercuriadis, Chief Executive Officer
 Ben Katovsky, President & Chief Operating Officer
 Chris Helm, Chief Financial Officer, on behalf of SONG

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Administrator and Company Secretary

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 Canary Wharf
 London E14 5JP

RBC Europe Limited
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Independent Auditor

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 Guernsey GY1 3BE

Registrar

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 Guernsey GY1 1DB

Identifiers

ISIN: GG00BFYT9H72
 Ticker: SONG
 SEDOL: BFYT9H7
 Website: www.hipgnosissongs.com
 LEI: 213800XJIPNDVKXMOC11
 GIIN: 5XGPC8.99999.SL.831

Managing your account online

The Company's registrar, Computershare Investor Services (Guernsey) Limited, allows you to manage your shareholding online. If you are a direct investor you can view your shareholding, change the way the Registrar communicates with you and buy and sell shares. If you haven't used this service before, all you need to do is enter the name of the Company and register your account at:

www-uk.computershare.com/investor

You'll need your Investor code (IVC) printed on your share certificate in order to register.

Advice to Shareholders

In recent years investment related scams have become increasingly sophisticated and difficult to spot. We are therefore warning all our Shareholders to be cautious so that they can protect themselves and spot the warning signs.

Fraudsters will often:

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they are only making the offer available to you
- ask you to not tell anyone else about it

You can avoid investment scams by:

- **Rejecting unexpected offers** – Scammers usually cold call but contact can also come by email, post, word of mouth or at a seminar. If you have been offered an investment out of the blue, chances are it's a high-risk investment or a scam.
- **Checking the FCA Warning List** – Use the FCA Warning List to check the risks of a potential investment. You can also search to see if the firm is known to be operating without proper FCA authorisation.
- **Getting impartial advice** – Before investing get impartial advice and don't use an adviser from the firm that contacted you. If you are suspicious, report it.
- You can report the firm or scam to the FCA by contacting their Consumer Helpline on **0800 111 6768** or using their online reporting form.
- If you have lost money in a scam, contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk. For further helpful information about investment scams and how to avoid them please visit www.fca.org.uk/scamsmart

Cautionary Statement

The Chair's Statement, the Investment Adviser's Report and the Report of the Directors have been prepared solely to provide additional information for Shareholders to assess the Company's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Chair's Statement, Investment Adviser's Report and the Report of the Directors may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Adviser, concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

Subject to their legal and regulatory obligations, the Directors and the Investment Adviser expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

Hipgnosis Songs Fund Limited

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Further information available online: www.hipgnosissongs.com



Hipgnosis Playlists

Hipgnosis Billion Streamers

Apple Music



Spotify



Superstars, Super Tours Taylor Swift

Apple Music



Spotify



Hipgnosis Rolling Stones' 500 Greatest Songs of All Time

Apple Music



Spotify



Beyoncé

Apple Music



Spotify



Hipgnosis YouTube's Most Viewed Music Videos of All Time

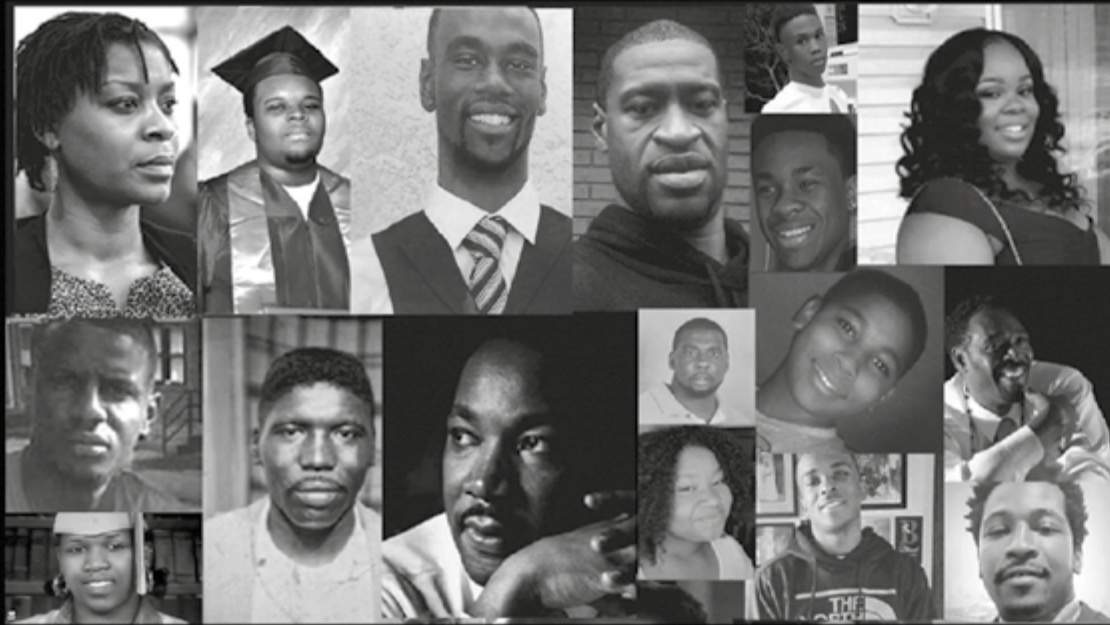
Apple Music



Spotify



REMI



B L A C K L I

A N T I

• **Payphone** • Yeah! • **Around The World** • Call Me • **Ohio** • Many Men (Wish Death) • **Ride Wit Me** • The Lazy Song • **Roam** • Copacabana (At The Copa) 2005 • **Fell On Black Days** • Don't Let Go • **Barcelona** • 21 Questions • **Honest** • I Lived It • **Me, Myself & I** • It Will Rain • **I'm Your Baby Tonight** • Blue Jeans • **Queen Of The Night** • Don't Give Up On Me • **Maps** • They Don't Know • **Would I Lie To You?** • Mandy • **Addicted To You** • Country Grammar • **Flatliner** • New Year's Day • **Hunger Strike** • Dilemma • **Perfect Places** • Sisters Are Doin' It For Themselves • **Xo** • Good Times • **Freaky Friday** • The Zephyr Song • **Alejandro** • Dress • **You're Beautiful** • Runnin' (Lose It All) • **Do You Remember** • Home Sweet Home • **Just A Lil Bit** • Underneath Your Clothes • **Changing** • Diva • **Every Little Step** • Classic • **Say You Love Me** • Good To Be Alive (Hallelujah) • **The Prayer** • Somebody • **Harvest Moon** • Heartless • **One Last Time** • Clandestino • **Waterfalls** • Sugar • **Liability** • Dumb Disco Ideas • **Soul On Fire** • Say My Name • **Prayed For You** • I Get Money • **I'll Be There For You** • This Is Why We Can't Have Nice Things • **Out Of The Woods** • Burial • **El Perdedor** • Best Song Ever • **Somewhere On A Beach** • One Way Or Another • **I'm Not In Love** • Dare (La La La) • **Nada** • Count On Me • **Swalla** • Don't Be So Hard On Yourself • **Goodbye Angels** • Look What God Gave Her • **Kiss And Make Up** • Carry On • **Girls, Girls, Girls** • **When You're Gone** • Tennis Court • **Turn Down For What** • Liar • **Fresh Eyes** • Nervous • **Someone To You** • Dynamite • **Rusty Cage** • Sign Of The Times • **Supercut** • Even So, Come (Come, Lord Jesus) • **Soundtrack 2 My Life** • Cuando Me Enamoro • **Unknown (To You)** • Easier • **I Miss You** • Run The World (Girls) • **All Of The Lights** • Cinnamon Girl • **Southern Man** • Middle Of The Road • **You Make It Easy** • Bad Medicine • **Love On Top** • Cheating • **Fallin' All In You** • As You Are • **Scary Monsters And Nice Sprites** • Don't Come Around Here No More • **Young** • Dance For You • **Thorn In My Side Remastered V** **Suck My Kiss** • Stereo Hearts • **Loco** • Superposition • **Disco Inferno** • Setting Fires (feat. XYLØ) • **Glitter & Gold** • How Can It Be • **Sexual** • Want U Back • **Black Magic** • Breaking the Girl • **Swish Swish** • Here's My Heart • **Green Onions** • Life Of The Party • **Last Friday Night (T.G.I.F.)** • Everytime • **No Money** • Nunca Te Olvidaré • **Feel the Love** • Love Me Now • **Holy Grail** • **Arrow** • Jar of Hearts • **Head Held High** • Born To Be My Baby • **Answerphone** • Company • **Obsessed** • Monday Morning • **We Weren't Born to Follow** • A Different Way • **You Owe Me** • Over Now • **How Do You Sleep?** • Teenage Dream • **One Thing** • Break Your Heart • **Call You Mine** • Hard • **What's My Age Again?** • The One • **This Town** • Escape • **Give Me Your Love** • Slow Hands • **Strong Enough** • Motivation • **Runaway** • Naked • **Rock Lobster** • Girl On Fire • **Le Freak** • 7 Things I Hate About You • **Underneath It All** • Parallel Line • **After The Gold Rush** • Helpless • **Hey Hey, My My** • Drunk On A Plane • **King Is Born** • If I Can't Have You • **Keep The Faith** • Inside Out • **The Rest Of Our Life** • Monster • **Nice To Meet Ya** • She Wolf • **The Getaway** • Wild Horses • **Objection** • Mr. Rager • **Small Town Boy Like Me** • Glad You Came • **Fuck You** • Say Amen (Saturday Night) • **Young Girls** • Listen • **That's What Friends Are For** • Polaroid • **Peanut Butter Jelly** • Touch My Body • **Been You** • Bloodline • **Irreplaceable** • Miracle Of Love • **Would You Ever** • Yo • Soy Yo • **On My Own** • Parallel Universe • **Dirt On My Boots** • Road Trippin' • **Mariners Apartment Complex** • I'm Coming Out • **You And I** • We Can Do Better • **Is That For Me** • Because He Lives (Amen) • **Die A Happy Man** • Boys Round Here • **Me And My Broken Heart** • Therapy • **Deja Vu** • Wasted Times • **Feeling Whitney** • Be Without You • **A Groovy Kind Of Love** • 5 More Hours • **Chains** • The Lord Our God • **Haven't Met You Yet** • Beautiful Pain • **Dreams Of A Samurai** • Ciega, Sordomuda • **Girl Like You** • Lie To Me • **Nothing Else Matters** • Nothin' On You • **Follow Your Fire** • Free • **All Loved Up** • Empress • **Better Life** • Flames • **Not In That Way** • Shed A Light • **Nobody Does It Better** • Dreadlock Holiday • **50 Ways To Say Goodbye** • Get Ur Freak On • **Million Reasons** • The Longest Wave • **End Of Time** • The Things We Do For Love •



HIPGNOSIS SONGS FUND

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