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This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR").

Monday 5 July 2021

Hipgnosis Songs Fund Limited ("Hipgnosis" or the "Company")

Final Results

The Board of Hipgnosis, the first UK investment company offering investors a pure-play exposure to songs and associated musical intellectual property rights, and its Investment Adviser, The Family (Music) Limited, are pleased to announce the Company's final results for the year ended 31 March 2021.

Highlights

Operational Highlights

- 84 Catalogues acquired for $1.089 billion including Rock And Roll Hall of Fame inductees Neil Young, Lindsey Buckingham / Fleetwood Mac, Steve Winwood, Debbie Harry and Chris Stein / Blondie, and Chrissie Hynde / The Pretenders, Songwriters Hall of Fame inductees Carole Bayer Sager and Barry Manilow as well as the iconic Songs of Shakira, Rick James, Enrique Iglesias and B-52's, taking the total Portfolio to approximately $2 billion invested across 138 Catalogues
- High calibre recruitments at the Investment Adviser's Song Management team, including Ted Cockle, Amy Thomson, Tom Stingemore, Patrick Joest and Joe Maggini, with synch growing to 15% of revenue from 9% in the prior year
- Acquisition of Big Deal Music, now Hipgnosis Songs Group, providing in-house administration in the US leading to significant savings on third party administration fees
- Continued to advocate for Songwriters to receive a greater share of a Song's income at the highest level including the DCMS hearings taking place in UK Parliament.

Financial Highlights

- Operative NAV increased by 11.3% to $1.6829 per Share over the year (31 March 2020: $1.5114)
- Including dividends paid, this represents a Total Operative Dollar NAV Return of of 15.7% for the year, taking Total NAV Return since IPO to 40.7%
- Like-for-like valuation uplift across the Portfolio of 10.4% during the year
- Catalogue revenues highly resilient through COVID-19 pandemic and well placed for future growth with acceleration of streaming adoption:
    - Streaming income increased by 18.4% in the second half of the year from the previous six month period
- Annual dividend target increased by 5% to 5.25p per Ordinary Share:
    - Total dividends of 5.125p paid in respect of the period, covered 1.58 times by Leveraged Free Cash Flow
    - The Company intends to declare its first interim dividend for the year ending 31 March 2022 following completion of the current placing
- Net debt of $464.6 million as at 31 March 2021
- Change of functional and presentation currency to reflect significant increase in the proportion of Catalogues, revenue and transactions denominated in USD

Merck Mercuriadis, Hipgnosis Songs Fund Limited and Founder of The Family (Music) Limited, said:

"We are delighted to announce a strong set of annual results which reports on a remarkable year for Hipgnosis. Against one of the most challenging backdrops of our lives, the Operative NAV per Share increased by 11.3% to $1.6829, which with dividends paid reflects a Total Operative Dollar NAV Return of 15.7%. This brings the Total NAV Return since IPO less than three years ago to 40.7%. This strong return evidences not only our ability to be able to buy and manage our culturally important and extraordinarily successful songs well but also the highly uncorrelated nature of proven songs.

Whilst we would never have wished for a pandemic, it has not only demonstrated the predictable, reliable and uncorrelated nature of the income of proven Songs, but also accelerated the change in consumer behaviour to consuming music by streaming. Revenues have been highly resistant during the course of this incredibly challenging year and are well placed for future growth with global streaming adoption beating all expectations - seeing the 30 million paid subscribers when we first started grow to 450 million paid subscribers today to what are forecast to be 2 billion paid subscribers by the end of the of the decade. This has turned music from being a discretionary or luxury purchase to very much being a utility as a result of the convenience and access afforded by streaming. Going forward this accelerated streaming will be enhanced as revenues from TikTok, Peloton, Triller, Roblox, and other rapidly emerging digital platforms start to be paid through. These are new income streams, expected to be a material portion of our revenue going forward, that are not in the data that we buy Catalogues on. We are entering an era where now, for the first time ever, almost all consumption of music is paid for.

During the year, we have significantly enhanced our Song Management team, now led by Ted Cockle and Amy Thomson, which is structured to have the bandwidth to be able to apply ourselves and give our great Songs the attention they deserve. This has had a significant impact and increased the monetization of our Songs, with synch revenues exceeding all expectations, and despite film and TV production being shut down for much of the last 16 months, increased from 9% to 15% of our revenue. Great examples of our Song Management team's impact include:

- our work with Blondie and Miley Cyrus on both versions of *Heart Of Glass*, which has introduced this classic song to a new audience and together have been streamed more than 250 million times since we brought them together on TikTok last October;
- helping *All I Want For Christmas Is You* get to UK Number 1 for the first time in its 26 year history;
- repositioning Chic's 44 year old *Everybody Dance* as a Gen Z hit with the new version by Cedric Gervais and Sound Of Franklin featuring Nile Rodgers, which we released in January and has been building in streams and airplay every week and has been all over the new season of Love Island this week;
- our copyright management that has identified historic registrations errors, break downs in income chains and unclaimed recordings, which when fixed will all create incremental revenue for the Company. For example, we have identified 76 million views of unclaimed / unmatched recordings of our Songs on YouTube in the month of January alone, which would represent a 36% uplift. Further to this we have done test cases on 5 Catalogues, identifying broken registrations that indicate that more than 40% income on each has not been collected previously due to errors in registration that pre-date our acquisition. These have now been corrected and the same work is being actioned on all of our Songs.

Furthermore, the legislative efforts – influenced by our advocacy – that are taking place all over the world to lobby on behalf of the Songwriter to receive a greater share of the income combined with our pedigree and effectively unique proposition has made us the preferred choice for the Songwriting community. In doing this there is complete alignment between our Shareholders and the Songwriters as what's in the best interest of the Songwriter is also in the best interest of our Shareholders. Together with our Shareholders' support, this has allowed us to grow our Portfolio from c.13,000 to over 60,000 Songs, investing more than $1 billion in this fiscal year and approximately $2 billion overall, whilst maintaining our criteria of the Songs being extraordinarily successful and of great cultural importance. We have added the catalogues of Rock And Roll Hall Of Fame inductees Neil Young, Lindsey Buckingham / Fleetwood Mac, Steve Winwood, Debbie Harry & Chris Stein / Blondie, and Chrissie Hynde / The Pretenders, Songwriters Hall Of Fame inductees Carole Bayer Sager and Barry Manilow as well as iconic artists, songwriters and producers Shakira, Rick James, Enrique Iglesias, B-52's, Jimmy Iovine, The RZA / Wu Tang Clan, Chris Cornell / Soundgarden, 50 Cent, George Benson, Nikki Sixx / Motley Crue, Rodney Jerkins, Kevin Godley &, Eric Stewart / 10cc, Skrillex, Andy Wallace, Christian Karlsson, Joel Little, Walter Afanasieff and many others, including the recently crowned 2021 Grammy Awards Producer Of The Year Andrew Watt.

Having now grown Hipgnosis to a $1.8 billion market cap FTSE 250 company and invested almost $2 billion in iconic songs that are a part of the fabric of our society, which have just been independently valued at $2.2 billion, it is worth re-stating our ambitions when we listed three years ago, which were to:

1. Establish Songs as an asset class;

2. Use the influence of our Fund and the great Songs in our Catalogue to be a catalyst to change where the Songwriter sits in the economic equation for the benefit of the Songwriting community and our Shareholders;

3. To replace the broken traditional publishing model with Song Management and add value by managing the Songs with bandwidth and responsibility.

Having delivered another strong, and index beating, set of results, having advocated for Songwriters at the highest level including the DCMS hearings taking place in UK Parliament and having increased our synch income through Song Management, as a percentage of total revenue, I'm delighted to say our ambitions are turning into reality and we are well on our way to Hipgnosis achieving them all."

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NOTES TO EDITORS

About Hipgnosis Songs Fund Limited

(www.hipgnosissongs.com)

Hipgnosis, which was founded by Merck Mercuriadis, is a Guernsey registered investment company established to offer investors a pure-play exposure to songs and associated musical intellectual property

rights. The Company has raised a total of over £1.1 billion (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent issues in April 2019, August 2019, October 2019, July 2020, September 2020 and February 2021. In September 2019, Hipgnosis transferred its entire issued share capital to the Premium listing segment of the Official List of the FCA and to the London Stock Exchange's Premium segment of the Main Market, and in March 2020 became a constituent of the FTSE 250 Index. Since April 2021, the Company has been resident in the UK for tax purposes and is recognised as an investment trust under applicable HMRC regulations.

About The Family (Music) Limited

The Company's Investment Adviser is The Family (Music) Limited, which was founded by Merck Mercuriadis, former manager of globally successful recording artists, such as Elton John, Guns N' Roses, Morrissey, Iron Maiden and Beyoncé, and hit songwriters such as Diane Warren, Justin Tranter and The-Dream, and former CEO of The Sanctuary Group plc. The Investment Adviser has assembled an Advisory Board of highly successful music industry experts which include award winning members of the artist, songwriter, publishing, legal, financial, recorded music and music management communities, all with in-depth knowledge of music publishing. Members of The Family (Music) Limited Advisory Board include Nile Rodgers, The-Dream, Giorgio Tuinfort, Starrah, David A. Stewart, Poo Bear, Bill Leibowitz, Ian Montone and Rodney Jerkins.

Financial Review

Functional currency

The Company and a number of its subsidiaries changed their functional and presentation currency from Sterling to Dollars with effect from 1 October 2020. This was required under IFRS, as there has been a fundamental shift in the primary economic environment in which the Company operates due to a significant increase in the proportion of transactions denominated in Dollars. The Kobalt Music Copyrights Sarl and Big Deal Music Group acquisitions, which occurred on 30 September 2020 and 10 September 2020 respectively, and the restructuring of the debt facility from Sterling to Dollars, have significantly increased the proportion of catalogues, revenues and transactions denominated in Dollars. Further disclosure, including the methodology applied to effect this change, is seen in Note 2n. The Company will continue to pay any dividends in Pounds Sterling and its primary listing will remain denominated in Sterling.

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 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 Board considers that the most relevant NAV for Shareholders is the 'Operative NAV', which reflects the fair value of the Company's Catalogues as valued by the Portfolio Independent Valuer.

The Operative NAV per Share increased by 11.3% to $1.6829 during the year (31 March 2020: $1.5114), which, when including dividends paid, represents a Total Operative Dollar NAV Return of 15.7%.

This brings Total $ NAV Return to Shareholders to 40.7% since Hipgnosis' IPO on 11 July 2018.

The growth in Operative NAV over the period was 10.4%, like-for-like uplift in the fair value of Catalogues driven by:

- an increase in the Portfolio Independent Valuer's expectations for future streaming income as a result of:
  - the acceleration of the change in behaviour to consuming music by streaming. This has been emphasised further still through the COVID-19 pandemic where streaming growth has exceeded expectations;
  - royalties starting to be paid by rapidly growing Emerging Digital Platforms (EDPs) including TikTok and Peloton (whilst royalties have been paid to Administrators and therefore included in expected future earnings, they are not expected to start being received by Hipgnosis until later this year and therefore not yet recognised in this period's revenue);
- growth in synchronisation income in excess of the Portfolio Independent Valuer's expectations despite advertising budget cuts and the production of films and television programs being at a standstill;
- a reduction in the discount rate used by the Portfolio Independent Valuer to value the Company's Catalogues from 9% to 8.5%, as stated in the half year results.

In line with 30 September 2020, the Catalogue Fair Value as at 31 March 2021 has been calculated using a discount rate of 8.5% (31 March 2020: 9.0%). The reduction in the discount rate during the period by the Portfolio Independent Valuer reflects the decreased risk profile associated with music's ever more stable and predictable earnings as a result of the increased consumption of music through paid streaming. The Board and the Investment Adviser are delighted that music valuers are starting to reflect the true value of music as an asset class and expect this trend to continue as streaming continues to grow and music revenues continue to prove their stability.

The Operative NAV has been determined in accordance with the Company's valuation policy described in the Company's Prospectus, including the appointment of an independent third-party valuer.

Operative NAV Bridge

from 1 April 2020 to 31 March 2021:

	$
Opening Operative NAV per Ordinary Share	1.5114
Increase in Fair Value of Catalogues	0.1824
Net income	0.0993
Dividends Paid	(0.0485)
FX impact	(0.0491)
Share issue costs*	(0.0127)
Closing Operative NAV per Ordinary Share	1.6829

* Share issue costs reflect the costs of share issuances during the period, which were fully borne out of the gross proceeds of the respective issue.

The FX impact reflects the effect of movements in Dollars, Sterling and Euro exchange rates throughout the year, and includes a one-off adjustment as a result of the Company changing its functional currency to Dollars.

Based on the Sterling to Dollar exchange rate of 1.3738 on 31 March 2021, the Operative NAV presented in Sterling would be 122.5p per Share.

Revenue

Net revenue in the year increased substantially to $138.4 million (year ended 31 March 2020: $83.3 million).

A breakdown of the income source of net revenue is set out below:

Income Source	Net Revenue ($'000)	%
Mechanical/Master Royalties	23,580	17%
Performance	39,864	29%
Digital	3,978	3%
Streaming	43,658	32%
Synchronization	21,057	15%
Other Income	6,256	4%
Total	**138,393**	

During the year, Hipgnosis, like all other companies, has had to operate and adapt against the backdrop of a challenge that the world has never before experienced. The COVID-19 pandemic has had a devastating impact on society and much of the economy. We are grateful however that music, whilst not wholly impervious to the virus, has proved to be extremely resilient throughout this time demonstrating the appeal of hit songs to millions of people even in the most challenging times.

The COVID-19 pandemic has affected how people consume music with an acceleration of the adoption of streaming worldwide. During 2020, IFPI reported 18.5% growth in paid music subscriptions to 443 million users globally. This has continued into 2021 with Spotify reporting a year-on-year increase of 24% in Total Monthly Active Users in the first quarter.

This is being seen clearly in our Catalogues' royalties, where streaming income has increased by 18.4% in the second half of the year from the previous six-month period across all Catalogues and 24.3% on our steady state catalogues, where we would not expect decay from peak earnings. This growth is without any material revenue recognised from royalties paid by TikTok and Peloton which, whilst having been received by Administrators, is only expected to be received by Hipgnosis from the next semi-annual royalty statements in August and September 2021 and beyond. This income has not been accrued as

we are not able to reliably estimate it as at 31 March 2021. With global streaming revenues growing 19.9% during the year, this highlights our steady state Catalogues are outperforming the market growth of streaming.

We consider that this acceleration of changing consumer behaviour will lead to higher streaming earnings in future years than previously expected. This expectation is supported by the Portfolio Independent Valuer who has increased future streaming income from our Catalogues in its DCF (Discounted Cash Flow) valuation models.

As stated in the interim results, performance income (which is predominantly received from shops, bars and restaurants as well as Live music) has fallen across the music industry in 2020 as a result of COVID-19 lockdowns globally, with PRS recently stating performance revenues fell by 19.7% in 2020.

As a result of these industry wide trends, performance income in our Catalogues' royalty earnings income decreased by 25.8% in the second half of the year from the previous six-month period across all Catalogues, and 21.3% on our steady state Catalogues where we would not expect decay from peak earnings. The Company expects a further fall in performance revenues in the first half of the year ending 31 March 2022.

Overall, royalty statements and cash receipts in the second half of the year are in line with the revenue accruals recognised in the first half results and revenues are marginally lower than the previous year. This is reflected in the Pro-Forma Annual Revenue (PFAR) of the Catalogues owned on 31 March 2021, which fell by 5.8% to $118.2 million for the 12 months ending 30 June 2020 compared to $125.5 million for the 2019 calendar year. Please see Alternative Performance Measures section for the methodology behind the PFAR calculation.

In addition, the Variance against Forecast (VAF) which is the difference between the total of the royalty statements received from each Catalogue since acquisition, and the acquisition model forecast over the same period up to 31 March 2021, was -2.8%, reflecting the decrease in performance income during COVID-19 which would not have been anticipated in the original forecast acquisition model on Catalogues as they were acquired before the COVID-19 pandemic.

However, the long-term changes to music consumption during COVID-19, combined with proactive Song Management, should accelerate future earnings growth. This is also supported by the Portfolio Independent Valuer who has increased future projected earnings of our Catalogues in their DCF valuation models, resulting in a 2.1% uplift in fair value since 30 September 2020.

Accruals and Receivables

There is an inherent time lag with royalties between the time a Song is performed and when the revenue is received by the Copyright owner. The time lag can be as much as 24 months on some international income.

Accrued income and Income receivable at 31 March 2021 was $82.1 million (on a gross basis), a breakdown of which is set out below:

- A $8.7 million receivable, representing royalty receipts expected in April and May for royalties where statements were received in March.

Included in Trade and Other receivables is an Accrued income balance of $73.4 million which is made up of:

- $29.5 million for calendar Q1 2021 earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q3 and Q4 2021;

- $16.9 million for calendar Q4 2020 earnings which are not reported to the Company until calendar Q2 2021;

- $9.9 million relating to calendar Q2 2020 to Q3 2020 earnings for Catalogues where royalty reporting is still in the process of being redirected/switched over to Hipgnosis. These accruals are based on royalty statements received with invoices due to be raised on completion of the Letter of Direction;

- $4.4 million for 2020 earnings on deals acquired more than six months ago yet to be reported;

- $7.5 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 collect and distribute income from territories. The lag in collection is due to the nature of collecting and 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 can typically result in an earnings lag of up to 24 months; and

- $5.2 million HSG gross revenue accrual, bringing the Group in line with IFRS, which includes the accrued PRO lag. Separately, a $4.2 million royalty creditor representing contractual royalties due to writers has been recognised, resulting in net revenue (NPS) for HSG of $1million.

Right to Income

On the acquisition of a Catalogue, the Company may receive a Right to Income, which is typically dependent on the timing of the negotiations and is negotiated by the Investment Adviser on each acquisition. The Right to Income recognised in the period was $22.7 million.

Costs and EBITDA

Adjusted Operating Costs increased to $25.5 million owing to the higher costs on a pro-rata basis reflecting the growth of the Company, the increase in costs associated with HSG and higher legal and advisory fees associated with growth via acquisition.

Ongoing Charges as a percentage of the average Operative NAV increased slightly from 1.52% to 1.59% primarily driven by the timing of share issuances during the year, the additional operating costs of HSG since its acquisition in September 2020 and higher legal/professional fees due to the one off acquisition costs of acquiring HSG.

EBITDA in the year increased by 49.8% to $106.7 million (year ended 31 March 2020: $71.2 million) reflecting the substantial increase in revenues.

Debt

Leveraged Free Cash Flow was $82.1 million which covered dividends paid out during the year by 1.58 times.

On 26 March 2021, the Company drew down $90.0 million under its Revolving Credit Facility resulting in gross indebtedness of $577 million and net indebtedness of $465 million. This gross indebtedness represented approximately 32.8% of the last published Adjusted Operative Net Asset Value at that time and therefore constituted an inadvertent breach of the Company's borrowing restriction under its investment policy of 30% of Net Asset Value. The amount drawn down was held by the Company as cash and was unutilised, and on 5 April 2021 $50 million of these drawings were repaid, thereby curing the temporary breach. We have also discussed this in Note 9.

Since this date the Company has operated in compliance with all its investment restrictions. The current Loan to Net Asset Value at time of writing is 29.2%.

Thank You

With your tremendous support we have now grown Hipgnosis to a $1.8 billion market cap FTSE 250 company.

In Summary, we are delighted to announce a strong set of annual results which reports on a remarkable year for Hipgnosis. Against one of the most challenging backdrops of our lives, the Operative NAV per Share increased by 11.3% to $1.6829, which with dividends paid reflects a Total Operative Dollar NAV Return of 15.7%. This brings the Total NAV Return since IPO less than three years ago to 40.7%. This strong return evidences not only our ability to be able to buy and manage our culturally important and extraordinarily successful songs well but also the highly uncorrelated nature of proven songs.

During the year, we have significantly enhanced our Song Management team, now led by Ted Cockle and Amy Thomson, which is structured to have the bandwidth to be able to apply ourselves and give our great Songs the attention they deserve. This has had a significant impact and increased the monetization of our Songs, with synch revenues exceeding all expectations, and despite film and TV production being shut down for much of the last 16 months, increased from 9% to 15% of our revenue. Great examples of our Song Management team's impact include:

- our work with Blondie and Miley Cyrus on both versions of *Heart Of Glass*, which has introduced this classic song to a new audience and together have been streamed more than 250 million times since we brought them together on TikTok last October;

- helping *All I Want For Christmas Is You* get to UK Number 1 for the first time in its 26 year history;

- repositioning Chic's 44 year old *Everybody Dance* as a Gen Z hit with the new version by Cedric Gervais and Sound Of Franklin featuring Nile Rodgers, which we released in January and has been building in streams and airplay every week and has been all over the new season of Love Island this week;

- our copyright management that has identified historic registrations errors, break downs in income chains and unclaimed recordings, which when fixed will all create incremental revenue for the Company. For example, we have identified 76 million views of unclaimed/unmatched recordings of our Songs on YouTube in the month of January alone, which would represent a 36% uplift. Further to this we have done test cases on 5 Catalogues, identifying broken registrations that indicate that more than 40% income on each has not been collected previously due to errors in registration that pre-date our acquisition. These have now been corrected and the same work is being actioned on all of our Songs.

Furthermore, the legislative efforts – influenced by our advocacy – that are taking place all over the world to lobby on behalf of the Songwriter to receive a greater share of the income combined with our pedigree and effectively unique proposition has made us the preferred choice for the Songwriting community.
In doing this there is complete alignment between our Shareholders and the Songwriters as what's in the best interest of the Songwriter is also in the best interest of our Shareholders. Together with our Shareholders' support, this has allowed us to grow our Portfolio from c.13,000 to over 60,000 Songs, investing more than
$1 billion in this fiscal year and approximately $2 billion overall, whilst maintaining our criteria of the Songs being extraordinarily successful and of great cultural importance. We have added the catalogues of Rock And Roll Hall Of Fame inductees Neil Young, Lindsey Buckingham/Fleetwood Mac, Steve Winwood, Debbie Harry & Chris Stein/Blondie, and Chrissie Hynde/The Pretenders, Songwriters Hall Of Fame inductees Carole Bayer Sager and Barry Manilow as well as iconic artists, songwriters and producers Shakira, Rick James, Enrique Iglesias, B-52's, Jimmy Iovine, The RZA/Wu Tang Clan, Chris Cornell/Soundgarden, 50 Cent, George Benson, Nikki Sixx/Motley Crue, Rodney Jerkins, Kevin Godley &, Eric Stewart/10cc, Skrillex, Andy Wallace, Christian Karlsson, Joel Little, Walter Afanasieff and many others, including the recently crowned 2021 Grammy Awards Producer Of The Year Andrew Watt.

Having now grown Hipgnosis to a $1.8 billion market cap FTSE 250 company and invested almost $2 billion in iconic songs that are a part of the fabric of our society, which have just been independently valued at $2.2 billion, it is worth re-stating our ambitions when we listed three years ago, which were to:

1. Establish Songs as an asset class;
2. Use the influence of our Fund and the great Songs in our Catalogue to be a catalyst to change where the Songwriter sits in the economic equation for the benefit of the Songwriting community and our Shareholders; and
3. To replace the broken traditional music publishing model with Song Management and add value by managing the Songs with bandwidth and responsibility.

Having delivered another strong, and index beating, set of results, having advocated for Songwriters at the highest level including the DCMS hearings taking place in UK Parliament and having increased our synch income through Song Management, as a percentage of total revenue, I'm delighted to say our ambitions are turning into reality and we are well on our way to Hipgnosis achieving them all.It remains only for me to thank our incredible Shareholders, Non-executive Board, the team at The Family (Music) Limited and its Advisory Board, Hipgnosis Songs Group in the US and most importantly the great Songwriters that have entrusted us with their incomparable Songs.

Best wishes,

Merck Mercuriadis
Founder, Hipgnosis Songs Fund Ltd and
The Family (Music) Limited

4 July 2021

As at 31 March 2021, the Company had raised a total of over **£1.1 billion** (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent placings in April 2019, August 2019, September 2020, and February 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 has now been raised from $150 million to **$600 million**.

As at 31 March 2021, the Company had deployed approximately **$1.94 billion** in total since IPO on 138 Catalogues and 64,098 Songs. The Catalogues acquired during the period are below:

Catalogue	Acquisition Date	Interest Ownership	Total Songs
Rodney Jerkins	16 Jul 2020	100%	982
Barry Manilow	16 Jul 2020	100%	917

RedOne	16 Jul 2020	100%	334
Eliot Kennedy	16 Jul 2020	100%	217
Closer (J King & I Slade)	27 Jul 2020	100%	2
NO I.D.	24 Jul 2020	100%	273
Pusha T	24 Jul 2020	100%	238
Ian Kirkpatrick	29 Jul 2020	100%	137
Blondie	30 Jul 2020	100%	197
Chris Cornell	10 Aug 2020	100%	241
Robert Diggs “RZA”	12 Aug 2020	50%	814
Ivor Raymonde	13 Aug 2020	100%	505
Nikki Sixx	3 Sep 2020	100%	305
Big Deal Music “BDM”	10 Sep 2020	100%	4,400
Chrissie Hynde	10 Sep 2020	100%	162
Steve Robson	17 Sep 2020	100%	1,034
Rick James	18 Sep 2020	50%	97
Kevin Godley	23 Sep 2020	100%	358
Scott Cutler	24 Sep 2020	100%	111
Nate Ruess	30 Sep 2020	100%	59
LA Reid	30 Sep 2020	100%	162
50 Cent	30 Sep 2020	100%	388
Aristotracks	30 Sep 2020	100%	152
B-52’s	30 Sep 2020	100%	96
Bonnie Mckee	30 Sep 2020	100%	78
Brill Building	30 Sep 2020	100%	234
Christina Perri	30 Sep 2020	100%	68
Dierks Bentley	30 Sep 2020	100%	113
Editors	30 Sep 2020	100%	64
Eman	30 Sep 2020	100%	97
Enrique Iglesias	30 Sep 2020	100%	157
Evan Bogart	30 Sep 2020	100%	229
George Benson	30 Sep 2020	100%	107
George Thorogood	30 Sep 2020	100%	40
Good Soldier	30 Sep 2020	100%	760
Holy Ghost	30 Sep 2020	100%	62
J-Kash	30 Sep 2020	100%	90
John Rich	30 Sep 2020	100%	7
Kojak	30 Sep 2020	100%	148
Lateral	30 Sep 2020	100%	248
Lindsey Buckingham (Kobalt)	30 Sep 2020	100%	174
LunchMoney Lewis	30 Sep 2020	100%	116

Lyrica Anderson	30 Sep 2020	100%	96
Madcon	30 Sep 2020	100%	173
Mark Batson	30 Sep 2020	100%	210
Mobens	30 Sep 2020	100%	1,034
Nelly (Kobalt)	30 Sep 2020	100%	145
Nettwerk	30 Sep 2020	100%	25,339
PRMD	30 Sep 2020	100%	335
Rob Hatch	30 Sep 2020	100%	167
Rock Mafia	30 Sep 2020	100%	393
Savan Kotecha	30 Sep 2020	100%	354
SK Music	30 Sep 2020	100%	23
Skrillex	30 Sep 2020	100%	153
Stereoscope	30 Sep 2020	100%	456
Steve Winwood	30 Sep 2020	100%	215
Tequila	30 Sep 2020	100%	1
Third Day	30 Sep 2020	100%	212
Walter Afanasieff	30 Sep 2020	100%	213
Wayne Wilkins	30 Sep 2020	100%	113
Yaslina	30 Sep 2020	100%	73
Sacha Skarbek	20 Nov 2020	100%	303
Tricky Stewart (Masters)	27 Nov 2020	100%	95
Eric Stewart	2 Dec 2020	100%	255
Bob Rock	4 Dec 2020	100%	43
Caroline Ailin (“New Rules”)	10 Dec 2020	100%	2
Nelly	15 Dec 2020	100%	240
Lindsey Buckingham	24 Dec 2020	100%	161
Joel Little	24 Dec 2020	100%	178
Jimmy Iovine	24 Dec 2020	100%	259
Neil Young	31 Dec 2020	50%	590
Shakira	31 Dec 2020	100%	145
Brian Kennedy [Writer Sh.]	31 Dec 2020	100%	139
Andrew Watt	17 Feb 2021	100%	105
Christian Karlsson	2 Mar 2021	100%	255
Carole Bayer Sager	17 Mar 2021	100%	983
Paul Barry	18 Mar 2021	100%	510
Espionage	26 Mar 2021	100%	151
Martin Bresso	31 Mar 2021	100%	51
Andy Wallace	31 Mar 2021	100%	1,242
David Sitek	31 Mar 2021	100%	230
Happy Perez	31 Mar 2021	100%	192

Financial Highlights [1]
Year ended 31 March 2021

IFRS NAV [2]

$1,462,844,327

(31 March 2020: $810,685,312)

Middle market share price (SONG)

125.50p

(31 March 2020: 103.00p)

Net Revenues

$138,389,473

(31 March 2020: $83,329,166)

IFRS NAV per Ordinary Share

$1.3628

(31 March 2020: $1.3164)

(Discount)/Premium to Operative NAV

2.4%

(31 March 2020: -11.8%)

EBITDA

$106,666,421

(31 March 2020: $71,189,405)

Operative NAV [3]

$1,806,462,664

(31 March 2020: $930,814,994)

Total NAV Return [4]

40.7%

Leveraged Free Cash Flow

$82,128,572

(31 March 2020: $22,700,638)

Operative NAV per Ordinary Share ($)

$1.6829

(31 March 2020: $1.5114)

Ongoing Charges figure (%)

1.59%

(31 March 2020: 1.52%)

EPS

4.72¢

(31 March 2020: 8.13¢)

Operative NAV per Ordinary Share (p)

122.50p

(31 March 2020: 116.73p)

Total dividends paid in respect of the period

5.125p

(31 March 2020: 5.00p)

EPS excl. Amortisation

13.26¢

(31 March 2020: 14.23¢)

1 A number of Alternative Performance Measures are used within the Report and details can be found further below. Prior Year comparatives have been restated from Sterling.

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 Since inception.

The Chair's Statement

I am delighted to issue a report which summarises the significant continued progress that has been made in building a Portfolio of proven Songs, which are generating strong investment returns, delivering the Song Management initiatives by the growing team within the Investment Adviser and continuing to raise new equity capital and loans to fund further investments. All of this with a view to delivering increased value for our Shareholders, despite a backdrop of COVID-19 and the associated uncertainties.

During the period, the Company invested a further $1,089 million and now owns 138 Catalogues.

The Portfolio has been independently valued at $2,214 million, representing an increase of 13.6% on the aggregate purchase price of $1,948 million, on a constant currency basis.

Investments

During the period to 31 March 2021 the Company acquired 84 Catalogues. This now brings the total Portfolio to 138 Catalogues comprising 64,098 Songs.

These acquisitions have continued the diversification of the Portfolio which now includes Songs performed by hundreds of artists across multiple genres and vintages. All of the acquisitions were sourced by our Investment Adviser, The Family (Music) Limited, which, together with its Advisory Board, provides access to some of the most successful artists, Songwriters and producers globally.

Share issuance

During the year the Company raised £190 million in September 2020 and £75 million in February 2021, as well as £233 million through a C-Share issuance in July 2020 (which converted in December 2020).

Functional currency change

The Company changed its functional and presentation currency from Sterling to Dollars with effect from 1 October 2020. This was required by IFRS, as there has been a fundamental shift in the primary economic environment in which the Company operates due to the significant increase in the proportion of transactions denominated in Dollars. The change will significantly reduce volatility in revenue collections and investment and loan valuations arising from foreign exchange fluctuations between Sterling and Dollars.

Conversion to Investment Trust Company

During the period the Company applied to become an investment trust company. This move better reflects the increasing UK-centric substance of the Company, whilst remaining domiciled in Guernsey.

HMRC accepted the Company's application to be treated as an investment trust with effect from 1 April 2021. Accordingly, in respect of each accounting period for which the Company is approved by HMRC as an investment trust, the Company will be exempt from UK taxation on its chargeable gains. The Company became UK tax resident from 1 April 2021 and is therefore liable to UK corporation tax on its income from that date.

Performance

I am pleased to report an increase in revenue to $138.4 million for the year (financial year ended 31 March 2020: $83.3 million).

The Ongoing Charges ratio increased slightly from 1.52% to 1.59% primarily driven by the timing of share issuances during the year, the additional operating costs of HSG since its acquisition in September 2020 and higher legal/professional fees due to the one off acquisition costs of acquiring HSG. It remains the belief of the Board that the Ongoing Charges ratio will fall over time.

EBITDA in the year increased by 49.8% to $106.7 million (year ended 31 March 2020: $71.2 million) reflecting the substantial increase in revenues. Leveraged Free Cash Flow was $82.1 million which covered dividends paid out during the year by 1.58 times.

The IFRS NAV per share at 31 March 2021 was $1.3628 (31 March 2020: $1.3164). The Board considers that the most relevant NAV for Shareholders is the 'Operative NAV', which reflects the fair value of the Company's Catalogues as valued by the Portfolio Independent Valuer. The Operative NAV per Share increased by 11.3% to $1.6829 during the year (31 March 2020: $1.5114), which, when including dividends paid, represents a Total Operative Dollar NAV Return of 15.7%. This brings Total $ NAV Return for our Shareholders to 40.7% since the Company's IPO on 11 July 2018.

Dividend

In the financial year the Company paid total dividends of 5.125p per Ordinary Share, paid in four quarterly instalments: 1.25p each at the end of May and July 2020, and 1.3125p in November 2020 and February 2021.

The Company continues to target a total dividend of 5.25p per Ordinary Share for the current financial year ending 31 March 2022.

Revolving Credit Facility

On 29 May 2020, the Company announced that it was seeking Shareholder support to increase the Company's current borrowing limit of 20% of its Operative NAV to a maximum of 30% of its Operative NAV.

This approval was given by Shareholders at an Extraordinary General Meeting on 11 June 2020. During the year, the Company entered into an agreement with a syndicated group of lenders, to increase its Revolving Credit Facility from £150 million to $400 million and subsequently upsized to $600 million, subject to total borrowings not exceeding 30% of Net Asset Value.

On 26 March 2021, the Company inadvertently breached the borrowing restriction under its investment policy of 30% of Net Asset Value. The amounts drawn down were held by the Company as cash and were unutilised, and on 5 April 2021 $50 million of these drawings were repaid, thereby curing the temporary breach. Since this date the Company has operated in compliance with all of its investment restrictions.

As the Company grows and given the now significant size of the Revolving Credit Facility, the Company and its Investment Adviser continue to explore and evaluate the most appropriate long term gearing strategy to support growth in Shareholder value.

The Board

Vania Schlogel was appointed on 11 June 2021 as an Independent Non-executive Director. Vania, who is based in the US, has considerable private equity and media and entertainment sectors experience.

I would like to record my appreciation to my fellow Board members for their dedication and their diligence in supervising and dealing with all the Company's activities in another busy year. In addition to the significant corporate activity, including fundraisings and the acquisition of HSG, the Board carefully considers each proposed acquisition, of which there have been many in the past 12 months, and has therefore met very frequently.

Annual General Meeting

This year's AGM will be held on 15 September 2021 at 10.00am BST, at a venue to be notified to Shareholders in due course.

Subject to the restrictions in place as a result of COVID-19 it is intended that members of the Board will be in attendance at the AGM and will be available to answer Shareholder questions.

Outlook

2020 and now 2021 have been dominated by the COVID-19 pandemic. The long-term effects of the pandemic on the global economy and on lives, livelihoods and businesses will be felt for some time to come. The music industry has been noticeably affected by the pandemic, with performance and live entertainment in particular having been materially disrupted during the periods of lockdown, the impact of which has been seen within our PFAR and VAF, as discussed in the Investment Adviser's Report.

While the Board continues to monitor the impact of COVID-19 on the Company's revenues and valuations, we believe that the increases in demand for streaming as a direct result of COVID-19 could replace and exceed the revenues lost from other income sources as consumers seek in-home alternatives to out-of-home entertainment. Music has become recognised as a resilient asset class and I am confident that owners of the rights to songs such as your Company should continue to benefit from the long-term and consistent revenues that they can produce.

On behalf of the Board, I would like to express my thanks to all of our stakeholders including our Songwriters' community and our Shareholders for their continuing support. The Company has assembled a solid, diversified Portfolio of proven Songs, across an increasingly older vintage, sourced by our Investment Adviser. It is the Board's view that the investment thesis remains as solid now as at the time of our IPO. Accordingly, the Company announced a further fundraising on 16 June 2021 and we look forward to deploying the monies raised from it in pursuance of our investment objective.

Andrew Sutch
Chair

4 July 2021

Investment Adviser's Report

2020/2021 has been another remarkable year for Hipgnosis. At a point in time when the explosive growth of streaming has transformed music from a discretionary consumer purchase to a utility purchase and new heights of consumption we have acquired 84 new Catalogues including some of the most important Songwriter, artists and producers of all time, for an aggregate purchase price of $1.06 billion. These include the catalogues of Rock And Roll Hall Of Fame inductees Neil Young, Lindsey Buckingham/Fleetwood Mac, Steve Winwood, Debbie Harry & Chris Stein/Blondie, and Chrissie Hynde/ The Pretenders as well as Songwriters Hall Of Fame members Barry Manilow and Carole Bayer Sager and iconic artists, Songwriters and producers Shakira, Rick James, Enrique Iglesias, B-52's, Jimmy Iovine, The RZA/Wu Tang Clan, Chris Cornell/Soundgarden, 50 Cent, George Benson, Nikki Sixx/Motley Crue, Rodney Jerkins, Kevin Godley & Eric Stewart/ 10cc, Skrillex, Walter Afanasieff and many others including the recently crowned 2021 Grammy Awards Producer Of The Year Andrew Watt.

Whilst we never would have wished for a pandemic to prove our thesis, it has accelerated the consumption of classic songs through streaming and demonstrated exactly what an excellent uncorrelated asset class proven Songs are. Today, as the market has grown from 30 million paid subscribers to music streaming services in the US when we started, to the current 450 million globally, there are over 100 million homes in the United States that are paying for a premium music streaming service. Add in the explosive growth of TikTok, Peloton, Triller, NFTs and other new uses of music that are new income streams, expected to be a material portion of our revenue going forward, and not part of the data on which we buy Catalogues, and the investment case becomes stronger with each passing day. The same goes for emerging markets such as India, Africa and China whose nascent growth in revenues are also not included in the data on which we buy. By the time we get to the end of the decade, there are expected to be 2 billion paid subscribers worldwide.

The pandemic now looks set to lead us into inflation and again we are extremely well placed with Songs as an asset class for our Shareholders to be beneficiaries. With all our Catalogues chosen due to their extraordinary success and cultural importance, we believe extra high levels of streaming demand are a natural feature. As an example, Journey's catalogue has, over the last 4 months, grown from 2.5 million to 3.7 million streams per week on Apple Music and 13 million monthly listeners on Spotify. *Don't Stop Believin'* on its own now has over
1 billion streams on Spotify alone, both incredible achievements for classic Songs. This accelerated growth leaves us well positioned for the future, with increased expectations for income over the long term. Concurrently, we've felt some temporary decline in our Performance income consistent with the entire industry, but we expect that to turn around by the autumn.

Our Song Management team, who joined in September led by Ted Cockle and Amy Thomson, has made a strong impact, growing revenue and enhancing the legacies of our great Songs, which will make a positive economic impact to the Company in periods to come. Synch revenues have exceeded all expectations and, despite film and TV production being shut down for much of the last 16 months, revenues have increased. This has highlighted not only that we have bought well, but also how undervalued our iconic songs have been by traditional publishers and the massive opportunity this affords Hipgnosis.

The 138 Catalogues within the Portfolio have been carefully selected due to their being highly successful and culturally influential proven hit Songs, which will produce long-term reliable and predictable income, and high levels of streaming consumption. Hipgnosis is therefore well placed to benefit from the expected increase in streaming revenues over the coming years.

The growth in the Operative NAV over the period reflects a 10.4% like-for-like uplift in the fair value of Catalogues driven by:

- an increase in the Portfolio Independent Valuer's expectations for future streaming income as a result of:
  - the acceleration of the change in consumer behaviour to consuming music through streaming. This has been emphasised further still through the COVID-19 pandemic where streaming growth has exceeded expectations.
  - royalties starting to be paid by rapidly growing Emerging Digital Platforms (EDPs) including TikTok and Peloton. Whilst royalties have been paid to Administrators and therefore included in expected future earnings, due to the lag in reporting, they are not expected to start being received by Hipgnosis until later this year and therefore not yet recognised in this period's revenue.
- growth in synchronisation income in excess of the Portfolio Independent Valuer's expectations despite advertising budget cuts and the production of
  films and television programs being at a standstill.

- a reduction in the discount rate used by the Portfolio Independent Valuer to value the Company's Catalogues from 9% to 8.5%, as stated
  in the half year results.

Since acquisition, the fair value of Catalogues has increased by $265.6 million, representing a 13.6% increase on acquisition cost.

The strong Operative NAV and Total $ NAV Return continues to evidence the Company's successful acquisition strategy and the exceptionally high quality of Catalogues acquired.

Song Management

Song Management, as led by the Investment Adviser, strives to deliver maximum value from Hipgnosis' Songs via movies, tv shows, video games, radio content, playlists, interpolations into new songs, and covers by new artists by active placement. In addition, we are working with traditional and social media, spotlighting natural opportunities that surround landmark anniversaries while seeking to constantly refresh and provide cultural context. All of which further fuels streaming growth and increases their profile/value/opportunity for licensing our Songs to film, television, gaming, and advertising. Making it as easy and fool proof as possible to use our Songs is an essential ingredient of our success.

Promoting Catalogues

The Song Management team will be particularly focused in the coming months on showcasing a number of albums by our key Songwriters that are celebrating major anniversaries. These include:

- Journey's album Escape, which contains the mega hit-song *Don't Stop Believin'*, which is celebrating its 40th anniversary in July;

- the 40th anniversary of the seminal *Pretenders II* album in August which features *I Go To Sleep*;

- The 30th Anniversary of Nirvana's *Nevermind* and *Smells Like Teen Spirit* in September, arguably the most important album and single of the 1990's;

- the 20th anniversary of the landmark, latin album, *Laundry Service* by Shakira in November 2021; and

- the 40th anniversary of Rick James' album *Street Songs*, featuring the funk classic *Super Freak*. The focus on this album will be centred around Showtime's documentary: *Bitchin': The Sound and Fury of Rick James*, due for broadcast in August of 2021.

Other key areas of activity include developing the licensing of our Songs into the ever expanding fitness, gaming, dating and photo messaging services, an area which is virtually devoid of any earnings from music usage.

Synch revenues are growing significantly

Synchronisation income grew significantly in the second half of the year, following the appointment of Ted and Amy, and the addition of former Universal / Virgin's Head of Digital Tony Barnes, former BMG's Head of Sync Tom Stingemore in the UK, former BMG's Global Head of Sync Patrick Joest in Europe, former Universal's Sync Director Joe Maggini, and Nick Jarjour both in LA, and increased to represent 15% of net income during the year (year ended 31 March 2020: 9%).

We are affecting the success of our Songs by providing knowledge and bandwidth thereby making it easier to place them.

In the last 6 months we have created our own Synch platform via the DISCO server used by Music Supervisors worldwide. This contains audio of all our Songs, the shares we own and tagging useful information to help guide the market to our Songs for easy usage. The department is now fully functioning and actively manages dozens of Synch opportunities per day, as well as traditional incoming requests, with a complete overview of every appropriate Song we can put forward from both within our administration and those Songs administrated externally. This has not only increased Synch traffic but also improved our ability to support all our partners with a deeper understanding of the songs they represent for us. This increases the likelihood of getting placements and revenue. Traditional Administrators are over burdened with millions of songs.

This system has also been adopted by our entire team creating a fully functioning Synch operation open around the clock.

Growing synchronisation income in a year when advertising was down and film and TV productions were halted is a testament to the work performed by the new Song Management team and highlights the substantial opportunity to further grow income from our Catalogues which have often been undervalued, neglected and allowed to languish by the major administators.

Technology is key in Copyright Management

We continue to explore opportunities to maximise revenues which include Song Management initiatives to actively work our catalogues across TikTok, Triller, Peloton, Roblox and other platforms that have the consumption of music at the center of their use and working with strategic technology partners to optimise our copyright registrations, reverting catalogues to HSG for the United States and our preferred administrators for the ROW.

- Within the period, we launched our new internal system to closely monitor the activity across all of the Songs within the Hipgnosis Catalogue. This is bespoke technology that enables us to track activity across various DSPs and social networks. An important recent example being *Love Shack* by the B-52's and Britney Spears' *Toxic*. The unique 'mash-up' has now exceeded 1 billion video creations across all platforms. We were able to reproduce the Song and we own 75% of the mashup on the Publishing side and 100% on the Master side. It will be released this summer on all DSPs and into the Synch community. We were able to see it, remake it and own it.

- We have adopted AI tagging that ensures we are able to very quickly match advertising and agency briefs with the closest matches within our Catalogue. We are then able to propose alternative or more contemporary versions of Songs to meet the briefs that we receive or the proposed activity that we are planning. This is a system that operates within seconds and majorly increases our response times across the industry.

- We are also searching for missing YouTube revenues with an external technology service provider who, in addition to Hipgnosis, represents 2 of the 3 major publishers. Initial reports are showing up to 38% of plays have been missed in the reporting and we look forward to seeing the translation of this into our revenues in the next fiscal period. We can use this also to locate and claim our copyrighted material on newer and emerging platforms including TikTok, Triller, Peloton and Roblox. We expect the latter to be properly licensed this year.

- Our strategy to access all portals to see deeper levels of data at registration level has already led us to discover missing PRO income from BMI in relation to the Catalogues of Rodney Jerkins, The-Dream and Emile Haynie in almost all markets since 31 March 2019. This is now being rectified.

- We have engaged with a new AI technology partner to conduct a global search looking for missing ISWCs and broken registrations globally at PRO level. The system provides a complete picture of the data across 200 outside partners who collect revenue on the Company's behalf. This will enable us to target where we should claim missing revenue and conduct deeper audits.

The platform is expected to shorten payment times and increase accuracy as we identify data breaks in real time. Our initial trial catalogues have identified 62% of Songs that had data issues and we estimate a significant uplift on the writer share of performance income element, projected to be as much as 40% in some cases, which will be realised by correcting the mistakes in registrations inherited from previous owners. Every issue fixed is 100% incremental earnings upside for the Company.

- The NFT space is also a focus and we aim to ensure our artists are collaborating with some of the leading creators in the crypto art space. This includes not only the potentially lucrative NFT landscape but also increased activity in the production and release of personalised digitally focused merchandise and collectibles utilising our copyrights which will lead to significant upside in revenues.

The revenue from these technology initiatives are not factored in our valuations by the Portfolio Independent Valuer. We believe TikTok alone is already 6.5% of Sony Music's revenues and we expect that in due course these emerging digital platforms such as TikTok, Triller, Roblox, Peloton and others will generate as much as 15% of our revenues and crucially are not a part of the data on which we buy our Catalogues.

Song Administration

The newly formed Hipgnosis Songs Group (HSG), formerly Big Deal Music, was acquired in September 2020 and has been an important strategic acquisition for us. It has allowed the Fund to benefit from its own administration in the US leading to significant savings as highlighted above and gives us controlled and limited exposure to Song Creation which will lead to the Catalogues of tomorrow.

HSG, under the direction of Big Deal Music Founder Kenny MacPherson, has been designed to consolidate, enhance and leverage the value of Fund acquisitions in the US providing the necessary efficiency to maximize return and profitability. The core infrastructure is provided by the Group's fully integrated operational pillar of Song Administration, while Song Creation serves as a contemporary industry complement and a magnet for current marketplace talent.

Song Administration in the US allows us to leverage our incomparable catalogue directly with Apple, Spotify, Peloton, TikTok, Triller and all other large users of our Copyrights.

We continue to move Catalogues into our own Administration via Hipgnosis Songs Group for the US at a rapid pace. Recently we welcomed Neil Young, Journey (Neal Schon and Jonathan Cain), Rick James, Chrissie Hynde, The Chainsmokers, Rodney Jerkins, LA Reid, Al Jackson Jr, Benny Blanco and David A. Stewart amongst many others to the fold. To date, we have moved 13 Catalogues to HSG, with a further 20 Catalogues expected by the end of 2021. A further 26 Catalogues have been moved to our Preferred Portfolio Administrator outside of the US. To date, we have seen an overall 7% increase by bringing efficiencies in collection from the previous legacy administration contracts and moving over to our Preferred Portfolio Administrators.

Song Creation

Song Creation additionally provides ever dynamic catalogue growth via a stable of active, front-line writers and artists, procured, nurtured and directed by a best-in-class executive team led by Casey Robison, Jamie Cerreta (both LA), Dave Ayers (NY) and Pete Robinson (Nashville). Building future assets at minimal cost, providing contemporary context, contacts and synergistic opportunities throughout the industry is the strength and ongoing mission of the Song Creation team.

As of May 2021, HSG was Number 8 in the *Billboard* Top 10 publisher chart with 1.05% market share, scoring number 1s in Dance and Country (Silk City's *Electricity* written by the Picard Brothers in Dance; Alison Veltz's *Somebody Like That* for Tenille Arts and Steph Jones' *Hole In the Bottle* for Kelsea Ballerini on the Country side).

Since the September acquisition, HSG has notched 2 UK Top 10 singles with Justin Bieber's Anyone and Miley Cyrus' featuring Dua Lipa's Prisoner and a UK Top 5 album with St. Vincent's Daddy's Home. HSG has also achieved 5 more Top 10s across the various *Billboard* charts, seen breakthrough jazz superstar Kamasi Washington land Grammy and Emmy nominations as well as a 6-figure pan-European ad campaign with Cupra Motorcars, while in just the past few weeks 3-time Grammy winner St. Vincent launched her latest album with a Saturday Night Live performance, and licensing darling Amber Mark premiered Competition, the first single from her much anticipated debut LP, on BBC Radio One. Additional licensing highlights range from Academy Award Best Picture nominee *Promising Young Woman* and the celebrated *Insecure* for HBO and *Bridgerton* for Netflix, to ad campaigns for Apple, Pepsi, Samsung, Corona, Starbucks, Peloton and H&M.

We have also enjoyed considerable success from Song Management initiatives, examples of which you can see within the case studies throughout this report.

Chart and Synch Success

We continue to focus on delivering significant value-adds through Song Management. Below are the key Synchs and chart successes from the last year:

Film

There's Nothing Holdin' Me Back by Shawn Mendes, co-written by Teddy Geiger and Scott Harris, was placed in the forthcoming Sing 2 movie, the trailer of which was released in June 2021.

The new Disney Movie Cruella features *Call Me Cruella* performed by Florence + The Machine, and written by Steph Jones.

Eurythmics song *Sweet Dreams (Are Made Of This)*, Chic's *Good Times* and Beyonce's *Single Ladies (Put A Ring On It)* have all been placed in Sony Pictures forthcoming remake of *Cinderella*.

Epilogue, written by Ólafur Arnalds, soundtracks the trailer to Nomadland, starring Frances McDormand. The film won the best picture (drama) at the Golden Globe Awards, The Oscars and the EE British Academy Film Awards.

We Are Young, by fun., written by Jack Antonoff, Nate Ruess and Jeff Bhasker, featured in *The Boss Baby 2*.

Coming 2 America, starring Eddie Murphy featured Mark Ronson's *Feel Right* and Sister's Sledges's *We Are Family*, co-written by Bernard Edwards and Nile Rodgers.

George Thorogood's *Bad To Bone* has been re-worked for the trailer of forthcoming movie *Gunpowder Milkshake*, which launches on Netflix in July 2021.

Booker T & The MG's *Time Is Tight*, written by Al Jackson Jr., features in the forthcoming movie *Apollo 10½*.

Will Ferrell & My Marianne's *Husavik*, from the *Eurovision* movie, written by Savan Kotecha was nominated for an Oscar, Critics' Choice Award and won the Hollywood Critics Association Awards for Best Original Song.

TV/Streaming

Eurythmics' *Sweet Dreams (Are Made Of This)*, written by David A. Stewart, features in both the trailer and the first episode of *It's A Sin* on Channel 4 and Amazon Prime. It also appears in the trailer supporting *For All Mankind Season 2* on Apple TV.

Songs written by Nile Rodgers & Bernard Edwards continue to be popular. *Everybody Dance*, written by provided the soundtrack to Public Health England's NHS x TikTok campaign; *We Are Family* was used at the US Presidential inauguration; Nile Rodgers &

The Investment Adviser with Apple Music and Nile Rodgers created *Deep Hidden Meaning*, the only Radio show completely focused on Songwriters. The reviews and ratings thus far have been exceptional. There have been 11 episodes so far, profiling numerous Songwriters including Andrew Watt, Benny Blanco, David A. Stewart, Fraser T Smith, Jack Antonoff, Julian Bunetta, Lindsey Buckingham, Rodney Jerkins, RZA, Starrah, Teddy Geiger, Timbaland, Tricky Stewart and many more.

Booker T And The MG's *Green Onions*, written by Al Jackson Jr. and Fleetwood Mac's *The Chain*, written by Lindsey Buckingham both featured in *9-1-1 Lonestar* on Fox TV.

The Crown featured four of our songs including Blondie's *Call Me*, Diana Ross's *Upside Down*, Eurythmics' *Love Is A Stranger* and 10cc's *I'm Not In Love*.

Bridgerton featured 2 of our songs performed by the Vitamin String Quartet: *Girls Like You* – originally performed by Maroon 5 and written by Starrah and
In My Blood – originally performed by Shawn Mendes and co-written by Teddy Geiger and Scott Harris.

Neil Young's *Old Man* will feature in CBS, reboot of *The Equaliser* and *Harvest Moon* features in the new season of Netflix's *Sex Education* comedy.

We have several songs in the new P!nk documentary *All I Know So Far* on Amazon Prime.

Eurythmics' *Sisters Are Doin' It For Themselves* appears in Aretha Franklin's *Genius* documentary.

David Guetta and Sia's *Titanium*, written by Giorgio Tuinfort, was performed at the Eurovision Song Contest.

Phoebe Bridgers' *I Know The End*, written by Christian Lee Hutson, appeared in *Mare of Easttown*.

Someone To You performed by Banners and written by Sam Hollander was used in a TV trailer for *Love, Victor* in May.

Nelly performed several songs from our catalogue on *Dick Clark's New Year's Rockin' Eve*, the biggest US New Year's Eve Countdown show on television. *Hot In Herre* is also the themed soundtrack to a major new television advertisement for Lay's Potato Chips i.e. crisps in the US.

Barry Manilow's *Can't Smile Without You* as well as Blondie's *Call Me* appear in an American sitcom TV series *Call me Kat*, which premiered on Fox in January 2021.

Advertising

Swarovski's "Ignite Your Dreams" global campaign features FKA Twigs *Two Weeks*, written by Emile Haynie.

Anoro's campaign features Fleetwood Mac *Go Your Own Way*, written by Lindsey Buckingham.

Money Supermarket are using MC Hammer *U Can't Touch This*, written by Rick James. It also features in the Go Compare ad.

Beyoncé's *Countdown*, written by The-Dream, is being used by Peloton as part of their broad multi-year content deal with Beyoncé.

Kaiser Chiefs' *I Predict A Riot* appears in the new Unibet campaign.

Pusha T's *Burial*, written by Pusha T and Skrillex, continues to feature in the Arby's TV campaign in the US.

The Spencer Davis Group's *Gimme Some Lovin'*, written by Steve Winwood features in the Premier Inn's campaign.

Teddy Bears' *Hey Boy (Taste The Feeling)*, written by Klas Ahlund, appears in the new KFC commercial.

Meghan Trainor's *I Love Me*, written by LunchMoney Lewis, appears in the new Volkswagen campaign in Italy.

Silk City's *Electricity* featuring Dua Lipa, written by Mark Ronson, appears in the Dua Lipa Puma Campaign.

Rejjie Snow's *Relax*, written by Dee Lilly, appears in the current Apple iPhone 12 campaign.

Rihanna's *Umbrella* from our The-Dream and Tricky Stewart Catalogues has been placed in a new TV campaign for Nutella, "Nutella ella ella".

Journey's *Don't Stop Believin'* has been placed in a new Toyota commercial as well as local ads for telecommunications companies in Mexico and South America.

The Blondie single *Heart Of Glass*, which was a Number 1 single on both sides of the Atlantic, has been secured as the soundtrack to the new Nissan "Rogue" advert, their compact crossover SUV.

Games

We have placed more than 110 Songs from our Portfolio in video games since January.

Chic's *A Warm Summer Night* is now in *Grand * Auto V Online*.

Lorde's *Supercut*, written by Jack Antonoff, will feature in Electronic Arts *FIFA '22* for all consoles and platforms.

Mariah Carey's *All I Want For Christmas Is You* made it to the Number 1 slot in the 2020 UK Official Charts as well as the US Billboard Hot 100, for the first time in its 26-year history. It also became the global Number 1 streaming song throughout the festive period setting new consumption records on an almost daily basis.

Journey's *Don't Stop Believin'* covered/parodied by LadBaby was the highly coveted UK Christmas Number 1 song. This song had never been in the top spot since its release in 1981. This resulted in Hipgnosis having interests in both the Number 1 and 2 UK Christmas 2020 singles.

Michael Bublé's *Christmas*, through our Bob Rock catalogue, was the Number 1 album globally on streaming services in 2020 and also made Number 1 on the Official UK Album Chart and Number 4 on the Billboard Top 200.

Miley Cyrus' album *Plastic Hearts* surpassed more than one billion streams and includes the Top 10 single *Prisoner*, written by Stefan Johnson. It has been streamed 330 million times globally on Spotify.

Heart of Glass, written by Debbie Harry & Chris Stein, has now exceeded 150 million streams in Spotify.

New Rules by Dua Lipa, and written by Ian Kirkpatrick and Caroline Ailin, has now reached 1.54 billion streams on Spotify. This makes it the third most streamed solo track by a female artist in the platform's history.

Top Dollar calculated the earnings of the 100 most-played songs on the service and the top-grossing song is Ed Sheeran's *Shape of You*, written by Johnny McDaid.

Lean On by Major Lazer, and written by Martin Bresso, has surpassed 3 billion streams on YouTube and is approaching 1.5 billion streams on Spotify.

Rick James's *In My House* was re-imagined by the UK's premier Drag Queen, Jodie Harsh, in her song *My House* earlier this year, showing that the old are managing to see new life entirely.

Justin Bieber's *Anyone*, written by Stefan Johnson, which was released on 1 January 2021, has been streamed over 307 million times and was a Top 5 single all over the world. Stefan Johnson has also written an additional three songs on Justin Bieber's *Justice* album, which was Number 1 all over the world.

Electric by Katy Perry, *Selfish* by Nick Jonas featuring The Jonas Brothers as well as 6 songs on the new Julia Michaels' album are also written by Stefan Johnson.

Erica Banks' *Buss It* featuring an interpolation of Nelly's Hot In Herre was certified Gold in the US. Erica Banks's *Buss It* which samples Nelly's *Hot in Herre* was a breakout hit on TikTok and was Number 2 on the Spotify Viral chart. The chart which is heavily driven by TikTok also features Blondie's *Heart of Glass* and Nelly Furtado's *Promiscuous* from our Timbaland catalogue.

Telepatia by Kali Uchis, written by Albert Melendez reached Number 2 in Spotify's Global Top 50.
It is currently on the *Billboard Hot 100* for its 18th consecutive week, making it the longest-running Latin solo Song of the decade.

A viral mash up of Britney Spears's *Toxic* and the B-52's *Love Shack* has achieved huge support on TikTok. Hipgnosis was able to harness its ownership in both songs and very quickly provided sign off on a commercial release to maximise its potential for success.

Hipgnosis' Songwriters were recognised at the last Grammy awards. Andrew Watt won the coveted "Producer of the Year", Poo Bear's song *10 000 hours* by Dan + Shay and Justin Bieber won "Best Country Duo Performance", Kanye West's Jesus is King won "Best Contemporary Christian album" and involved work by Pusha T and Timbaland. The-Dream and Starrah won "Best Rap Song" for Megan The Stallion featuring Beyoncé with Savage. Andrew Watt, Stefan Johnson, Chelcee Grimes and Iain Kirkpatrick were recognised for their contribution to Dua Lipa's album Future Nostalgia, which won "Best Pop Vocal album".

Beyoncé became the most awarded woman in the history of the Grammys, with 28 awards. A recent newspaper featured her 30 greatest songs, with Hipgnosis owning an interest in half of these through
the Catalogues of: The-Dream (6), Sean Garrett (2),
Jeff Bhasker (2), Rodney Jerkins, Juber, Jonny Coffer, Emile Haynie and Tricky Stewart. In total, Hipgnosis owns an interest in 66 songs by Beyoncé/Destiny's Child.

Baila Conmigo by Selena Gomez, written by Albert Melendez reached Number 1 in Billboard's Latin Rhythm Airplay and Latin Pop Airplay.

Chic now have 3.5 million monthly listeners on Spotify up from 1.8 million when we acquired an interest in Bernard Edward's Catalogue. *Le Freak* is now achieving over 100,000 streams per week with nearly 1 million streams per week across all Bernard Edward's songs on Apple Music.

Cedric Gervais x Franklin featuring Nile Rodgers's cover of *Everybody Dance* is showing explosive growth on streaming and on the radio and looks set to be a hit all over again 44 years later.

Eurythmics now have 8.5 million monthly listeners on Spotify, almost double when we acquired David A. Stewart's Catalogue. They also achieve over 1 million streams per week across the Catalogue on Apple Music. *Sweet Dreams (Are Made Of This)* is streamed over quarter of a million times on Apple Music alone.

Feels by Jax Jones has just been released using a sample of *Can't Stop*, written by LA Reid.

Problemas by Paris Boy interpolates *Umbrella*, written by Tricky Stewart and The-Dream, which has now exceeded 120 million streams on all platforms online, including 72 million on Spotify.

*F*** You Goodbye*, by The Kid Laroi featuring Machine Gun Kelly, which interpolates *All The Small Things*, written by Tom DeLonge is almost at 100 million streams on Spotify.

21 Savage's *Many Men* contains an interpolation of *Many Men (Wish Death)*, written by 50 Cent.

Pop Smoke's *Hotel Lobby* also contains an interpolation of *Many Men (Wish Death)*, written by 50 Cent.

John Legend's *Remember Us* interpolates *Still In Love With You* written by Al Jackson Jnr.

1 Step Forward, 3 Steps Back by Olivia Rodrigo, interpolates *New Year's Day*, written by Jack Antonoff and features on her album Sour which is currently the Number 1 album globally.

Our Patience recorded master with Chris Cornell went to Number 1 at Rock Radio in the US.

Jason Aldean, produced by Michael Knox, enjoyed another Number 1 with *Got What I Got* with his Albums *They Don't Know* and *Rearview Town* both going Gold in the US.

Mark Ronson's *Uptown Funk* has now surpassed 4 billion views on YouTube.

The Pop duo Aly & AJ's *Potential Breakup Song*, was the Number One trending song on TikTok for two consecutive weeks.

Our Portfolio

Current Portfolio

During the year, the Company acquired 84 new Catalogues, for an aggregate purchase price of $1,089 million, taking the Portfolio as at 31 March 2021 to 64,098 Songs across 138 Catalogues. Hipgnosis now owns 3,738 Songs that have held Number 1 positions in global charts, 13,968 Songs that have held Top 10 positions in global charts and 151 Grammy award winning Songs. The Portfolio has been independently valued at $2.21 billion, reflecting a multiple of 17.96x historical annual net publisher share income, compared to the blended acquisition multiple of 15.32x. Following these acquisitions, the Company's Net Debt at 31 March 2021 was $464.6 million (31 March 2020: $74.0 million).

The acquisitions include some of the most culturally important Catalogues of all time, including Neil Young, Steve Winwood, Lindsey Buckingham/Fleetwood Mac, Barry Manilow, Shakira, Chrissie Hynde/The Pretenders, Debbie Harry & Chris Stein/Blondie, Rick James, Carole Bayer Sager, The RZA/Wu Tang Clan, 50 Cent, Chris Cornell/Soundgarden, B-52's, George Benson and Walter Afanasieff.

Hipgnosis only acquires Catalogues focused around culturally important Songs. These Songs have a long lasting appeal that ensures they will produce reliable, predictable and uncorrelated income long into the future.

Songs performed by globally successful and culturally important artists including:

10,000 Maniacs, 10cc, **2Pac**, 5 Seconds of Summer, **21 Savage**, 50 Cent, **8 Mile**, 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**, P!nk, **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,

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 2021

Catalogue	Acquisition Date	Interest Ownership	Total Songs
The-Dream	13 Jul 2018	75%	302
Poo Bear	21 Nov 2018	100%	214
Bernard Edwards	28 Nov 2018	38%	290
TMS	17 Dec 2018	100%	121
Tricky Stewart	17 Dec 2018	100%	121
Giorgio Tuinfort	21 Dec 2018	100%	182
Rainbow	15 Jan 2019	100%	15
Itaal Shur	31 Jan 2019	100%	209
Rico Love	26 Feb 2019	100%	245
Sean Garrett	21 Mar 2019	100%	588
Johnta Austin	22 Mar 2019	100%	249
Sam Hollander	31 Mar 2019	100%	499
Ari Levine	31 Mar 2019	100%	76
Teddy Geiger	12 Apr 2019	100%	6
Starrah	25 Apr 2019	100%	73
Dave Stewart	7 May 2019	100%	1,068
Al Jackson Jr	8 May 2019	100%	185
Jamie Scott	15 May 2019	100%	144
Michael Knox	28 May 2019	100%	110
Brian Kennedy	14 Jun 2019	100%	101
John Bellion	14 Jun 2019	100%	180
Lyric Catalogue	17 Jun 2019	100%	571

Neal Schon	20 Jun 2019	100%	357
Jason Ingram	10 Jul 2019	100%	462
Eric Bellinger	12 Jul 2019	100%	242
Andy Marvel	23 Jul 2019	100%	740
Benny Blanco	2 Aug 2019	100%	93
The Chainsmokers	22 Aug 2019	100%	42
Timbaland	10 Oct 2019	100%	108
10cc	17 Oct 2019	100%	29
Journey (Publishing)	21 Oct 2019	100%	103
John Newman	5 Nov 2019	100%	47
Jaron Boyer	5 Nov 2019	100%	109
Arthouse	15 Nov 2019	100%	44
Fraser T Smith	5 Dec 2019	100%	298
Jack Antonoff	5 Dec 2019	99%	188
Ammar Malik	5 Dec 2019	100%	90
Ed Drewett	9 Dec 2019	100%	109
Kaiser Chiefs	9 Dec 2019	100%	48
Jeff Bhasker	11 Dec 2019	100%	436
Johnny McDaid	11 Dec 2019	100%	164
Emile Haynie	13 Dec 2019	100%	122
Brendan O'Brien	13 Dec 2019	100%	1,855
Savan Kotecha	18 Dec 2019	100%	49
Tom Delonge	23 Dec 2019	100%	157
Journey (Masters)	10 Jan 2020	65%	389
Rebel One	10 Jan 2020	100%	157
Scott Harris	10 Jan 2020	100%	129
Brian Higgins	22 Jan 2020	100%	362
Gregg Wells	10 Feb 2020	100%	11
Jonathan Cain	28 Feb 2020	100%	216

Jonny Coffer	28 Feb 2020	100%	85
Mark Ronson	28 Feb 2020	100%	315
Richie Sambora	4 Mar 2020	100%	186
Rodney Jerkins	16 Jul 2020	100%	982
Barry Manilow	16 Jul 2020	100%	917
RedOne	16 Jul 2020	100%	334
Eliot Kennedy	16 Jul 2020	100%	217
Closer (J King & I Slade)	27 Jul 2020	100%	2
NO I.D.	24 Jul 2020	100%	273
Pusha T	24 Jul 2020	100%	238
Ian Kirkpatrick	29 Jul 2020	100%	137
Blondie	30 Jul 2020	100%	197
Chris Cornell	10 Aug 2020	100%	241
Robert Diggs “RZA”	12 Aug 2020	50%	814
Ivor Raymonde	13 Aug 2020	100%	505
Nikki Sixx	3 Sep 2020	100%	305
Big Deal Music “BDM”	10 Sep 2020	100%	4,400
Chrissie Hynde	10 Sep 2020	100%	162
Steve Robson	17 Sep 2020	100%	1,034
Rick James	18 Sep 2020	50%	97
Kevin Godley	23 Sep 2020	100%	358
Scott Cutler	24 Sep 2020	100%	111
Nate Ruess	30 Sep 2020	100%	59
LA Reid	30 Sep 2020	100%	162
50 Cent	30 Sep 2020	100%	388
Aristotracks	30 Sep 2020	100%	152
B-52’s	30 Sep 2020	100%	96

Bonnie McKee	30 Sep 2020	100%	78
Brill Building	30 Sep 2020	100%	234
Christina Perri	30 Sep 2020	100%	68
Dierks Bentley	30 Sep 2020	100%	113
Editors	30 Sep 2020	100%	64
Eman	30 Sep 2020	100%	97
Enrique Iglesias	30 Sep 2020	100%	157
Evan Bogart	30 Sep 2020	100%	229
George Benson	30 Sep 2020	100%	107
George Thorogood	30 Sep 2020	100%	40
Good Soldier	30 Sep 2020	100%	760
Holy Ghost	30 Sep 2020	100%	62
J-Kash	30 Sep 2020	100%	90
John Rich	30 Sep 2020	100%	7
Kojak	30 Sep 2020	100%	148
Lateral	30 Sep 2020	100%	248
Lindsey Buckingham (Kobalt)	30 Sep 2020	100%	174
LunchMoney Lewis	30 Sep 2020	100%	116
Lyrica Anderson	30 Sep 2020	100%	96
Madcon	30 Sep 2020	100%	173
Mark Batson	30 Sep 2020	100%	210
Mobens	30 Sep 2020	100%	1,034
Nelly (Kobalt)	30 Sep 2020	100%	145
Nettwerk	30 Sep 2020	100%	25,339
PRMD	30 Sep 2020	100%	335
Rob Hatch	30 Sep 2020	100%	167

Rock Mafia	30 Sep 2020	100%	393
Savan Kotecha (Kobalt)	30 Sep 2020	100%	354
SK Music	30 Sep 2020	100%	23
Skrillex	30 Sep 2020	100%	153
Stereoscope	30 Sep 2020	100%	456
Steve Winwood	30 Sep 2020	100%	215
Tequila	30 Sep 2020	100%	1
Third Day	30 Sep 2020	100%	212
Walter Afanasieff	30 Sep 2020	100%	213
Wayne Wilkins	30 Sep 2020	100%	113
Yaslina	30 Sep 2020	100%	73
Sacha Skarbek	20 Nov 2020	100%	303
Tricky Stewart (Masters)	27 Nov 2020	100%	95
Eric Stewart	2 Dec 2020	100%	255
Bob Rock	4 Dec 2020	100%	43
Caroline Ailin (“New Rules”)	10 Dec 2020	100%	2
Nelly	15 Dec 2020	100%	240
Lindsey Buckingham	24 Dec 2020	100%	161
Joel Little	24 Dec 2020	100%	178
Jimmy Iovine	24 Dec 2020	100%	259
Neil Young	31 Dec 2020	50%	590
Shakira	31 Dec 2020	100%	145
Brian Kennedy [Writer Sh.]	31 Dec 2020	100%	139
Andrew Watt	17 Feb 2021	100%	105
Christian Karlsson	2 Mar 2021	100%	255
Carole Bayer Sager	17 Mar 2021	100%	983
Paul Barry	18 Mar 2021	100%	510

Espionage	26 Mar 2021	100%	151
Martin Bresso	31 Mar 2021	100%	51
Andy Wallace	31 Mar 2021	100%	1,242
David Sitek	31 Mar 2021	100%	230
Happy Perez	31 Mar 2021	100%	192
Total Songs			64,098

Our Principal Risks and Uncertainties

1. Due diligence risk

Probability: Medium; Impact: High

Description

The due diligence process that the Investment Adviser undertakes in evaluating Catalogues for the Company may not reveal all facts that may be relevant in connection with such investment opportunities and any mismanagement, fraud or accounting irregularities on the part of any seller of Catalogues, or their advisers, may materially affect the integrity of the Investment Adviser's due diligence on investment opportunities

Mitigation

When conducting due diligence and making an assessment regarding an investment, the Investment Adviser and the Company's legal and financial advisers are required to rely on resources available to them, including internal sources of information as well as information provided by existing and potential sellers of Songs. The due diligence process may at times be required to rely on limited or incomplete information.

The Investment Adviser will select investment opportunities to be tabled to the Directors for their consideration in part on the basis of information and data relating to potential investments that have been made directly available to the Investment Adviser by the sellers. Although the Investment Adviser will verify and evaluate all such information and data, and seek independent corroboration when it considers it appropriate and reasonably available, the Investment Adviser may not be in a position to confirm the completeness and accuracy of such information and data. Further, investment analysis and decisions by the Investment Adviser may be undertaken on an expedited basis in order to make it possible for the Company to take advantage of short-lived investment opportunities. Where there is lack of time or information the Investment Adviser is dependent upon the integrity of the management of the sellers as regards such information and of such third parties.

The Company conducts a thorough review of all due diligence conducted on potential Catalogue purchases. However, due to a number of factors, the Company cannot guarantee that the due diligence investigation carried out by the Investment Adviser and the Company's legal and financial advisers with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful to the Directors in evaluating such investment opportunity, which may therefore lead the Directors to decide to acquire Songs which subsequently fail to perform in line with expectations and may have a material adverse effect on the Company's financial situation.

2. Key person risk

Probability: Low; Impact: High

Description

The ability of the Company to achieve its Investment Objective and Policy depends on the diligence, skill, judgment and experience of Merck Mercuriadis, the Key Person, as the chief executive of the Investment Adviser, the services and reputation of the Investment Adviser and the investment pipeline generated through the Investment Adviser's business development efforts. The Company also depends on the ability of the Investment Adviser's team to meet the strains of a rapidly growing Portfolio of Catalogues. The death, incapacity or loss of service of Merck Mercuriadis at the Investment Adviser, could have a material adverse impact on the Company and the investments made.

Mitigation

In order to meet the continuing rapid growth of the Portfolio of Catalogues and to broaden the expertise within the Investment Adviser, the Investment Adviser has continued to invest in growing its staff and systems. The Investment Adviser is also supported by the Advisory Board members. Both 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 (e.g. Kobalt) each have an important role to play in pursuing efficiencies in the collection of payments 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.

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

Probability: Low/Medium; Impact: Medium

Description

Collection Societies, which include Performing Rights Organisations (PROs), represent the rights and interests of publishers and Songwriters. They collect royalties, create collection policies and set royalty rates for the use of music copyrights. There are over 120 PROs around the world and most of them have agreements and frameworks in place with each other. The Company also receives royalty payments from a variety of other sources, including the major music publishers and record companies.

Historically, the major music publishers represented a significant proportion of the membership of PROs and therefore controlled a significant percentage of any votes of such PROs. Accordingly, the governance of the PROs is capable of being influenced or directed by the major music publishers and minority stakeholders, such as the Company, may be forced to follow royalty collection practices which do not favour the Company as much as they favour the major music publishers.

Should PROs 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 will provide the Company with any data or intelligence of which it becomes aware. Updates to the financial model will be made to reflect any such regulatory or industry changes.

4. Exchange rate risks

Probability: Medium; 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, and most of the Group's revenue is received in other currencies, particularly Dollars, and exchange rate fluctuations may significantly affect the NAV and the ability to pay the targeted dividends.

Mitigation

The Company considers on a regular basis the benefits and cost of passive currency hedging. To date the Company has not implemented passive currency overlay strategies. The Company will continue to pay any dividends in Sterling and its primary listing will remain denominated in Pounds.
The Company has moved its functional currency from Pound Sterling to US Dollar in relation to this and future reports and accounts which reduces the volatility of overall revenues.

5. Advance payments to Songwriters don't yield projected returns

Probability: Medium; Impact: Low

Description

Investment in Songs that are yet to be written or proven commercially over a sustained period of time is considered more speculative than investment in proven Songs, and it is harder to accurately forecast revenues that such Songs will generate over time. Such Songs may not be commercially successful or generate sufficient royalties to repay the Advance (together with the projected returns thereon) over the forecasted period or at all.

Mitigation

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; as at 31 March 2021, HSG had made Advances to Songwriters totalling $10.1 million, which are expected to be recouped from the future royalty income generated by the Songs written by the Songwriters over time.

6. Financial leverage risk

Probability: Low; Impact: High

Description

The Company uses leverage to finance the acquisition (directly or indirectly) of Songs or Catalogues in accordance with the Investment Objective and Policy. In addition, the Company may utilise borrowings, which may include a securitisation, for working capital and interest rate hedging purposes, as well as to pay transaction costs and expenses. In the case of default under the relevant financing arrangement, this could result in the lenders enforcing their security and selling the Group's assets, which in either case could adversely impact the value of the Portfolio. Please see Note 17 for more details.

Mitigation

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

7. Risks associated with market trends

Probability: Medium; Impact: High

Description

The Company is heavily reliant on the continuing presence and popularity of music streaming, or an equivalent technology which generates high volumes and rates of royalty revenues for Songwriters, continuing to be popular with consumers. Historically the music industry has been shown to be especially innovative, with new technology causing changes in consumer demand and experience. Whilst it is possible that new technology may reduce non-synchronisation related royalty revenues, it is also possible that technological advances would lead to a growth in royalties as consumers' access to music continues to improve. A limited number of online streaming and online music stores have achieved a large market share, giving them market power to alter the prices or selection of music offered to consumers and therefore the royalty revenue received by the Group. Any further market concentration could increase this risk.

Mitigation

The Company 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 from the Goldman Sachs "Music in the Air" report (published 26 April 2021) where they have increased their global streaming subscriptions estimates by 5%, to 1.22 billion by 2030, from 443 million in 2020, as paid subscription penetration is expected to rise from 10% in 2020 to 22% in 2030 on the back of faster-than-expected streaming adoption and a proliferation of new streaming services.

8. Operational reliance on service providers

Probability: Low; Impact: Medium

Description

The Company relies on third-party service providers for its routine operations. In particular, although the ultimate responsibility for the investment strategy lies with the Company, the Investment Adviser is responsible for sourcing potential opportunities and advising the Company on acquisitions and active management of Catalogues.

The Company also depends heavily on the specialist administrative services of the Investment Adviser, the Preferred 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 or cyber security breaches, the ability of the Group to collect revenues due may be limited.

Mitigation

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

9. Cyber Risk

Probability: Medium; Impact: Medium

Description

The Company (as with all companies) continues to be exposed to external cyber-security threats which have the possible impact of sensitive information leakage, 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.

10. Impact due to the COVID-19 pandemic

Probability: High, Impact: Medium

Description

The business and economic disruption as a result of the COVID-19 pandemic and associated lockdowns has had a material adverse effect on certain income streams, in particular performance revenues, which relate to revenues collected from shops, bars, gyms and live performances.

Mitigation

The majority of revenues are sourced in the US and in the UK, and as those countries move towards being vaccinated, the impact of the risk of COVID-19 is reducing. Nevertheless, the full extent of the impact on the Company's revenues remains unknown, given the reporting and processing cycles with the major publishers and PROs and the resulting significant time lag between the usage of a Song and the payment of revenue to the copyright owner.

Emerging Risks

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory/legislative change and macroeconomic and political change. These are mitigated and managed 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. 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.

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 have considered the immediate and potential impacts of COVID-19 on the Company as reflected in the Viability Statement.

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 Administrator and Investment Adviser. 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.hipgnosissongs.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, Guidance and Transparency Rules

Each of the Directors confirms to the best of their knowledge and belief 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 voluntarily agreed to comply. In addition, there is no information that is required to be disclosed under Listing Rules 9.8.4.

By order of the Board

Andrew Sutch
Chair
4 July 2021

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 2021, 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 2021;
- 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.

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 Ocorian Administration (Guernsey) Limited (the "Administrator") and The Family (Music) 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, the involvement of the third parties referred to above, 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

- Risk of fraud in revenue recognition
- Carrying value and fair value disclosure of intangible assets
- Change in functional and presentation currency

Materiality

- Overall group materiality: $15.6 million (2020: $7.9 million*) based on 1% of the group's Adjusted Net Asset Value.
- Performance materiality: $11.7 million (2020: $5.9 million**).
- The group's Adjusted Net Asset Value is calculated in accordance with International Financial Reporting Standards, adjusted by adding back the cumulative amortisation of intangible assets and retaining any cumulative impairment of intangible assets.

* £6.4 million translated at the rate used to restate the statement of financial position for the comparative year ended 31 March 2020 to US Dollars

** £4.8 million translated at the rate used to restate the statement of financial position for the comparative year ended 31 March 2020 to US Dollars

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 our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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.

This is not a complete list of all risks identified by our audit.

Key audit matter

Risk of fraud in revenue recognition

Please refer to Notes 4 and 13 to the consolidated financial statements.

The group earns revenue from the catalogues of songs in which it owns interests. Such revenue takes the form of royalties, license fees and/or other payments including mechanical royalties, performance royalties, and synchronisation fees.

Revenue is collected by the portfolio administrators/ royalty collection agents, reported on a quarterly or semi-annual basis and paid based on predetermined revenue payments dates thereafter. These contractual revenue arrangements entered into by the group with the portfolio administrators/royalty collection agents may be complex in nature and there is therefore a risk of error in that revenue may be incorrectly recognised in the accounting records of the group, or subject to manipulation.

In addition, because of 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, but for which revenue reports from the portfolio administrators/royalty collection agents are unavailable at the time of reporting. The directors seek the input of the Investment Adviser in making these revenue estimates and accrual, which involves significant judgement (see Note 3). The period end accrual is based on the catalogues of songs' historic performance for previous periods, 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.

Revenue is also one of the key performance indicators for the group and changes to the contractual arrangements with the portfolio administrators/royalty collection agents, which may report on a basis that is not coterminous with the period end, and the associated accrual determined by the directors, can have a significant impact on the recognition of revenue by the group. As a result, there is a heightened risk of material misstatement and revenue received during the year and the revenue accrual are considered to be key audit matters for audit purposes.

How our audit addressed the key audit matter

We met with the directors and Investment Adviser and understood and evaluated the group's processes, internal controls and revenue recognition policies as a result of the various music royalty, license fee and other payments earned from the catalogues of songs owned by the group.

We also assessed the group's revenue recognition accounting policies for compliance with International Financial Reporting Standards ("IFRS"), and in particular IFRS 15 – Revenue from Contracts with Customers.

Our procedures included:

- We have reviewed the contractual basis for recognising revenue from each catalogue of songs on acquisition of each catalogue of songs by reading and understanding each catalogue agreement and the contracts in place with each portfolio administrator/royalty collection agent;
- We documented and understood the control processes in place over revenue recognition;
- We selected a sample of portfolio administrator/ royalty collection agent statements statements from the general ledger listing and reconciled these to the revenue recognised by the group for each of these respective catalogues of songs. In addition, we traced these amounts to the subsequent cash receipts (where applicable);
- We identified, evaluated and verified a sample of journal entries that impacted revenue; and
- We independently observed the download of a sample of royalty statements from the relevant online portals for a sample of portfolio administrators, and obtained direct confirmations from the portfolio administrators of a sample of royalty statements to confirm their authenticity.

We also performed the following procedures in assessing the period end revenue accrual determined by the directors with the input of the Investment Adviser:

- We evaluated the methodology applied by the Investment Adviser in developing the period end revenue accrual 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 already audited (as discussed above);
- We evaluated the reasonableness of the revenue accrual assumptions made by the directors and Investment Adviser against supporting information, such as the fair value models provided by the Portfolio Independent Valuer;
- We reconciled the details of the last royalty statements received by the group to those included in the revenue accrual model and checked the arithmetic accuracy of the revenue accrual calculation; and
- We performed back testing by comparing the prior year revenue accruals to subsequently received royalty statements in order to assess the accuracy of the estimates made by the Investment Manager.

We did not identify any material issues from our procedures.

Carrying value and fair value disclosure of intangible assets

Please refer to Notes 4 and 6 to the consolidated financial statements.

The primary activity of the group is to acquire and hold catalogues of songs and earn the music royalty, license fees and other revenue associated with its ownership.

The group's portfolio of songs are classified as intangible assets under IAS 38 - Intangible Assets ("IAS38"). The various catalogues of songs are held at cost and amortised over their useful life (which is determined at acquisition of each of the catalogue of songs) less 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 determination of the useful life of each catalogue requires the application of significant judgement by the directors (see Note 4).

The directors have chosen to voluntarily disclose the fair value of the catalogues of songs (see Note 6). The directors also present an 'Operative Net Asset Value', which takes into account the Catalogues of Songs at this fair value rather than at the IFRS amortised cost value, as included in consolidated financial statements and reflected in the IFRS Net Asset Value.

The directors have, in consultation with the Investment Adviser, engaged the Portfolio Independent Valuer to assess the fair value of each catalogue. In general, the fair value of each catalogue 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 future catalogue revenue and cash flow projections; aggregate catalogue maturity; music industry growth rates by revenue type (e.g. physical sales, downloads, streaming 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.

The directors use the fair value determined by the Portfolio Independent Valuer as an input into their consideration of the impairment assessment of the catalogues of songs held at amortised cost, based on a comparison of the fair value of each catalogue to the carrying value calculated under IFRS.

As the catalogues of songs are significant to the net asset value of the group and because of the level of judgement applied in determining the useful life, the need for impairment and in determining the fair value of each catalogue, there is a heightened risk of misstatement. As a result, the carrying value of the catalogues of songs carried at amortised cost in the consolidated financial statements (including any applicable impairment) is considered to be a significant audit risk and the fair value of the catalogues of songs, as disclosed in the notes to the consolidated financial statements, used as an initial basis of consideration for impairment and used in determining the Operative Net Asset Value by the directors are considered to be key audit matters from an audit perspective.

With regard to the catalogues of songs recognised as intangibles and carried at amortised cost, we evaluated management's processes and assumptions used to initially recognise and measure the catalogues of songs at amortised cost and used to assess the need for impairment (if any) of the respective catalogues of songs. Our procedures included:

- We obtained and read the purchase agreements for each catalogue of songs held by the group to ensure they have been accounted for correctly, and agreed to the cash payments made;
- We also discussed with management any deferred compensation terms within the purchase contracts and assessed whether these have been appropriately recognised and/or disclosed within the consolidated financial statements;
- We discussed the useful life of each catalogue with the Investment Adviser and considered these in light of industry benchmarks;
- We recalculated the carrying value in accordance with the useful life determined by the directors and the purchase agreements for each catalogue of songs; and
- We obtained, discussed and challenged the directors and Investment Adviser on their impairment assessment undertaken with respect to each catalogue of songs.

Based on our work performed, we did not identify any material differences.

With regard to the fair value of the catalogues of songs disclosed in Note 6 to the financial statements and used in determining the Operative Net Asset Value of the group by the directors, and as an input into the impairment assessment, we performed the following procedures:

- We discussed with the directors and Investment Adviser the process of appointment of the Portfolio Independent Valuer;
- We contacted the Portfolio Independent Valuer directly and obtained their valuation model for each catalogue of songs;
- We held discussions with the Portfolio Independent Valuer, confirmed their independence and evaluated their experience and objectivity;
- We gained an understanding of the assumptions the Portfolio Independent Valuer adopted to determine the projected growth rates for revenue streams across a sample of catalogues of songs and of the discount rate applied to the projected revenue/cash flow streams;
- We discussed the impact of COVID-19 on the valuations of the catalogues of songs with the Portfolio Independent Valuer, and in particular considered the appropriateness of the assumptions made by them on future cash flows by revenue type for the catalogues of songs sampled;
- We agreed the forecasted revenue assumptions used by the Portfolio Independent Valuer in their model to the revenue recognised by the group and the latest revenue reports from the portfolio administrators/royalty collection agents with respect to the sample of catalogues of songs. We assessed the rationale for any adjustments made thereto against supportable data;
- We compared the discount rate used to available independent industry benchmarks;
- We recalculated the arithmetic accuracy of the valuation for the catalogues sampled; and
- We performed a benchmark analysis of the valuation by obtaining independent music industry market growth data by revenue stream, applying this to the baseline revenue / cash flow projections, discounting at the assessed discount rate and comparing this to the Portfolio Independent Valuer's determination of fair value.

Based on our work performed, we did not identify any material differences.

Change in functional and presentation currency

Please refer to Note 2(n) and 4 of the financial statements.

The directors determined that as at 1 October 2020, a fundamental shift in the primary economic environment of the company and certain of its subsidiaries had occurred, and that the functional currency of the company and these subsidiaries should be changed to US Dollars from Sterling ("GBP"), in accordance with the requirements of IFRS. Simultaneously, the directors determined that the presentation currency for the group should be changed to US Dollars.

For the company and subsidiaries impacted by this decision, the change in functional currency to US Dollars has been recognised prospectively from 1 October 2020 and all periods prior to 1 October 2020 have been represented and restated to US Dollars as a result of the change in presentation currency.

The risk exists that the change in functional currency determined by the directors is not appropriate or consistent with IFRS. There is also a risk that the change in functional and presentation currency, which can be complex, has not been processed correctly in accordance with IAS 21 – The effects of foreign exchange rates ("IAS 21"). As a result, the change in functional and presentation currency during the year is a key audit matter from an audit perspective.

We performed the following procedures:

- Where a change in functional currency had been made for the company or a subsidiary (the "affected entities"), we reviewed management's rationale for the change in line with the criteria set out in IAS 21;
- We reviewed the methodology adopted by management in preparing the workings for the change in presentation currency to ensure that these are consistent with IAS 21 with respect to the affected entities;
- We recalculated management's workings for the restatement of periods prior to 1 October 2020 due to the change in presentation currency and confirmed the reasonableness of the foreign exchange rates used to independent market sources for each period selected;
- Where a change in functional currency had been made, we recalculated transactions in foreign currencies on a sample basis to independently sourced foreign exchange rates; and
- We obtained, reviewed and considered the adequacy of the disclosures made by the directors in the consolidated financial statements in respect of the changes to the functional and presentation currency from GBP to US Dollars.

We did not identify any material issues from our procedures.

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, and the industry in which the group operates.

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 Administrator (and its related group entities) 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 are 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 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	$15.6 million (2020: $7.9 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 $1,556 million (2020: $791 million**)

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% of overall materiality, amounting to $11.6 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 $778,000 (2020: $395,000***) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

* £6.4 million translated at the rate used to restate the Statement of Financial Position for the comparative year ended 31 March 2020 to US Dollars

** £641 million translated at the rate used to restate the Statement of Financial Position for the comparative year ended 31 March 2020 to US Dollars

*** £320,000 translated at the rate used to restate the Statement of Financial Position for the comparative year ended 31 March 2020 to US Dollars

Reporting on other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report 2021 (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon.

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 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 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 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 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 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 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.

Roland Mills
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands

5 July 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	1 April 2020 to 31 March 2021 $'000	1 April 2019 to 31 March 2020 $'000
Income			
Total revenue	13	160,752	82,207
Interest income		88	1,254
Royalty costs		(22,450)	(132)
Net revenue		**138,390**	**83,329**
Expenses			
Advisory, performance and administration fees	19	(13,236)	(6,881)
Amortisation of Catalogues of Songs	6	(67,875)	(23,462)
Directors' remuneration	18	(666)	(331)
Brokers' fees		(81)	(132)
Auditor remuneration	21	(732)	(365)
Legal and professional fees		(7,840)	(2,491)
Finance charges for deferred consideration		(339)	–

Finance charges for deferred consideration		(339)	–
Loan Interest	9	(9,931)	(1,065)
Subscriptions and Licences		(236)	–
Charitable Donations		(307)	–
HSG FV Gain	3	2,139	–
Other operating expenses	14	(10,561)	(1,940)
Foreign exchange gains/(losses)	15	15,814	(5,151)
Operating expenses		**(93,851)**	**(41,818)**
Operating profit for the year before taxation		**44,539**	**41,511**
Taxation	5	(5,604)	(9,498)
Profit for the year after tax		**38,935**	**32,013**
Total comprehensive income for the year		**38,935**	**32,013**
Basic Earnings per Share (cents)	20	**4.72**	**8.13**
Diluted Earnings per Share (cents)	20	**4.72**	**8.13**

All activities derive from continuing operations.

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	31 March 2021 $'000	31 March 2020 $'000
Assets			
Catalogues of Songs	6	1,878,924	857,506
Other assets		3,740	–
Goodwill	3	272	–
Trade and other receivables	8	107,628	52,354
Cash and cash equivalents	7	112,634	17,391
Total assets		**2,103,198**	**927,251**
Liabilities			
Loans and borrowings	9	565,860	69,182

Other payables and accrued expenses	10	74,493	47,384
Total liabilities		**640,353**	**116,566**
Net assets		**1,462,845**	**810,685**
Equity			
Share capital	11	1,466,851	801,844
Other reserves	19	234	–
Foreign currency translation reserve		(419)	(412)
Retained earnings		(3,821)	9,253
Total equity attributable to the owners of the Company		**1,462,845**	**810,685**
Number of Ordinary Shares in issue at year end		**1,073,440,268**	**615,851,887**
IFRS Net Asset Value per Ordinary Share (cents)	12	**136.28**	**131.64**
Operative Net Asset Value per Ordinary Share (cents)	12	**168.29**	**151.14**

Approved and authorised for issue by the Board of Directors on 4 July 2021 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 2021

	Note	Number of Ordinary Shares	Share capital $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
As at 1 April 2020		**615,851,887**	**801,844**	**(412)**	**9,253**	**-**	**810,685**
Shares issued	11	457,588,381	677,056	–	–	–	677,056
Share issue costs	11	–	(12,049)	–	–	–	(12,049)
Performance fees to be paid in shares	19	–	–	–	–	234	234
Dividends paid	16	–	–	–	(52,009)	–	(52,009)
Profit for the year		–	–	–	38,935	–	38,935

Foreign currency translation reserve movement	–	–	(7)	–	–	(7)
As at 31 March 2021	**1,073,440,268**	**1,466,851**	**(419)**	**(3,821)***	**234**	**1,462,845**

*The underlying retained earnings figure has been shown to be in a deficit position due to the foreign currency translation therefore does not show the true nature of retained earnings. The Sterling retained earnings position at 31 March 2021 is £6.3 million. This is entirely linked to the functional currency change, and the strengthening of Sterling against the Dollar.

Profit for the Year of $38.935 million is calculated net of Amortisation of Catalogues of Songs, which is $67.875 million. The Profit, when adjusted for Amortisation, is therefore $106.8 million which represents 2.05x dividend cover on the dividends paid of $52.009 million."

For the year ended 31 March 2020

	Note	Number of Ordinary Shares	Share capital $'000	Currency change reserve $'000	Retained earnings $'000	Total equity $'000
As at 1 April 2019		**202,176,800**	**262,919**	**(4,308)**	**363**	**258,974**
Shares issued	11	187,387,487	247,324	–	–	247,324
C Share conversion		226,287,600	301,777	–		301,777
Share issue costs	11	–	(10,176)	–	–	(10,176)
Dividends paid	16	–	–	–	(23,123)	(23,123)
Profit for the year		–	–	–	32,013	32,013
Foreign currency translation reserve movement		–	–	3,896	–	3,896
As at 31 March 2020		**615,851,887**	**801,844**	**(412)**	**9,253**	**810,685**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	1 April 2020 to 31 March 2021 $'000	1 April 2019 to 31 March 2020 $'000
Cash flows generated in operating activities			
Operating profit for the year before taxation		44,539	41,511
Adjustments for non-cash items:			
Loan interest		9,931	1,065
Movement in trade and other receivables	8	(54,005)	(34,985)
Movement in other payables and accrued expenses	10	38,712	(4,251)
Movement in equity for share-based payments	19	234	295
Amortisation of Catalogues of Songs and borrowing costs		67,875	23,462
Foreign exchange (losses)/gains	15	(15,814)	5,151
Taxation		(5,604)	(9,498)
Net cash generated from operating activities		**85,868**	22,750
Cash flows used in investing activities			
Purchase of Catalogues of Songs	6	(1,089,293)	(726,466)
Purchase of other assets		(3,740)	–
Goodwill paid on acquisition		(272)	–
Net cash used in investing activities		**(1,093,305)**	(726,466)
Cash flows generated from financing activities			
Proceeds from issue of shares	11	677,056	548,805
Issue costs paid	11	(12,049)	(10,176)
Dividends paid	16	(52,009)	(23,123)
Interest paid	9	(8,942)	(777)
Borrowing costs	9	(9,199)	(5,421)
Bank loan	9	503,278	74,014
Net cash generated from financing activities		**1,098,135**	583,322
Net movement in cash and cash equivalents		**90,698**	(120,394)
Cash and cash equivalents at the start of the year		17,391	141,492

Effect of foreign exchange rate changes on cash and cash equivalents	15	4,545	(3,707)
Cash and cash equivalents at the end of the year	7	**112,634**	17,391

HSG had a net cash balance of $5.6 million as at 31 March 2021 and these flows are included in the above consolidated cash flow statement.

The accompanying notes form an integral part of these Consolidated Financial Statements.

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'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.

On 10 September 2020 the Company acquired the entire share capital of Big Deal Music Group. Whilst this was a significant acquisition in expanding operations, the size of acquisition does not warrant a separate segment but a complementary one to the primary segment of royalty collection/Catalogue ownership. Accounting recognition and measurement policies have only been included where material to the consolidated results and financial position of the Company.

The consideration for this acquisition was funded from the proceeds of Hipgnosis' equity fundraise in July 2020 and through the issue of 17,609,304 new Ordinary Shares ("Consideration Shares") issued at a price of 120.65p per Ordinary Share. 6,248,351 of the Consideration Shares were subject to lock up restrictions to 1 October 2020, with 10,123,219 Consideration Shares subject to lock up restrictions to 1 April 2021. The acquisition provides the Company with a full service US music platform, which is expected to enhance royalty income from its growing portfolio of songs, create new songs at an attractive cost and provide in-house US administration, and therefore increasing control over its portfolio's income.

On 30 September 2020 the Company acquired a portfolio of 42 Catalogues from Kobalt Music Copyrights S.à.r.l., an investment fund advised by Kobalt Capital Limited, for a total consideration of $322.9 million. The consideration, net of right to income, represents a blended acquisition multiple of 18.3x average annual income and was funded with the net proceeds from the Company's September equity fundraising together with the Company's existing leverage facility. The accounting for the acquisition of the Kobalt Music Copyrights Portfolio is consistent with the accounting treatment of all other Catalogue acquisitions.

The Company makes 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 to 31 March 2021, rounded to the nearest Dollar; the change in functional and presentation currency from Sterling to Dollars is discussed further in Note 2(m), Note 4, the Chairman's Statement and the Audit and Risk Management Committee Report. The Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property.

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 2021 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 June 2020:

Amended standards and interpretations		Effective date
IFRS 16	Leases (Amendments regarding COVID-19 related rent concessions)	1 June 2020
IFRS 9	Financial Instruments (Amendments regarding pre-replacement issues in the context of the LIBOR reform)	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Presentation of Financial Statements (Amendments regarding financial statements' on classification of liabilities)	1 January 2022

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.

Group information

As at 31 March 2021, 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†	UK	100	100	Full	GBP
Big Deal Music Group, rebranded Hipgnosis Songs Group LLC*	US	100	100	Full	USD
BDM Acquisition Corp, LLC, rebranded Hipgnosis Acquisition Corp	US	100	100	Full	USD
Kennedy Publishing & Productions Limited†	UK	100	100	Full	GBP
F.S. Music Limited†	UK	100	100	Full	USD
Robot of the Century Music Publishing Inc	US	100	100	Full	USD
C H Publishing Limited†	UK	100	100	Full	GBP
Deamon Limited†	UK	100	100	Full	GBP

PB Songs Ltd†	UK	100	100	Full	GBP

* On 10 September 2020 the Company acquired the entire share capital of Big Deal Music Group which includes BDM Acquisition Corp and Big Deal Music 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. Big Deal Music has been rebranded Hipgnosis Songs Group.

†This is a subsidiary of Hipgnosis SFH XX Limited and therefore an indirect subsidiary of Hipgnosis Songs Fund Limited.

The following additional companies were acquired during the year (all were copyright asset-holding companies with the exception of Big Deal Music, which is an operating company):

- Kennedy Publishing & Productions Limited on 16 July 2020;
- Big Deal Music on 10 September 2020;
- F.S. Music Limited on 30 September 2020;
- Robot of the Century Music Publishing Inc on 30 September 2020;
- C H Publishing Limited on 20 November 2020;
- Deamon Limited on 20 November 2020; and
- PB Songs Ltd on 18 March 2021.

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 are subject to applicable State and Federal Taxes.

a.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 own judgment, the Directors believe it is appropriate to prepare the Consolidated Financial Statements of the Group on a going concern basis.

b.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 consolidated accounts for the financial period 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 in 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.

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. The Control 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, UK and Guernsey. 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, with an attractive and growing level of income, together with the potential for capital growth.

c.Revenue recognition

Bank interest income

Interest income from cash deposits is recognised as it accrues by reference to the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value or principal amount, and is accounted for on an accruals basis.

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 three 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;

ii) Performance royalties – these are collected by various PROs worldwide which represent songwriters and other copyright owners; and

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.

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 (3-6 months for mechanical royalties and 6-12 months for performance royalties) and where statements have not been received at the year end, the Group accrues for those reporting delays 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 made upon reporting of those usages within royalty statements delivered typically 3-6 months after usage. The significant payment terms are 60-90 days.

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.

Where available at the end of each month or 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.

d.Royalty costs

Royalty costs are contractual royalties paid to songwriters, on a quarterly or semi-annual basis, that are in a recouped position, and these are deducted from gross revenue when calculating net revenue. These royalty costs are associated with songwriters that are published or administered by HSG or Kobalt.

e.Expenses

Expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Comprehensive Income.

f.Dividends to Shareholders

Dividends are accounted for in the period in which they are declared and approved by the Board of Directors.

g.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 Statement of Comprehensive Income 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 industry standard.

Asset impairment

Each time events or changes in the respective Catalogues of Songs or economic environment indicate a risk of impairment of intangible assets, the Group re-examines the value of these assets for indicators of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount 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 (less costs to sell) as described hereafter, for each individual asset.

The value in use of each asset is determined by the Board and Investment Adviser with the support of independent third parties commissioned to appraise the Catalogue value at time of acquisition, which is the discounted value of future cash flows using cash flow projections consistent with the expected portfolio cash flows and the most recent forecasts as at that time. Applied discount rates are determined by reference to an appropriate benchmark as determined by the Board and reflect the current assessment by the Group of the time value of money and risks specific to each asset. Growth rates used for the evaluation of individual assets are based on industry growth rates sourced from independent market reports and other third-party sources. This value in use methodology applies to all except very small acquisitions that don't warrant the independent valuation, given the related expense. In these instances, the value in use is established from the Investment Adviser's internal discounted cash flow method.

The fair value (less costs to sell) is considered to be equal to the fair value determined by the Portfolio Independent Valuer, which is also the discounted value of future cash flows by using cash flow projections consistent with the expected Portfolio cash flows and the most recent forecasts as at that time cross referenced, where appropriate, against market multiples for recent transactions for similar assets. The Portfolio Independent Valuer use their own proprietary analysis to project out income streams, which is based on independent market reports and third-party sources. The discount rate used by the

Portfolio Independent Valuer is 8.50% and unchanged since the interim results of 30 September 2020 (31 March 2020: 9.0%)

Whilst the Board and Investment Adviser regularly assess other indicators of impairment (such as a songwriter's or key performance artist's reputation etc.), the Board and Investment Adviser typically use the fair value of the assets, being the Catalogues of Songs, as an initial indicator of impairment. For assets that are currently valued below their fair value, the Board and Investment Adviser will review the prevailing qualitative and quantitative factors that determine the value in use in assessing whether the indication of impairment holds true.

If the recoverable amount is still lower than the carrying value of an asset or group of assets and the qualitative and quantitative aspects do not support a recoverable amount higher than the carrying amount, an impairment loss equal to the difference is recognised in 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.

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.

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 profit or loss.

h.Contingent consideration

Under the terms of the acquisition agreements for Catalogues, contingent consideration may be payable dependent on future independent valuations of the Catalogues or revenue received within a specific time frame of acquiring the Catalogues that reach agreed upon revenue targets. At 31 March 2021 the likelihood of the aforementioned performance condition to be met was deemed remote and hence the possibility of economic outflows remote, and therefore no contingent consideration was disclosed.

i.Deferred consideration

In such cases where payment is deferred 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.

j.Financial liabilities and equity

Debt and equity instruments 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 profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities, including 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

k.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.

l.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.

m.Functional and foreign currency

The Company's and a number of its subsidiaries' functional and presentation currency changed from Sterling to Dollars with effect from 1 October 2020. The functional currency change is mandatory in line with IAS 21 due to a fundamental shift in the primary economic environment in which the Company operates and reflects the fact that Dollar has become the Company's predominant currency accounting for a significant proportion of the Company's revenue, expenses and financing. This is discussed further in the Chairman's Statement and the Audit and Risk Management Committee Report. The change in presentation currency is a voluntary change with retrospective application. Accordingly, these Consolidated Financial Statements are prepared in Dollars and the comparative information for the 12-month period ended 31 March 2020 has been restated for presentation in Dollars.

The financial report has been restated to Dollars using the procedure outlined below:

Period since 1 October 2020

All movements in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, have been translated using the prevailing daily foreign exchange rates.

Period from 1 April 2020 to 30 September 2020

All movements in relation to the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity have been translated using the prevailing daily foreign exchange rates. All Equity reserves in the Consolidated Statement of Financial Position are also translated using the prevailing daily foreign exchange rates.

Assets and liabilities in the Consolidated Statement of Financial Position have been translated into Dollars at the closing foreign currency rates as at 30 September 2020, with the exception of the Catalogues of Songs figure which has been fully recalculated using applicable daily rates.

The movement in the Foreign currency translation reserve in this period is calculated as the difference between the movement in the net asset position and the total Equity reserves as translated at 1 April 2020 and 30 September 2020.

The Consolidated Statement of Cash Flows is translated as follows; movements which relate to the Consolidated Statement of Comprehensive Income and those in relation to Equity reserves are translated using the prevailing daily foreign exchange rates, movements which relate to assets and liabilities are calculated as the movements using the rates at 1 April 2020 and 30 September 2020.

Periods ending before or on 31 March 2020

All movements in relation to the Consolidated Statement of Comprehensive Income are translated at the average prevailing daily rates for the relevant accounting period, this is also the basis for the historical profit or loss held in Retained earnings per the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.

All historical capital raises and dividend payments have been translated at the prevailing daily foreign exchange rates.

Assets and liabilities in the Consolidated Statement of Financial Position have been translated into Dollars at the closing foreign exchange rates as at each reporting date, with the exception of the Catalogues of Songs figure which has been fully recalculated using applicable daily rates.

The Foreign currency translation reserve is calculated as the difference between the net asset position and the total Equity reserves as stated at each reporting date.

The Consolidated Statement of Cash Flows is translated as follows; movements which relate to the Consolidated Statement of Comprehensive Income are translated at the average prevailing daily rates for the relevant accounting period, those in relation to dividend payments or capital raises are translated at the prevailing daily foreign exchange rates, and movements which relate to assets and liabilities are calculated as the movements using the closing foreign exchange rates as at each reporting date.

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 each 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 profit or loss in the period 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.

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 profit or 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 profit or loss.

On 10 September 2020, the Company acquired the entire share capital of Big Deal Music Group (rebranded as Hipgnosis Songs Group) a boutique full-service song company which owns a portfolio of copyright interests and is headquartered in the US. The consideration for the acquisition was funded from the proceeds of the Company's C Share equity fundraise in July 2020 and through the issue of 17,609,304 new Ordinary Shares issued at a price of 120.65p per Ordinary Share. As part of the business combination, the assets were revalued to fair value on the date of the business combination and liabilities evaluated and recognised in the respective balances in the consolidated financial statements. The fair value gain of $2,139,624 as a result of this process has been recognised in the Consolidated Statement of Comprehensive Income. As a result of the remaining purchase price allocation on the Hipgnosis Songs Group balance sheet an immaterial amount of goodwill at $0.3 million was recorded. The acquisition of Big Deal Music, a US music publishing company, on 10 September 2020 was acquired for total consideration of $88.18 million based on the fair value of assets transferred into the Group of $87.91 million, resulting in $0.27 million of Goodwill being recognised on acquisition (including $1.641 million cash, advances, copyright investments and operating company working capital items).

Gross Revenue for the period since acquisition of BDM, since rebranded as HSG, was $18.8 million with NPS of $4.0 million and a loss after tax of $2.3 million.

On an annualised pro-rata basis, the Gross Revenue is estimated to be $30 million, NPS $6.1 million and the overall loss after tax of $3.2 million.

The results of BDM are not disclosed separately in the Statement of Comprehensive Income as these are deemed immaterial on a consolidated Group basis.

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 Condensed Consolidated Financial Statements were prepared. However, these assumptions and estimates may change based on market changes or circumstances beyond the control of the Group.

Functional currency

Functional currency is defined as the currency of the primary economic environment in which the Company operates, and IAS 21 outlines primary and secondary factors a Company should consider when determining its functional currency. The functional currency of the Company on incorporation was determined to be Sterling, primarily because share capital was issued in Sterling, dividends were payable in Sterling, the RCF was in Sterling, there was a high concentration of Sterling expenses and Catalogue purchases and associated royalties and revenue streams were a mixture of Sterling, Dollar and Euro. As the Company has grown and expanded there has been an increase in Dollar denominated acquisitions and therefore a larger proportion of royalties and other revenues have been received in Dollars.

During the year the Directors concluded that there had been a fundamental shift in the primary economic environment in which the Company operates and that the Company's functional currency had changed from Sterling to Dollars with effect from 1 October 2020. It was agreed that after considering the primary and secondary indicators of functional currency per IFRS that the criteria as outlined in IAS 21 indicated that the Company's functional currency had changed to Dollars due to a significant increase in the proportion of transactions denominated in Dollars. The Board concluded that Dollars had become the predominant currency, triggered by the Kobalt Music Copyrights S.à.r.l., and Big Deal Music Group acquisitions which occurred on 30 September 2020 and 10 September 2020 respectively and the restructuring of the debt facility from Sterling to Dollars on 23 July 2020. Shares will continue to be issued in Sterling and dividends will continue to be paid in Sterling, however the majority of Catalogue revenue and cash receipts are denominated in Dollars, and there is a higher concentration of Dollar expenses, and a strong indication that this trend will continue. Furthermore, the BDM Acquisition (which has since been rebranded Hipgnosis Songs Group) has led to a US operating company being part of the Group, which is consistent with the Company's strategic objective of expansion and growth in the US market. The Directors have also elected to change the Company's presentation currency from Sterling to Dollars; this represents a change in

accounting policy in terms of IAS 8 and requires the restatement of comparative information. Accordingly, these Consolidated Financial Statements are prepared in Dollars and the comparative information for the 12 months period ended 31 March 2020 is presented in Dollars. The methodology used to apply the presentation currency change is outlined in Note 2(n).

Critical estimates in applying the Group's accounting policies – revenue recognition and royalty costs:

In calculating accruals, the Investment Adviser 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.

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. The PRO income accrual is based on analysis of each Catalogue's revenue history as well as knowledge of the respective Catalogue's performance trends.

Net revenue is subject to a royalty cost accrual applied to gross revenue receipts primarily within the Big Deal Music 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.

Expected Credit Loss (ECL) in relation to revenue receivables:

Royalty earnings for accruals and receivables recognised in the year ending 31 March 2021 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 our 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.

Findings from the Company's sensitivity analysis demonstrates revenue by source from the following types of organisations:

- 33% Major publishers (US & UK)
- 25% Independent publishers
- 23% US PROs
- 12% Record labels
- 7% European PROs

As demonstrated in the following breakdown of Accrued Income and Income Receivable, 89% ($7.7 million) of the $8.7 million Income receivable balance outlined in Note 8, has been received at the time of writing, with the remainder expected within 30 days. As demonstrated in Note 17, all Accrued income is expected to be received within 12 months from the date of the Statement of Financial Position. To date, there has been no default of debt for royalty payments by PROs, Publishers or Record Labels.

Additional credit risk with regards to Accrued income is taken into consideration at the point of calculating each accrued amount. On calculation, latest forecast earnings are considered and adjusted down for the latest trend of cash receipted earnings if there Is any suggestion of a downwards performance indicator.

Accrued Income and Receivables at 31 March 2021 were $82.1 million (on a gross basis), a breakdown of which is set out below:

- An $8.7 million receivable representing royalty receipts expected in April and May for royalties where statements were received in March.

Included in Trade and Other receivables is an accrued income balance of $73.4 million which is made up of:

- $29.5 million for calendar Q1 2021 earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q3 and Q4 2021;
- $16.9 million for calendar Q4 2020 earnings which are not reported to the Company until calendar Q2 2021;
- $9.9 million relating to calendar Q2 2020 to Q3 2020 earnings for Catalogues where royalty reporting is still in the process of being redirected/switched over to the Company. These accruals are based on royalty statements received with invoices due to be raised on completion of the Letter of Direction;
- $4.4 million for 2020 earnings on deals acquired more than six months ago yet to be reported;
- $7.5 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 collect and distribute income from territories. The lag in collection is due to the nature of collecting and 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 can typically result in an earnings lag of up to 24 months; and
- $5.2 million HSG gross revenue accrual, bringing the Group in line with IFRS, which includes the accrued PRO lag. Separately, a $4.2 million royalty creditor representing contractual royalties due to writers has been recognised, resulting in net revenue (NPS) for HSG of $1 million.

Performance income throughout the full financial year period is exposed to the impact of COVID. The major Collection Societies and PROs have released statements since the financial year end date attesting to their ability to meet their obligations, in both the short and mid-term, despite the impact of COVID-19. The Audit and Risk Management Committee continues to evaluate credit risk during COVID-19 and has not become aware of any issues with cash collections or changes in the existing royalty collection arrangements. The accrual held is a conservative accrual, reflecting the COVID-19 impact on performance income within prior periods further mitigating the potential for credit risk.

Assessment of 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 significant uncertainties as the ongoing popularity of a Song can fluctuate unexpectedly. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with industry standard.

Assessment of impairment and the calculation of Operative NAV

As disclosed in Note 2(g) above, intangible assets are subject to annual impairment review which relies on assumptions made by the Board. Assumptions are updated annually, specifically those relating to future cash flows and discount rates.

The fair value estimates that are prepared in order to calculate the Operative NAV and Operative NAV per Share are also used to assess whether there is evidence that the intangible assets may be impaired. Management's impairment review as at 31 March 2021 concluded that $nil impairment was required to the Group's Catalogue Investments.

Valuations of music publishing rights typically adopt the DCF valuation approach which measures the present value of anticipated future revenues from acquiring the Catalogues, which are discounted at a 'market cost of capital', 8.5% and unchanged since the interim results of 30 September 2020 (31 March 2020: 9.0%) and a terminal value in 12 years. This method is accepted as an objective way of measuring future benefits; taking into account income projections from various music industry sources across various revenue flows whilst also factoring in the associated cost of capital.

It is the intention of the Board that Catalogues of Songs will be valued on an ongoing basis using a consistent DCF valuation methodology, and that this be used as an initial indicator of impairment for each Catalogue of Songs.

5.Taxes

The major components of income tax expense for the year ended 31 March 2021 and year ended 31 March 2020 are:

Current income tax

	Year ended 31 March 2021 $'000	Year ended 31 March 2020 $'000
United Kingdom corporation tax based on the profit for the year at 19% (2020: 19%)	5,604	9,403
Non-reclaimable withholding tax on royalty payments received	–	95
Total current tax	**5,604**	**9,498**
Deferred taxation		
Origination and reversal of timings differences	–	–
Total tax	**5,604**	**9,498**

The Company was Guernsey tax resident for the current and previous periods but exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and was charged an annual fee of £1,200.

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 for the year of 19% (2020: 19%).

The Group currently has no exposure to US Tax given HSG is currently not making a taxable profit. Aside from the US, the Group has no other foreign subsidiaries.

It is noted that the Company applied to Her Majesty's Revenue & Customs (HMRC) for approval of the Company as an investment trust company and such approval was granted. The Company's conversion to an investment trust company took effect from 1 April 2021 (and shall continue for such time as the Company maintains this status). The Company will be treated as being resident in the UK for tax purposes from such date. With effect from this change, the Company will cease to be a Guernsey tax exempt vehicle under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, as amended.

The March 2021 Budget announced an increase to the main rate of UK corporation tax to 25% from April 2023. This rate had not been substantively enacted at the balance sheet date and as a result the impact of this proposed change is not included within these financial statements.

The actual tax charge for the current year and the previous period differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March 2021 $'000	Year ended 31 March 2020 $'000
Profit on the Group's ordinary activities before tax	44,538	41,511
Tax on the profit on the Group's ordinary activity at the standard UK rate of 19%	8,462	7,887
Factors affecting charge for the year:		
Losses incurred by the Company in the period on which no tax credit is recorded	–	1,516
Net non-reclaimable withholding tax on royalty payments received	–	95
Tax effect on non-taxable income	(2,858)	–
Total actual amount of current tax	**5,604**	**9,498**

6.Catalogues of Songs

	$'000
Cost	
At 1 April 2020	882,906
Additions	1,089,293
At 31 March 2021	**1,972,199**
Amortisation and impairment	
At 1 April 2020	25,400
Amortisation	67,875
Impairment	–
At 31 March 2021	**93,275**
Net book value	
At 1 April 2020	857,506
At 31 March 2021	**1,878,924**
Fair value as at 31 March 2021 (used in Operative NAV)	**2,213,719**
Cost	
At 1 April 2019	156,441
Additions	726,465
At 31 March 2020	**882,906**
Amortisation and impairment	

At 1 April 2019	1,938
Amortisation	23,462
Impairment	–
At 31 March 2020	**25,400**
Net book value	
At 1 April 2019	154,502
At 31 March 2020	**857,506**
Fair value as at 31 March 2020 (used in Operative NAV)	**933,593**

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). At 31 March 2021 the Portfolio consisted of Catalogues of Songs held for no longer than 3 years. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with industry standard. At 31 March 2021 accumulated amortisation for Catalogue of Songs is $93,274,850 (31 March 2020: $25,400,148) and the accumulated impairment to date is $nil (31 March 2020: $nil).

The Board engaged Portfolio Independent Valuer, Massarsky Consulting, Inc., to value the Catalogues as at 31 March 2021. Each income type from each Catalogue was analysed and forecast to derive the fair value of the Catalogues by adopting a DCF valuation methodology using a discount rate of 8.5%, unchanged since the interim results of 30 September 2020 (31 March 2020: 9%) that would be categorised under Level 3 within the fair value hierarchy of IFRS 13 "Fair Value Measurement". Income was analysed and forecast at the level of each individual Catalogue and by income type with the exception of Kobalt, which was evaluated as a whole. Future revenues were also estimated, often at the level of individual Songs, and incorporated into their valuation. Massarsky Consulting has also taken into consideration macro factors including the growth of streaming revenue, the global growth of the recorded music industry and the short- and medium-term impact of COVID-19 in their analysis. 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 to the discount rate used in the Operative NAV is as follows:

-0.5% discount rate will grow the FV of the Portfolio by 9.2%, increasing the Operative NAV by $204 million which represents an increase of $0.19 Operative NAV per share.

+0.5% discount rate will reduce the FV of the Portfolio by 7.8%, reducing the Operative NAV by $172.4 million which represents a decrease of -$0.16 Operative NAV per share.

7.Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group available on demand and cash held in deposits. Cash and cash equivalents were as follows:

	31 March 2021 $'000	31 March 2020 $'000
Cash available on demand	112,634	6,960
Cash held in deposits	–	4
Money market fund	–	10,427
	112,634	**17,391**

8.Trade and other receivables

	31 March 2021 $'000	31 March 2020 $'000
Accrued income	73,398	35,717

Royalties receivable	8,687	15,287
HSG net recoupable advances	10,095	–
Prepayments and other debtors	15,448	1,350
	107,628	**52,354**

9.Loans and borrowings

On 2 September 2019 the Company entered into a Revolving Credit Facility (RCF) with JPMorgan Chase Bank (JPM) as Lead Arranger of £100 million. On 29 May 2020, the Company announced that it was seeking Shareholder support to increase the Company's current borrowing limit of 20% of its Operative NAV to a maximum of 30% of its Operative NAV, given that the Company's assets and their associated income streams are well suited to supporting leverage. This approval was given by Shareholders at an Extraordinary General Meeting on 11 June 2020. During the year, the Company entered into an agreement with a syndicated group of lenders, with JPM as Lead Arranger, to increase its RCF from £150 million to $400 million. On 6 January 2021 it was announced that the facility was upsized to $600 million subject to total borrowings not exceeding 30% of Net Asset Value. On 26 March 2021, the Company drew down $90.0 million under its RCF resulting in gross indebtedness of $577 million and net indebtedness of $438 million. This gross indebtedness represented approximately 32.8% of the last published Adjusted Operative Net Asset Value at that time and therefore constituted an inadvertent breach of the Company's borrowing restriction under its investment policy of 30% of Net Asset Value. The amounts drawn down were held by the Company as cash and were unutilised, and on 5 April 2021 $50 million of these drawings were repaid thereby curing the temporary breach. Since this date the Company has complied with all of its investment restrictions.

The loan bears interest at LIBOR Rate of 3.375% on the utilised facility and 0.375% on the unutilised facility. The RCF, which had its maturity date extended to 2 April 2025 on 15 April 2020, provides the Company with greater flexibility to fund investments and provide additional working capital. The RCF's key covenant imposes a loan to value test and a liquidity test reviewed quarterly and is secured by, inter alia, a charge over the shares in all the subsidiaries of the Company and over all of their assets including all Catalogues of Songs of the Company held through these subsidiaries, a charge over the bank accounts of the Company and a floating charge at the fair value deemed by J.P. Morgan. 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 value of the net assets of the Company.

	31 March 2021 $'000	31 March 2020 $'000
Opening balance – loan drawn	74,014	–
Amounts drawn down during the period	503,278	74,014
Total loan drawn down	577,292	74,014
Cumulative Borrowing Costs	**(11,432)**	**(4,832)**
Closing balance	**565,860**	**69,182**

During the year $7,330,576 (31 March 2020: $476,099) was charged as interest on the amounts drawn down.
During the year $9,199,375 (31 March 2020: $5,421,163) of costs relating to the set-up of the RCF were capitalised, to be amortised over the 5 year length of the agreement.

	$'000
Cost	
At 1 April 2020	5,421
Additions	9,199
At 31 March 2021	**14,620**

Amortisation and impairment	
At 1 April 2020	589
Amortisation	2,600
Impairment	–
At 31 March 2021	**3,189**
Net book value	
At 1 April 2020	4,832
At 31 March 2021	**11,431**
Cost	
At 1 April 2019	–
Additions	5,421
At 31 March 2020	**5,421**
Amortisation and impairment	
At 1 April 2019	–
Amortisation	589
Impairment	–
At 31 March 2020	**589**
Net book value	
At 1 April 2019	–
At 31 March 2020	**4,832**

10.Other payables and accrued expenses

	31 March 2021 $'000	31 March 2020 $'000
Amounts owed to Songwriters	18,522	128
VAT payable	2,609	15
Accrued borrowing costs	–	3,538
Loan interest payable	1,277	288
Administration fees	227	209
Legal and professional fees	1,932	484
Advisory fees	–	675
Audit fees	523	298
Corporation tax	4,798	3,241

Other expenses	2,568	166
Deferred investment payables	42,037	38,342
	74,493	**47,384**

As at 31 March 2021 an amount of $42,036,861 relating to the acquisition of 10 catalogues remained outstanding (31 March 2020: $38,341,220 relating to the acquisition of 5 catalogues).

11.Share capital and capital management

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; and (ii) C Shares denominated in such currencies as the Directors may determine.

Ordinary Shares of no par value

	No. of Units
Issued and fully paid:	
Shares as at 1 April 2020	**615,851,887**
Shares issued on 10 September 2020	17,609,304
Shares issued on 24 September 2020	163,793,103
Shares issued on 30 November 2020[1]	214,202,503
Shares issued on 5 February 2021	61,983,471
Shares as at 31 March 2021	**1,073,440,268**

	$
Issued and fully paid:	
Share capital at 1 April 2020	**801,843,874**
Shares issued on 10 September 2020	27,599,686
Shares issued on 24 September 2020	241,702,336
Share issue costs	(4,430,446)
Shares issued on 30 November 2020[1]	304,132,072
Share issue costs	(5,630,220)
Shares issued on 5 February 2021	103,621,811
Share issue costs	(1,988,288)
Shares as at 31 March 2021	**1,466,850,825**

	No. of Units
Issued and fully paid:	
Shares as at 1 April 2019	202,176,800
Shares issued on 17 April 2019	138,750,000
Shares issued on 29 August 2019	48,429,541
Shares issued on 30 December 2019[2]	207,946
Shares issued on 10 February 2020[3]	226,287,600
Shares as at 31 March 2020	**615,851,887**

	$
Issued and fully paid:	
Share capital at 1 April 2019	262,919,089

Shares issued on 17 April 2019	184,649,721
Share issue costs	(3,723,462)
Shares issued on 29 August 2019	62,378,117
Share issue costs	(1,198,561)
Shares issued on 30 December 2019[2]	296,078
Share issue costs	–
Shares issued on 10 February 2020[3]	301,776,642
Share issue costs	(5,253,750)
Shares as at 31 March 2020	**801,843,874**

1. 236,400,512 C Shares converted to 214,202,503 Ordinary Shares

2. Shares issued as performance fee in respect of year ended 31 March 2019

3. 231,000,000 C Shares converted to 226,287,600 Ordinary Shares

On 10 July 2020 236,400,512 C Shares were issued and converted on 30 November 2020 to 214,202,503 Ordinary Shares at a conversion rate of 0.9061 Ordinary Shares for each C Share held.

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.

12.Net Asset Value per Share and Operative Net Asset Value per Share

	31 March 2021	31 March 2020
Number of Ordinary Shares in issue	1,073,440,268	615,851,887
IFRS NAV per share (cents)	**136.28**	**131.64**
Operative NAV per share (cents)	**168.29**	**151.14**

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 in issue.

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 2021 $'000	31 March 2020 $'000
IFRS NAV	**1,462,845**	**810,685**
Adjustments for revaluation of Catalogues of Songs to fair value	250,343	94,941
Reversal of amortisation	93,275	25,189
Operative NAV	**1,806,463**	**930,815**

13.Revenue

	1 April 2020 to 31 March 2021 $'000	1 April 2019 to 31 March 2020 $'000
Writer's share Income	34,889	27,313
Streaming Income	34,348	15,230
Synchronization Income	28,020	7,673
Performance Income	24,652	12,802
Mechanical Income	9,535	4,390
Producer Royalties	8,445	4,998
Masters Income	8,424	5,433
Other Income	7,675	1,458
Digital Downloads Income	4,480	2,910
Net JV Income	85	–
Publishing Admin Income	199	–
Total revenue	**160,752**	**82,207**

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 time lag ranges from 3-6 months on domestic income and 12-18 months on international income. The revenue accruals booked in the year are disclosed in detail within the Accruals and Receivables.

All revenue streams disclosed in this note are in scope of IFRS 15.

14.Other operating expenses

	1 April 2020 to 31 March 2021 $'000	1 April 2019 to 31 March 2020 $'000
Regulatory fees	57	43
Listing fees	625	490
Directors and officers Insurance	61	26
Directors expenses	6	3
Registrar fees	70	46
Postage, stationery and printing	59	21
Public relation fees	430	350
Travel and accommodation fees	184	432
Bank charges	42	25
Credit facility bank charges	–	24
Aborted deal expenses	848	301
Disbursements and sundry	549	179
Salaries and wages	2,556	–
Staff expenses	370	–
Property expenses	322	–
Provision for HSG Advances	4,247	–
Fixed asset depreciation	135	–
Total other operating expenses	**10,561**	**1,940**

The Provision for HSG Advances relates to HSG Advances that have been provided for in the financial year. Baby Writers (Writers with no established history) are provided for in full. Provisions are also made against unrecouped balances for established writers where the recoupment rates may not lead to a full recoupment of the initial Advance payment.

15.FX Gains and losses in Profit or Loss

	1 April 2020 to 31 March 2021 $'000	1 April 2019 to 31 March 2020 $'000
FX Gain/(loss) creditors/debtors	11,269	(1,444)
FX Gain/(loss) cash and cash equivalents	4,545	(3,707)
	15,814	**(5,151)**

The FX impact reflects the effect of movements in Sterling and EUR exchange rates throughout the year, and includes an adjustment as a result of the Company changing its functional currency to Dollars.

Currency risk is discussed further in Note 17.

16.Dividends

A summary of the dividends is set out below:

1 April 2020 to 31 March 2021	Dividend per share Pence	Total Dividend $'000
Interim dividend in respect of quarter ended 30 March 2020	1.25	9,485

Interim dividend in respect of quarter ended 30 June 2020	1.25	10,108
Interim dividend in respect of quarter ended 30 September 2020	1.3125	13,979
Interim dividend in respect of quarter ended 31 December 2020	1.3125	18,437
	5.125	**52,009**

1 April 2019 to 31 March 2020	Dividend per share Pence	Total Dividend $'000
Interim dividend in respect of quarter ended 30 March 2019	1.25	5,375
Interim dividend in respect of quarter ended 30 June 2019	1.25	5,191
Interim dividend in respect of quarter ended 30 September 2019	1.25	6,283
Interim dividend in respect of quarter ended 31 December 2019	1.25	6,274
	5.00	**23,123**

Subsequent to the year end, the Company announced an interim dividend for the quarter from 1 January 2021 to 31 March 2021 of 1.3125p per Ordinary Share, paid on 28 May 2021. The Company continues to pay dividends in Sterling.

17.Financial risk management

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, trade and other receivables, trade and other payables and royalty advances approximate their carrying amount largely due to the short-term maturities and high credit quality of these instruments.

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 Statement of Financial Position.

In order to maintain or adjust the capital structure, the Group may buy back shares or issue new shares. There are no external capital requirements imposed on the Group.

During the year ended 31 March 2021, the Group drew down $503,277,478 (31 March 2020: $74,014,522) from the RCF which remained drawn down as at 31 March 2021 by $577,292,000 (31 March 2020: $74,014,522).

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 Sterling by agreeing to currency exchange arrangements with collection agents, or otherwise itself undertaking foreign exchange conversions. The Group may engage in full or

partial foreign currency hedging and interest rate hedging. The Group will not enter into such arrangements for investment purposes.

The currencies in which financial assets and liabilities are denominated are shown below:

As at 31 March 2021	USD $	GBP Converted to $	EUR Converted to $	Other Converted to $	Total $
Trade and other receivables	158,928,673	(54,090,437)	2,342,940	446,482	107,627,658
Cash and cash equivalents	117,349,227	(6,549,651)	1,834,603	–	112,634,179
Total financial assets	**276,277,900**	**(60,640,088)**	**4,177,543**	**446,482**	**220,261,837**
Revolving Credit Facility	577,292,000	–	–	–	577,292,000
Trade and other payables	140,174,178	(66,307,194)	625,732	(165)	74,492,551
Total financial liabilities	**717,466,178**	**(66,307,194)**	**625,732**	**(165)**	**651,784,551**
Net asset/(liability) position	**(441,188,278)**	**5,667,106***	**3,551,811****	**446,647**	**(431,522,714)**

*At the reporting date 31 March 2021, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the net assets and movement in profit and loss would have been $566,711 higher/lower.

**At the reporting date 31 March 2021, if the EUR had strengthened/weakened by 10% against the Dollar with all other variables held constant, the net assets and movement in profit and loss would have been £355,181 higher/lower.

As at 31 March 2020	USD $	GBP Converted to $	EUR Converted to $	Other Converted to $	Total $
Trade and other receivables	43,329,294	8,067,741	956,635	–	52,353,670
Cash and cash equivalents	6,206,135	10,893,221	292,051	–	17,391,407
Total financial assets	49,535,429	18,960,962	1,248,686	-	69,745,077
Revolving Credit Facility	–	74,014,522	–	–	74,014,522
Trade and other payables	38,453,981	8,834,753	94,682	–	47,383,416
Total financial liabilities	38,453,981	82,849,275	94,682	-	121,397,938
Net (liability)/asset position	**11,081,448**	**(63,888,313)***	**1,154,004****	-	**(51,652,861)**

*At the reporting date 31 March 2020, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the net assets and movement in profit and loss would have been $6,388,831 higher/lower.
**At the reporting date 31 March 2020, if the EUR had strengthened/weakened by 10% against Dollar with all other variables held constant, the net assets and movement in profit and loss would have been $115,401 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 interest at 3.375% which when annualised for the $577.3 million drawn down at the year end would have been covered 5.4 times by the closing cash balance at 31 March 2021. This interest rate is the London Interbank Offered Rate (LIBOR) rolling over at 7 November 2020, the Group is able to elect 1, 3 or 6 month rollovers, with no change expected.

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 has been deemed close to nil.

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 2021 $'000	31 March 2020 $'000
Barclays Bank plc	Guernsey	A-1*	106,889	6,960
City National Bank	US	A+*	5,241	–
Pinnacle Financial Partners	US	A-1	461	–
Santander UK Plc	UK	A-1*	30	-
JPMorgan Chase Bank, N.A.	US	A-1*	12	-
Royal Bank of Scotland plc	UK	A-1*	1	–
Investec Bank plc	UK	P-1**	–	4
Blackrock Institutional Sterling Liquidity Fund	UK	AAAm*	–	10,427

*Rated by Standard & Poor's
** Rated by Moody'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. In order to mitigate liquidity risk, the Group aims to have sufficient cash balances to meet its obligations for a period of at least 12 months.

The Group prepares a 12 month rolling cash forecast, which is reviewed by the Board on a monthly basis. The cash flow forecast includes a sensitivity analysis with downside scenarios on income streams impacted specifically relating to COVID-19. 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 calendar quarters or half years by the administrators and paid out on either 60/90 day accounting.

During the year ended 31 March 2021, the Group had no financial liabilities other than the RCF: $577,292,000 (31 March 2020: $74,014,522) and trade and other payables: $74,493,046 (31 March 2020: $47,383,416).

At the reporting date, the Group's financial assets and financial liabilities are:

Trade and other receivables	Carrying amount assets $'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
Income receivable	8,687	7,270	348	1,069	–	–	–	8,687
Accrued income	73,398	–	13,289	57,811	2,298	–	–	73,398
HSG net recoupable advances	10,095	–	–	9,095	1,000	–	–	10,095
Prepayments and other debtors	15,448	–	–	15,448	–	–	–	15,448

Total	**107,628**	**7,270**	**13,637**	**83,423**	**3,298**	**–**	**–**	**107,628**

Other payables, accrued expenses, loans and borrowings	Carrying amount assets £'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	(565,860)	–	–	–	–	(565,860)	–	(565,860)
Investment acquisition payable	(42,037)	(28,135)	(2,126)	(10,188)	(1,588)	–	–	(42,037)
Royalty creditor	(18,522)	–	–	(18,522)	–	–	–	(18,522)
Loan interest payable	(1,277)	(1,277)	–	–	–	–	–	(1,277)
Administration fees	(227)	(227)	–	–	–	–	–	(227)
Legal & professional fees	(1,932)	(988)	(944)	–	–	–	–	(1,932)
Audit fees	(523)	–	(523)	–	–	–	–	(523)
VAT	(2,609)	–	(2,609)	–	–	–	–	(2,609)
Corporation tax	(4,798)	–	(1,500)	(3,298)	–	–	–	(4,798)
Other expenses	(2,568)	(2,568)	–	–	–	–	–	(2,568)
Total	**(640,353)**	**(33,195)**	**(7,702)**	**(32,008)**	**(1,588)**	**(565,860)**	**–**	**(640,353)**
Net receivable/(payable)	**(532,725)**	**(25,925)**	**(5,935)**	**51,415**	**1,710**	**(565,860)**	**–**	**(532,725)**

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.

The Company Directors' fees for the year amounted to £582,000 ($762,068). The total remuneration included an accrual reversal of £109,000 relating to the bonus catch up for FY 2020 and an accrual of £27,000, totalling £500,000 ($666,153). Outstanding fees amounted to £nil at year end (31 March 2020: £260,420, $330,915, with outstanding fees of £nil due to at year end). Further detail on the additional payments made to the Directors is disclosed in the Directors' Remuneration Report.

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.

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 (www.hipgnosissongs.com). However in summary:

Advisory fee

The advisory fee is calculated at the rate of:

(i) 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 £8,769,613 ($11,516,042) (31 March 2020: £4,597,567, $5,842,672) with £nil outstanding at the reporting date (31 March 2020: nil).

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 period, the average of the middle market quotations was 108.27p; 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.

Performance fee for the year was calculated and accrued as £388,460 ($533,658) with cash amount £218,119 ($299,647) accrued as payable and an amount to be paid as shares recognised as Performance fee to be paid in shares for £170,341 ($234,011) amount accrued at the reporting date. (31 March 2020: £nil, no performance fee was paid in respect of year ended 31 March 2020).

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 the subsidiaries which accedes to the relevant Administration Agreement (including but not limited to the calculation and publication of the semi-annual NAV, the IFRS NAV and Operative NAV) and general secretarial functions required by the Companies Law (including but not limited to maintenance of the Company's accounting and statutory records). 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 2021 of £172,500 ($236,977) (31 March 2020: £172,500, $219,195) per annum for services such as administration, accounting, corporate secretarial, corporate governance, regulatory compliance and stock exchange continuing obligations. Additional ad hoc fees are payable in respect of certain additional services, these amounted to £275,300 ($345,829) (31 March 2020: £246,160, $312,795). Administration fees for the year to 31 March 2021 amounted to £447,800 ($582,806) (31 March 2020: £418,660, $531,990) of which £20,822 ($28,593) (31 March 2020: £50,045, $61,734) 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 2021 of £14,000 ($19,233) per subsidiary and a variable incremental fee per annum per additional Catalogue held by a subsidiary for services such as administration, corporate secretarial and accounting. Administration fees for the subsidiaries for the year amounted to £455,877 ($602,770) (31 March 2020: £398,336, $506,165) of which £145,117 ($196,743) (31 March 2020: £140,521, $173,343) was outstanding at the year end.

Registrar Agreement

Computershare Investor Services (Guernsey) Limited (a company incorporated in Guernsey on 3 September 2009 with registered number 50855) has been appointed as registrar to the Company pursuant to the Registrar Agreement. In such capacity, the Registrar will be responsible for the transfer and settlement of Shares held in certificated and uncertificated form. The Registrar is also entitled to reimbursement of all out of pocket costs, expenses and charges properly incurred on behalf of the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to a fixed fee as at 31 March 2021 of £7,500 ($10,303) per annum in respect of the Ordinary Shares (31 March 2020: £7,500, $9,530) and £5,500 ($7,556) per annum in respect of the C Shares (if applicable), together with additional ad hoc fees in respect of additional out of scope services provided by the Registrar of £39,284 ($51,641) (31 March 2020: £23,329, $29,644). Registrar fees for the year were £52,284 ($69,500) (31 March 2020: £36,329, $46,163) with £10,875 ($15,154) outstanding at the reporting date (31 March 2020: £1,440, $1,776).

20.Earnings per share

	31 March 2021 Basic	31 March 2021 Diluted
Profit for the year ($)	38,935	38,935
Weighted average number of Ordinary Shares in issue	825,090,869	825,090,869
Earnings per share (cents)	4.72	4.72

	31 March 2020 Basic	31 March 2020 Diluted
Profit for the year ($)	32,013	32,013
Weighted average number of Ordinary Shares in issue	393,897,052	393,897,052
Earnings per share (cents)	8.13	8.13

The earnings per share is based on the profit or loss of the Group for the year and on the weighted average number of Ordinary Shares for the year ended 31 March 2021.

There are no dilutive shares at 31 March 2021.

21.Auditor's Remuneration

Audit and non-audit fees payable to the Auditors can be analysed as follows:

	1 April 2020 to 31 March 2021 $'000	1 April 2019 to 31 March 2020 $'000
PricewaterhouseCoopers CI LLP annual audit fees	732	365
PricewaterhouseCoopers CI LLP annual audit fees	**732**	**365**

Pricewaterhouse Coopers CI LLP project accounting fees relating to the migration to premium segment		187
Pricewaterhouse Coopers CI LLP C Share conversion fees	11	13
Pricewaterhouse Coopers CI LLP reporting accounting services	346	
Pricewaterhouse Coopers CI LLP Interim review fees	54	
PricewaterhouseCoopers CI LLP non audit fees	**411**	**200**

22.Subsequent events

The Company's conversion to an investment trust company took effect from 1 April 2021 and therefore the Company has been treated as being resident in the UK for tax purposes and ceased to be a Guernsey tax exempt vehicle under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, as amended from this date.

On 27 April 2021 the Company declared a dividend of 1.3125p per Ordinary Share in respect of the quarter ended 31 March 2021 which was paid on 28 May 2021.

On 29 April 2021 the Company issued 9,000,000 new Ordinary Shares at a price of 119.5p per Ordinary Share; these shares rank pari passu with the existing Ordinary Shares in issue. The issue price equates to a premium to the Adjusted Operative NAV as at 28 April 2021. The net proceeds will be used to fund an investment in accordance with the Company's investment policy.

On 11 June 2021 Vania Schlogel was appointed to the Board.

On 16 June 2021 the Company announced a further fund raise. For further information please refer to the Company website www.Hipgnosissongs.com.

On 19 June 2021 there was an additional drawdown on the existing RCF of $13 million.

Alternative Performance Measures

Performance measure	Definition	Reason for use
Annualised ongoing charges	Adjusted Operating Costs ($39,681,824) less Non Recurring administrative expenses ($16,582,485) over a 12-month period	Ongoing Charges are a good indicator of expenses likely to recur in the foreseeable future
Adjusted Operating Costs	Operational expenses ($93,851,062) less the Amortisation of Catalogues of Songs ($67,874,702) plus Foreign exchange gains/losses ($15,814,243) plus HSG FV Gain ($2,138,624) less Provision for HSG Advances ($4,247,404)	Ongoing Charges are a good indicator of expenses likely to recur in the foreseeable future

Average Operative NAV	Average of the Operative NAV as at 31 March 2021 ($1,806,463,000) the Operative NAV as at 30 September 2020 ($1,627,552,468) and the Operative NAV as at 31 March 2020 ($930,814,994)	The average was taken given that share issuance has grown rapidly over the year
EBITDA	The Operating Profit before Tax ($44,538,411) plus Amortisation, Loan interest, Depreciation and FX gain/loss ($62,128,010)	A strong indicator of company performance and profitability removing accounting adjustments
EPS excluding total Amortisation	Profit after Tax excluding total amortisation ($109,409,495) divided by Weighted average number of Ordinary Shares in issue (825,090,869)	The Operating profit adjusted for Amortisation aligns with the Operative NAV which reflects that the values of Catalogues of Songs are based on fair values produced by the Portfolio Independent Valuer
Leveraged Free Cash Flow	Net Cash from Operating Activities ($85,868,120) less the Purchase of other assets ($3,739,548)	A good indicator of the cash position of the Company and the availability of cash flows to fund interest and dividend payments
NAV Return	Latest published Operative NAV per share ($1.6829 as at 31 March 2021) increase as a percentage of the initial published Operative NAV per share ($1.5114 as at 31 March 2020) equals 11.34%	To show how the assets have performed over time to Shareholders
Net Debt	Loan facility amount ($577,292,000) utilised less cash held at bank ($112,634,179)	Liquidity metric used to determine how well a company can pay all of its debts if they were due immediately
Performance measure	Definition	Reason for use
Non Recurring administrative expenses	Exceptional Costs included within Legal and professional fees ($5,270,215) plus Aborted deal expenses ($848,057) plus Interest Costs ($9,930,591) plus Performance fee ($533,622)	Good indicator of expenses not likely to recur in the foreseeable future
Ongoing Charges %	Annualised Ongoing Charges ($23,099,339) divided by Average Operative NAV ($1,456,466,998)	To monitor the expenses, which are likely to recur, relative to the fund size over time
The Operative NAV Profit before Tax	Operating profit for the year before taxation ($44,538,411) plus total amortisation ($70,474,716)	The Operating profit adjusted for Amortisation aligns with the Operative NAV which reflects that the values of Catalogues of Songs are based on fair values produced by the Portfolio Independent Valuer
Total NAV Return	Operative NAV as at 31 March 2021 ($1.6829) plus cumulative dividends paid up to 31 March 2021 ($0.1433), divided by the Operative NAV as at 11 July 2018 ($1.2983)	To show how the assets have performed since IPO to Shareholders

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 a 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;

"Companies Law" means the Companies (Guernsey) Law, 2008, (as amended);

"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;

"Conversion" means the conversion of C Shares to Ordinary Shares;

"Copyright Royalty Board" 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;

"DCMS" means The Department for Digital, Culture, Media & Sport, a department of the UK government;

"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;

"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;

"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;

"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 The Family (Music) Limited;

"Investment Advisory Agreement" means the investment advisory agreement dated 27 June 2018 between The Family (Music) Limited, the Company and its subsidiaries;

"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 recognized reference number for the identification of musical works;

"Kobalt" means Kobalt Music Copyrights S.à.r.l.,;

"Kobalt Fund 1" Following the equity fundraise in July 2020 the Company, as at 30 September, acquired a portfolio of 42 Catalogues 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;

"LGBTTQQIAAP" means the abbreviation of 'lesbian, gay, bisexual, transgender, transsexual, queer, questioning, intersex, asexual, allies, and pansexual';

"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;

"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 pounds 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 Right 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;

"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 which approves all purchases of Catalogues of Songs;

"Portfolio Independent Valuer" means Massarsky Consulting, Inc., appointed by the Board to independently value the Company's Catalogues within the Portfolio;

"Preferred Portfolio Administrator(s)" means the portfolio administrators appointed by the Company in order to assist with the administration of the Portfolio including Kobalt Music Services Limited and Hipgnosis Songs Group;

"Premium Listing" means the a Premium Listing on the Main Market of the London Stock Exchange;

"Premium to Operative NAV" means the situation where the Ordinary Shares of the Company are trading at a price higher 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) means the royalty revenue earned in a calendar year by the portfolio of songs held by the Company at a specific date, based on royalty statements received, irrespective of whether the songs were owned by the Company over the period analysed.

"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;

"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;

"RIAA" means Recording Industry Association of America;

"Right To Income" The Company sometimes receives a right to income 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. This right to income is related to the period before the start of the financial year;

"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;

"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" means royalties for playing music in connection with visual media (for example film, TV, advertisements);

"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;

"VAF" or **"Variance Against Forecasts"** means the difference between the total of the royalty statements received from each catalogue since acquisition, and the acquisition model forecast over the same period. The VAF is expressed as a percentage point deviation from zero, where a positive number means that the actual performance of the portfolio is tracking ahead of the cumulative forecast. A negative number indicates that the portfolio is falling behind forecast.

"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"** means 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 (Appointed 11 June 2021)

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
The Family (Music) Limited

Merck Mercuriadis, CEO

Björn Lindvall , COO

Chris Helm, CFO

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Administrator and Company Secretary
Ocorian Administration (Guernsey) Limited

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Trafalgar Court

Les Banques

St Peter Port

Guernsey

GY1 4LY

Corporate Brokers
Singer Capital Markets Advisory LLP

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London

EC2N 2AX

J.P. Morgan Securities plc

25 Bank Street, Canary Wharf

London

E14 5JP

RBC Europe Limited
(Appointed 17 September 2020)

100 Bishopsgate

London EC2N 4AA

Independent Auditor
PricewaterhouseCoopers CI LLP

Royal Bank Place

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St Peter Port

Guernsey

GY1 4ND

Music Specialist Legal Counsel
Bill Leibowitz

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New York

New York 10016

Legal Advisers to the Company
Herbert Smith Freehills LLP

Exchange House

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London

EC2A 2EG

Legal Advisers to the Company as to Guernsey Law
Ogier (Guernsey) LLP

Redwood House

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Principal Banker
Barclays Bank PLC

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St Peter Port

Guernsey

GY1 3BE

Registrar
Computershare Investor Services (Guernsey) Limited

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Tudor House

Le Bordage

St Peter Port

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:

https://www-uk.computershare.com/investor

You'll need your Investor code (IVC) printed on your share certificate in order to register.