8 December 2022

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

Interim Results for the six months to 30 September 2022

The Board of Hipgnosis Songs Fund Limited, the first UK listed investment company offering investors a pure-play exposure to songs and associated intellectual property rights, and its Investment Adviser, Hipgnosis Song Management Limited, are pleased to announce the Company's results for the six-months ended 30 September 2022.

Financial Highlights

- Operative NAV per share remains stable at $1.8312 (31 March 2022: $1.8491)
    - As at 30 September 2022, Operative NAV presented in Sterling would be 164.06p per share (GBP:USD 1.1162); and
    - As at 6 December 2022, Operative NAV presented in Sterling would be 149.82p per share (GBP:USD 1.2223); and
    - This includes both the dividend paid and the dividend declared not yet paid in the period
- Total NAV $ Return to Shareholders at period end, including 19.0 pence per share of dividends, has been 60.0% since the IPO on 11 July 2018
- Gross revenue increased 7.5% year-on-year to $91.7 million (six months to 30 September 2021: $85.3 million).
- Stripping out adjustments such as RTI and the retroactive CRB III accrual, underlying net revenue grew 5.8% year on year to $65.1 million
- Pro-forma Annual Revenue (PFAR), which shows royalty revenue earned during a 12 month period, grew 4.2% to $120.8 million for the year to 30 June 2022 (12 months to 30 June 2021: $115.9 million) despite currency headwinds as a result of dollar strength impacting the value of non-US dollar denominated source income, reflecting:
    - >10 year catalogue PFAR up 7.7% to $69.9 million (12 months to June 2021: $64.9 million);
    - <10 year catalogue PFAR flat at $50.9 million (12 months to June 2021: $51.0 million) evidencing the end of the decay curve and positioning for future growth; and
    - Strong growth in streaming proforma revenue in H1 2022 (+16% year-on-year) and synch (+32% year-on-year)
- EBITDA increased 16.9% year-on-year to $63.8 million (six months to 30 September 2021: $54.6 million) due to growth in revenue and reduced operating costs
- New Revolving Credit Facility and Interest Rate Swaps agreed. These will deliver a reduction in, and greater certainty over, interest costs
- Foreign Exchange risk hedged in relation to the cost of the Company's Sterling dividends
- Net debt as a percentage of Operative NAV stable at 25.7% (31 March 2022: 25.4%)
- Annual target dividend maintained of 5.25p per share

Operational Highlights

- Portfolio comprises of 146 Catalogues, 65,413 songs, with an aggregate fair value of $2.67 billion, and includes some of the most successful and culturally important songs of all time
- Blink-182's *All the Small Things* soundtracks the John Lewis Christmas Advert
- Nicki Minaj's *Super Freaky Girl* interpolating Rick James' *Super Freak* was a Number 1 US single and Top 5 in the UK and rest of the world.
- Administration partnership for reverted catalogues put in place with Sacem and peermusic to materially reduce third party administration and collection costs as well as reducing delays in payments
- Successful trials of multi-territory live performance direct revenue collection services completed, to secure faster payment and lower costs
- Hipgnosis's advocacy for fairness for songwriters has contributed to securing improved terms in the US. US Copyright Royalty Board rejected appeal against CRB III, confirming original increases which will result in a 44% uplift in the headline payments on US streaming. Joint industry proposal for CRB IV sees additional increases and most importantly stability over the 2023-27 period

Commenting on the results, Merck Mercuriadis, CEO and Founder of Hipgnosis Song Management and Founder of Hipgnosis Songs Fund said:

"These results demonstrate Hipgnosis' investment thesis remains robust with continued growth in a challenging environment. Our pro forma revenues show strong growth from streaming and Synch, proving our acquisition strategy and demonstrating our ability to maximize our Portfolio's value with our Song Management. This performance has ensured that our portfolio valuation, and therefore our NAV, have remained stable in US $ terms, and grown in GBP. We have also taken an important step with our new RCF, agreed at the end of the period. This reduces our interest costs and equally importantly gives us control over these costs going forward irrespective of macro-economic conditions.

"In the wider music market, people continue to listen to and pay for music irrespective of today's cost of living challenges with annual audio streams in the US passing the one trillion mark for the first time despite a full month of the year remaining. Paid for streaming continues to grow, there are now more than 523 million premium paid subscribers globally. Apple Music has moved beyond the 9.99 price point in major markets and in 2022 we saw a full return to live music. These are all exciting indicators for the further growth that we will experience as income flows through the collection process into Hipgnosis.

"Despite all of this positive news, I share the disappointment of shareholders that the true value of our iconic songs is not being reflected in today's share price. Hipgnosis is an asset based company with a catalogue unrivalled for its extraordinary success and cultural importance. The current share price implies that our Company is valued using a 12% discount rate, presenting an incredible investment opportunity considering this is a deep discount compared to multiples currently being paid in the market.

"All that's left is to wish you all a Merry Christmas, just as Mariah Carey's *All I Want for Christmas Is You* has gone to Number 1, again, on the Billboard Global chart and is also Number 1 on the UK Official Midweek Chart and Michael Bublé's *Christmas* album is heading for the Top 5 all over the world."

Results Presentation and Capital Markets Day

The Investment Adviser will be hosting a meeting for analysts and investors at The Maxwell Library, IET London: Savoy Place, 2 Savoy Place, London, WC2R 0BL at 1030GMT today.

Registration for the live webcast is available at:
https://www.lsegissuerservices.com/spark/HipgnosisSongsFundLtd/events/522395c4-b376-45c8-a2c4-d1701fc2447c

A video recording of the event will be made available on the Company's website at www.hipgnosissongs.com after the event.

(Please note if you are joining via the live stream, you will not be able to ask questions.)

For further information please contact:

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About Hipgnosis Songs Fund

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 almost £1.3 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, February 2021 and July 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 Hipgnosis Song Management Limited

The Hipgnosis Songs Fund's Investment Adviser is Hipgnosis Song Management 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 Hipgnosis Song Management Limited Advisory Board include Nile Rodgers, The-Dream, Giorgio Tuinfort, Starrah, David A. Stewart, Poo Bear, Bill Leibowitz, Ian Montone and Rodney Jerkins.

Introduction from Merck Mercuriadis

In a very challenging environment, I'm proud that in our work to establish Songs as an asset class, everything we have told our investors from IPO has either become reality as stated or been exceeded. That includes the growth of streaming, our ability to establish Song Management as a new paradigm and manage the Songs better to add value, bringing efficiencies to revenue collection, advocating on behalf of songwriters to get a bigger slice of the pie and making Hipgnosis the preferred buyer of the songwriting community, enabling us to acquire well.

This strategy has delivered a Total $ NAV Return to Shareholders as at 30 September 2022 of 11.8% per year, 60.0% in aggregate since the IPO on 11 July 2018 (including 19.0p per share of dividends).

Our thesis has always been that Songs of extraordinary success and cultural importance produce long term and reliable income streams, making them highly investable assets.

We built Hipgnosis Songs Fund as an asset backed investment vehicle with iconic Songs at its heart to deliver value for our Shareholders off the back of this thesis.

We therefore assembled a Portfolio of Songs that is unrivalled for its extraordinary success and cultural importance and which are in high demand. It is a generally accepted theory that most music companies make their money on 10% of their Songs. I'm confident that our Catalogue would represent the top 10% of any music company's portfolio.

We demonstrate this by co-owning nearly a quarter of the Songs in the "Spotify Billions Club" (Songs streamed over a billion times on Spotify) and over 10% of Rolling Stone's The 500 Greatest Songs Of All Time.

Only last month, the Official Chart Company, on behalf of the BBC, identified the most streamed Songs released in each of the last 70 years. Hipgnosis co-owns rights to nine of these. Songs like *Don't Stop Believin'* (Journey, 1981); *Sweet Dreams (Are Made Of This)* (Eurythmics, 1983); *Livin' On A Prayer* (Bon Jovi, 1986); and *Everywhere* (Fleetwood Mac, 1988). You are likely humming at least one of those Songs as you read this paragraph.

Some of you will hopefully go onto Spotify, Apple Music or YouTube today to hear these Songs. Others will be prompted to add them to a playlist. Many, many more will have done so when the BBC played them all to celebrate its 100th anniversary. Each time this happens a payment is earned by Hipgnosis Songs Fund.

Importantly, people continue to listen to and pay for music irrespective of the challenges of today's macro-economic conditions. We often say that when people are living their best lives they are doing so to a soundtrack of great Songs. Equally, when they are experiencing life's challenges, they are taking comfort and escaping with great Songs. Either way, our iconic Songs are being consumed and are generating revenue.

Indeed, recently published research from the IFPI, who represent the global record industry, shows that people around the world are engaging with music in 2022 more than ever, with average listening up to 20.1 hours each week – an increase of 1.7 hours since 2021.

According to Luminate, as of 26 November, music audio streams in the United States are now over the one trillion mark for the first time ever in a single year. That's already an increase of 11.9 billion compared to the previous year. It is also seven times higher than in 2015. This report also included the Top 5 most streamed Songs of the year so far; At No.2, Glass Animals' *Heat Waves* generated 493 million on-demand US audio streams. This is administered by Hipgnosis Song Group (HSG) in the US. That's the second most streamed Song of the year in the world's biggest paying market.

In a high inflation environment, it is arguable that there is no better value than c.£/$10 per month for a premium music streaming subscription service.

Paid for streaming – and its utility-like revenues – continues to grow with more than 523 million premium paid subscribers globally. In recent months, we have seen Spotify Premium Subscribers reach 195 million, a 13% increase year-on-year despite the macro-economic environment. Looking at the wider music market, the RIAA reported US revenues for recorded music in the first half of 2022 rising 9.1% year-on-year. Apple Music has recently increased prices beyond the 9.99 per month price point in the US, UK and continental Europe. This emphasises the incredible value that music streaming represents and shows that one of the most commercially successful businesses in the world recognises the pricing power that great music gives their platform. We expect other streaming platforms will follow Apple's move. Increased revenue to the Digital Service Providers means increased revenues for Hipgnosis.

We promised investors that we would deliver a new, responsible approach to Song Management, one where we have the resource and bandwidth to manage our great Songs to their full potential – and in doing so add significant value.

All the Small Things performed by Blink-182 reached Number six in the Billboard Hot 100 and Number two in the UK on release in 2000. This Christmas, it's almost impossible for anyone in the UK not to be familiar with a new version which is the soundtrack to the seasonal ritual that is the John Lewis Christmas advert. This is a great example of our approach in action – our Synch team saw the potential of the Song and took it to John Lewis, then did everything they could to make it as efficient as possible for them to choose and use our Song.

Along with the Superbowl, the John Lewis Christmas advert is arguably the most coveted synch in the world. In our early days of meeting potential investors we promised we would procure this and we have delivered as we said we would.

The results we publish today show the strength of our Portfolio.

Gross revenue in the period increased by 7.5% year-on-year to $91.7 million (six months to 30 September 2021: $85.3 million), while our Operative Net Asset Value per share remained steady at $1.8312 (31 March 2022: $1.8491). When translated into GBP, at a Sterling to Dollar exchange rate of $1.2223, our Shareholders benefitted from the strong dollar, with an equivalent GBP NAV of 149.82p as at 6 December 2022 (31 March 2022: 140.79p).

Like-for-like pro forma (PFAR) revenues in the first half of the calendar year were $58.5 million, a 7.8% increase on the comparative period in 2021.

Our PFAR shows that our Streaming performance is strong, up 15.8% to $23.6 million (H1 2021: $20.4 million) – while the tireless efforts of the Synch team to get Songs placed into adverts, television shows, films and video games alongside new revenues from emerging platforms such as TikTok, have resulted in Synch revenue growing by some 32.0% year-on-year to $9.78 million (H1 2021: $7.41 million) year-on-year.

Our younger Catalogues continue to demonstrate that they are reaching the end of their forecasted decay curves and we have particularly focused on Synch opportunities where the expected life cycle of a Catalogue means that it moves on from "new music" radio stations, but is not yet mature enough for "Gold" stations.

Data from the US, shows that vintage music is an ever increasing proportion of consumed music – now making up three quarters of Songs enjoyed, up from a little over a half in 2017. In part, this is due to the consumer being able to choose what they want to listen to on demand. We are also seeing the positive impact of older demographics adopting paid streaming and Songs boosted through strategic Synch and Playlist placements. This reminds people of great Songs they can now listen to at will. Last year, we had four Songs that were released prior to 2010 in the Spotify Billions Club; this year we have 11!

The Song is the currency of our business; without the Song we simply have no music industry. Yet for too long the songwriter – who delivers the most important component to the success of a record company, digital service provider, music merchandiser or live promoter – is the lowest paid person in the economic equation.

I have always been clear that our motive is to establish Songs as an asset class and to provide a great return for our investors. Concurrently our "ulterior" motive is to use our success to help take the songwriter from the bottom to the top of the economic equation. We advocated for, and welcome the moves by the US Copyright Royalty Board (CRB) and the wider music industry in the US to increase the rates paid to songwriters and publishers. CRB III provided for a 44% increase in the headline rate of DSP revenues paid to songwriters and Publishers, reaching 15.1% in 2022. The joint industry proposals for CRB IV would see that proportion rising incrementally to 15.35% in 2027, while the royalty payable on a physical sale or download would rise from 9.1 cents to 12 cents with additional inflationary increases.

There is still a long way to go before songwriters are fairly remunerated, but these are important steps in the right direction. The joint CRB IV proposals show there is increasing acceptance – as a result of our work – across the music industry that songwriters should be fairly rewarded for their work. Whilst the increase is more modest than the CRB III rises, we support it as it will provide a background of stability at the highest streaming rates ever paid in the context of which we can continue our advocacy efforts. Our ultimate goal is for songwriters' pay to be determined by the free market, not legislation.

When a Catalogue is acquired, our Shareholders sit directly in the shoes of the songwriter so there is complete alignment between the songwriting community and our Shareholders. What is in the best interest of the songwriter is also in the best interest of the Company.

Despite our successes, I share the disappointment of Shareholders that the true value of our iconic Songs is not reflected in today's share price. As Songs are a new asset class, we understand that the market has concerns about both valuation and discount rate, particularly when our NAV is stable in a macroeconomic environment in which the value of many other assets are declining.

It's important to remember that the music industry went through a prolonged period of decline for 15 years, between 2001 and 2016, when technological disruption in the form of illegal downloading almost killed it off. The only good thing to come out of that era is that it left these great Song assets at attractive prices, just as the technology evolved into streaming, which made it more convenient for consumers to once again listen to and pay for music legally.

We started buying assets in 2018 when paid US music streaming subscribers were less than 10% of the 523 million global subscribers there are today. YouTube had barely paid $2 billion to rights holders in 2018 compared to the $6 billion it has paid in 2022. Whereas previously, almost all consumption of music was unpaid for, today, almost all consumption of music is paid for and music has changed from a discretionary purchase to a utility.

These are all positive factors in our NAV.

As a result of our success in establishing Songs as an asset class, we are flattered that many other investors have come into the market.

While Hipgnosis Songs Fund is currently fully invested, Hipgnosis Song Management (HSM) remains active in the market, which gives us access to incredible amounts of transactional data and first-hand knowledge of this growing marketplace. This information is shared with the Hipgnosis Songs Fund Board who, as a result of the robust co-investment policy between Hipgnosis Song Management and its clients, sees everything that HSM sees.

Many Private Equity funds, some of the most successful long-term investors in the world, are today making high-profile Catalogue purchases at multiples that reinforce the Fair Value of our Portfolio and reassure us that we have bought well.

The Fair Value of the Portfolio was calculated by the Portfolio Independent Valuer, Citrin Cooperman, at $2.67 billion, in line with the prior year. They have a team of leading experts in music valuation who have been involved in many recent high profile music catalogue purchases. For the current NAV, they have continued to use a discount rate of 8.5%. This Fair Value enables us to calculate the Operative NAV which remained stable at $2.2 billion. To provide investors reassurance, the Board also appointed Kroll Advisory Limited ("Kroll"), an independent valuation firm, to consider and advise on the reasonableness of certain assumptions commonly employed in the valuation of music Catalogues based on data provided by the Company. The results of the analyses by Kroll provide, in the Board's view, additional support as to the reasonableness of assumptions employed in arriving at the Fair Value of the investments. This gives us, and should give investors, great comfort over the Fair Value of our Songs and therefore the incredible investment opportunity the current share price represents.

An increase in the discount rate from 8.5% to 9.0% would reduce the Operative NAV by $212 million. Our current share price is trading at a discount to the Operative NAV of over 45%, which implies a discount rate of nearly 12%. There is considerable upside.

We go into the second half of the year positioned strongly. Our re-financed Revolving Credit Facility, interest rate hedges and currency hedges for our Sterling dividend payments, finalised post period end, give increased certainty on costs, while the recent confirmation from CRB that it will enforce the increase in revenues from US streaming, as proposed in its CRB III settlement, is further boosting revenue. Additionally, the return of Performance revenues to pre-COVID-19 levels is yet to be seen in our revenues.

The statistics continually demonstrate the importance of Music in all of our lives as a great and affordable source of comfort, nourishment, sustenance and joy. I'm delighted that it is Songs owned by Hipgnosis that people are listening to and that are amongst the most consumed Songs throughout the world.

You are pioneers in establishing an exciting new asset class and we do not take your belief in the Company lightly. We therefore take our responsibility to you, our Shareholders, very seriously. I therefore hope that the information we are sharing in these results will give you belief in our Fair Value and we are firmly committed to ensuring that the Company's incredible value is recognised in the market.

I would like to pay tribute to the incomparable Christine McVie who passed away last week at the age of 79. She wrote iconic songs that propelled Fleetwood Mac into one of the biggest artists of all time. She was our Songbird and it's one of Hipgnosis' greatest privileges to forever be the custodians of her special songs. It is clear from the live chart data that millions of people are streaming her hits with Fleetwood Mac's Rumours having already returned to the Top 10.

This week Mariah Carey's *All I Want For Christmas Is You* is heading for the UK Number One slot and is already Number One on the Billboard Global 200 chart. Meanwhile, Michael Buble's *Christmas Album* is set to be back in to the Top 10, Hipgnosis Songs Fund has an interest in both and there's another three weeks to go before the big day. The Company has co-owned *All I Want For Christmas Is You* since 2020, one of the seasonal greats. In our first full year of ownership we saw a 78% increase in revenues compared to the average of previous three years – buying well, proactive Song Management and strong market growth delivering once again. Further to this Fleetwood Mac's *Rumours* is back in the Top 10 UK album chart and *Heat Waves* by Glass Animals has just been named Billboard's Number 1 Hot 100 song of the year.

It remains only for me to thank you for your support as well as that of the incredible songwriters that have entrusted us with their iconic work.

Wishing you, and your loved ones, all the best for a Merry Christmas, wonderful holidays and a happy, healthy and prosperous 2023!

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

7 December 2022

The Chair's Statement

Introduction
The results we report today show the robustness and potential of your Company. Both Gross revenue and pro-forma revenues show healthy growth against the comparative period, operating costs have been reduced and we have refinanced and fixed the interest cost on most of the Company's debt.

The total return on our Operative NAV since our launch in July 2018 to 30 September 2022 has been 60.0% (with dividends added back). Total Shareholder Return, being the change in our share price over the same period, again with dividends added back, has been 8.10%. The Board shares the disappointment of Shareholders at the share price performance during 2022.

As at 6 December 2022, the shares were trading at a discount to NAV of 46%. Whilst there have undoubtedly been macro factors (the war in Ukraine, inflation and increases in interest rates) which have impacted the Company's share price, the Board is continually assessing all options to ensure that the Company delivers superior Shareholder value over the medium term.

Our investment case has always been based on three core pillars:

First, the acquisition of a high-quality Portfolio of culturally important songs with a proven track record of success, which provides the strongest possible foundation for the Company. Our Portfolio is built on quality, with an unrivalled concentration of evergreen Songs released in every decade since the 1960s. The Catalogue now includes:

- 78 out of 324 Songs (24%) in Spotify's Billions Club, being songs which have been played on the platform over one billion times;
- 52 of Rolling Stone's The 500 Greatest Songs of All Time; and
- 13 out of the 30 YouTube's Most Viewed music videos of all time.

Second, our Investment Adviser actively manages the Songs in the Company's Portfolio, with the object of increasing revenues and maximising the Songs' value. Active song management activities include:

- Delivering efficient administration of Catalogues by ensuring that all due payments are coming through and the collection system is as efficient and effective as possible;
- Creating additional revenues by placing Synchs across traditional and new media outlets; and
- Identifying opportunities to promote our Songs, enabling and creating new versions and building partnerships which monetise our Catalogue.

Third, we believe that the music industry will continue to experience significant structural growth as the adoption of paid-for streaming increases, pricing increases lead to more royalties flowing through to rights holders and technology drives new income streams. We continue to see strong evidence for this in the market. Since our Annual Report was published in July:

- Spotify's third quarter results showed premium subscribers up 13.3% year on year;
- Apple Music announced its intention to increase its pricing for its standard music tier from 9.99 to 10.99 per month (in the relevant currency) in the US, UK and Eurozone; and
- The RIAA (Recording Industry Association of America) reported that revenues for recorded music in the first half of 2022 rose 9% compared to the same period in the prior year to $7.7 billion in the US. Streaming represented 84% of this, an unchanged share, up 10% in revenue terms.

The Board and the Investment Adviser believe that music streaming represents extremely good value for consumers and that the Digital Service Providers (DSPs) have pricing power. Many market commentators expect Spotify to follow Apple's example and move beyond the 9.99 monthly subscription price point (in the relevant currency).

In addition to market growth and pricing rises, a number of regulatory industry developments will further boost the Company's revenue. These include decisions by the US Copyright Royalty Board (CRB) with respect to the CRB III settlement, which is now in the process of being implemented and has been accrued for in these results, and the joint industry proposal for CRB IV, which will see further rises in the share of Streaming revenues paid to Songwriters in the period from 2023-27.

Financial performance
The IFRS NAV per share as at 30 September 2022 was $1.2590, which is a small decrease from $1.3065 as at 31 March 2022, largely driven by the amortisation of Catalogues.

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 Independent Portfolio Valuer and adds back the material accumulated amortisation and impairment charges.

The Operative NAV per Share remained stable at $1.8312 during the period (31 March 2022: $1.8491) primarily due to adverse currency movements relating to non-US denominated Catalogues accounting for c.12% of revenue receipts. When including dividends paid to date, the Total $ NAV Return was 0.7% over the prior six-months' period and 60.0% since IPO on 11 July 2018.

Earnings per share for the six months ended 30 September 2022 were -1.66¢ (broadly unchanged on the EPS for the six months ended 30 September 2021 of -1.69¢). This figure now reflects all Catalogues being amortised for the full six month period. The Group amortises Catalogues of Songs with a limited useful life using a straight-line method over 20 years.

Based on the Sterling to Dollar exchange rate as at 30 September 2022 of 1.116, the Operative NAV presented in Sterling would be 164.06p per share as at that date (compared with 140.79p as at 31 March 2022, based on the then Sterling to Dollar exchange rate of 1.3134).

Adjusted EPS, as defined within the Alternative Performance Measures for the six months ended 30 September 2022, is 3.76¢ (six months ended 30 September 2021: 3.85¢).

The structure of the music industry means that revenues can take some time to flow into Hipgnosis Songs Fund. However, we are encouraged by the numbers reported recently by the Company's administration partners and other organisations at the entry point for music revenues at source, as an indicator of the Company's future income prospects.

Further issuance
The Board does not anticipate raising additional equity until its share price again trades at a sustained premium to its Net Asset Value.

Dividend
In the Annual Report the Board restated its intention to maintain the target dividend at 5.25p per Ordinary Share for the financial year 2022-23 and announced that, in order to better align dividend payments with revenue receipts, dividends would be paid on or around the last working day of January, April, July and October with dividends declared around a month prior to the payment date. The Board currently expects that dividends paid in respect of the current financial year will be covered from Distributable Revenues recognised in the period under review.

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

The Board also appointed Kroll Advisory Limited ("Kroll"), an independent valuation firm, to consider and advise on the reasonableness of certain assumptions commonly employed in the valuation of music catalogues based on data provided by the Company. The results of the analyses by Kroll provide, in the Board's view, additional support as to the reasonableness of assumptions employed in arriving at the Fair Value of the investments.

As a result of the co-investment policy which the Company enjoys alongside the Investment Adviser's other client, the Board has exceptional visibility into the current market for music rights purchases, providing the Board with additional confidence in the independent valuation.

Revolving Credit Facility
On 30 September 2022, the Company entered into a new Revolving Credit Facility (RCF) with a commitment of $700 million which runs for five years until 30 September 2027. The facility has been used to refinance, in full, the Company's pre-existing RCF and provide flexibility for additional working capital where necessary. In accordance with the Investment Policy, any borrowings by the Company will not exceed 30% of the value of the net assets of the Company.

In the Annual Report, the Board set out that the purpose of the refinancing was to reduce interest rate risk and control costs. To deliver on these objectives, the Company entered into interest rate swap agreements, as disclosed on 5 October 2022. As a result, until 2 January 2023, interest on all the drawn debt is fixed at 5.71% (including debt margin). From 3 January 2023, $340 million is hedged for the duration of the RCF (until 30 September 2027) at a fixed rate of 5.67% (including debt margin); a further $200 million is hedged until 3 January 2026 at a fixed rate of 5.89% (including debt margin). The balance remains unhedged to provide flexibility in the operation of the RCF.

Annual General Meeting
The Annual General Meeting for the Company took place on 21 September 2022. I am pleased to announce that all ordinary and special resolutions were passed by the requisite majority.

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

Following the period end, the Board announced a share buy-back programme funded out of free cash flow. During the initial period of its operation an aggregate number of 2 million shares have been purchased with an aggregate value of £1.7 million. The Board will continue to repurchase Ordinary Shares when they believe it to be in the interests of Shareholders to do so.

Ordinary Shares held in treasury may only be reissued by the Company at prices representing a premium to the NAV per Ordinary Share as at the date of re-issue.

Outlook
Despite inflationary pressures, interest rate rises and the impact of central banks' actions to control inflation, the leading economic music indicators continue to point to Hipgnosis' investment thesis being valid. We anticipate continued strong growth in the global music market.

In addition, the Company expects to benefit from increasing revenues from social media, gaming and lifestyle channels. This market growth, coupled with the Investment Adviser's Song Management capabilities and our Portfolio of high quality, iconic and culturally important Songs gives the Board confidence that the Company is capable of delivering superior Shareholder returns over the medium term.

Andrew Sutch
Chair

7 December 2022

Investment Adviser's Report

Introduction
This year we've seen a positive impact on revenue from our active Song Management of the Company's Portfolio.

During the period the Company's Operative Net Asset Value per share remained stable at $1.8312. The strong Dollar boosted the Sterling value of the Operative NAV of the Company which, on 6 December 2022, was 149.82p per share, converted using a Sterling to Dollar exchange rate of $1.2223.

Like-for-like pro forma (PFAR) revenues in the first half of the calendar year were $58.5 million, a 7.8% increase on the comparative period in 2021.

Pro forma revenues from Synch during the first half of the calendar year have been strong, up 32% to $9.78 million (H1 2021: $7.41 million), illustrating the value we deliver for shareholders through our active Song Management. This growth is a result of placing Songs in movies, tv shows and advertisements, video games and from existing and emerging platforms, such as YouTube and TikTok. The quality of our Songs, our strategy of building close relationships with producers and ensuring that working with Hipgnosis is as smooth and efficient as possible are paying dividends.

We also continued to see strong growth in pro forma streaming revenues, up 15.8% year-on-year to $23.56 million in H1 2022 (H1 2021: $20.35 million). This reflects the Company's extraordinary concentration of Songs with high streaming consumption, as shows by Hipgnosis's share of Songs in Spotify's Billions Club which has remained unchanged at 24%, despite the list growing from 190 Songs 12 months ago to 324 today.

The context for Hipgnosis' investments has always been the massive opportunity afforded by the adoption of and exponential/long term growth in streaming. The continued rapid adoption of paid-for streaming not only increases revenues, but also continues to transform income from being driven by consumers' discretionary decisions into a utility. In our view, this will drive a re-rating in the value of our Songs as the perceived risk profile of the income falls.

2022 saw the full and welcome return of live music after the hiatus caused by the COVID-19 lockdowns. With record numbers of people attending concerts, we saw our Songs played at sell-out shows around the world including performances by Red Hot Chili Peppers, Nile Rodgers and CHIC, Journey, Lindsey Buckingham and Blondie.

These performance revenues will be reflected in future reporting periods as a result of the significant time lag in collections by Performing Rights Societies and Administrators. This means that we are still experiencing the impact in earnings caused by retail and entertainment venues being closed by COVID-19 restrictions during 2020 and 2021. We continue to see evidence that performance revenue across the music industry is recovering steeply and we remain confident that, when the time lag in payments to Hipgnosis works through, this will be a further strong pillar for revenue growth.

The Portfolio

The Portfolio as at 30 September 2022 is comprised of 146 Catalogues, 65,413 Songs. The overall Fair Value of the Portfolio of the Catalogues, as determined by the Portfolio Independent Valuer, remains stable at $2.67 billion (31 March 2022: $2.69 billion).

This valuation reflects a multiple of 19.93x historical annual net Publisher Share income, compared to the blended acquisition multiple of 15.93x.

Hipgnosis' Portfolio of Songs, we believe, is unrivalled in its concentration of quality. In addition to our standing in Spotify's Billions Club, this is demonstrated by our Songs being:

- Over 10% of Rolling Stone's The 500 Greatest Songs of All Time (52/500);
- 9 out 70 of the BBC's Most Streamed Chart;
- 20 out of the Top 100 most streamed songs on Spotify; and
- Almost half of YouTube's Most Viewed music videos of all time (13/30).

Portfolio at 30 September 2022

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 (Masters)	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%	4,212
Julian Bunetta	10 Sep 2020	50%	188
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%	25,259
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
TImeflies (Masters)	30 Sep 2020	100%	80
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 Share)	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
Red Hot Chili Peppers	14 Jul 2021	100%	220
Kaiser Chiefs	15 Jul 2021	100%	136

Christine McVie	21 Jul 2021	100%	115
Jordan Johnson	22 Jul 2021	100%	58
Stefan Johnson*	22 Jul 2021	100%	58
Rhett Akins	23 Jul 2021	100%	564
Ann Wilson	29 Jul 2021	50%	152
Elliot Lurie	24 Aug 2021	100%	70
Total Songs			**65,413**

More people paying more for music streaming services
Reported data from the music industry continues to show growth despite the wider economic challenges. Furthermore, there are regulatory and commercial developments which will directly result in additional revenues for Hipgnosis. For example:

- The market leading global streaming service, Spotify, beat expectations with year-on-year premium subscriber growth of 13% to 195 million and Monthly Active Users up 20% to 456 million, according to their recent Q3 2022 results. Revenues also increased 21% to €3.0 billion.

- Apple Music announced that it would be increasing the monthly price of its individual and family subscriptions by $/£/€1 to $/£/€10.99 and $/£/€2 to $/£/€16.99 respectively in the US, UK and continental Europe.

- Spotify and other DSP's have indicated they will also increase prices.

- The mid-year revenue statistics disclosed by the RIAA (Recording Industry Association of America) gives us an insight into the recorded music revenues in the US, our largest market. Revenues from streaming music, a broad category including formats such as paid subscription services, ad-supported services, digital and customized radio, grew 10% to $6.5 billion in the first half of 2022. The share of revenues that came from streaming was virtually flat at 84% and paid subscriptions account for 78% of streaming revenue.

We have long believed that music streaming represents exceptional value for money and, as such, believe that the DSPs have significant pricing power despite the current macro-economic conditions. Consequently, in line with many industry commentators, we expect Spotify will follow Apple's lead and similarly increase its 9.99 individual price point in major markets. Price increases leads to more royalties flowing through to rights holders.

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

After a lengthy appeals process, the CRB rejected the appeal of CRB III brought by some streaming companies. As a result, CRB III, which proposed to incrementally increase mechanical streaming royalty rates for songwriters and publishers was confirmed with the "all in" (mechanical and performance) statutory minimum rates for streaming paid in the US was confirmed with the headline rate rising from 10.5% of streaming revenues prior to 2018 to 15.1% in 2022, an overall 44% increase and paid retroactively. As detailed in the Copyright section, this has led to a $16.1 million accrual for retroactive revenue due to the Company for the years 2018-2021 and a $6.2 million
accrual to monies expected to be earned in 2022, of which $3.1 million were taken in this financial period.

The next CRB IV settlement period begins in 2023. A joint proposal from The National Music Publishers' Association (NMPA) and Nashville Songwriters Association International (NSAI) and the Digital Media Association (DiMA) has been submitted to the CRB. Should this be ratified, as is almost certain, this would see the headline royalty rate for mechanical streaming in the US rise further from 15.1% to 15.35%, phased in over the five-year term from 2023-27.

While we believe more significant increases are warranted and will come, this agreement will provide the highest royalty rates ever for songwriters in the streaming economy and five years of stability from which to build from. Additionally, the deal also includes a number of changes to other components of the rate, including increases to the per subscriber minimums and the "Total Content Costs (TCC)" calculations which reflect the rates that services pay to record labels and modernizes the treatment of "bundles"
of products or services that include music streaming.

The agreement is supported by DiMA member companies, Amazon, Apple, Google, Pandora and Spotify, as well as NSAI's Board of Directors and the NMPA Board, which is comprised of leading independent and major music publishers.

Separately, we support a 32% uplift in the mechanical rate paid to publishers and songwriters for music purchased as a physical sale from 9.1¢ per track to 12¢ per track from 2023-27 with further annual increases in line with the Consumer Price Index. This is a significant upside for our iconic songwriters and artists such as Red Hot Chili Peppers, Fleetwood Mac, Soundgarden, Journey and many others that derive significant revenue from the sale of physical product.

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

Return of Performance Revenues
CISAC – the International Confederation of Societies of Authors and Composers – is the leading network of authors' societies with 229 member societies in 119 countries. In their recently published 2022 global collections report, which reports data from 2021, CISAC note global collections returned to growth in 2021, increasing by +5.8% to reach €9.58 billion and reversing the previous year's decline due to the pandemic. Digital collections grew +27.9% to €3.1 billion driven by organic growth in streaming, rising music and video on demand subscriptions (SVOD), and deals with digital platforms. Royalties from live and public performance in 2021 were still 45.8% below 2019 pre-pandemic levels due to lockdown restrictions on concerts, exhibitions and live entertainment, highlighting the long lag in the industry.

This strongly suggests there is considerable opportunity for upside in collections for 2022 and beyond as normal levels of activity resume and the collections agencies distribute revenue to rights holders including Hipgnosis.

This thesis is supported by statements from Live Nation Entertainment, the world's leading live entertainment company, which reported in November 2022 that it had delivered the biggest summer concert season in history, with 44 million attendees across 11,000 concerts in 50 countries. As a result, Live Nation Entertainment has said it now expects to transfer over $550 million of additional payments to artists this year and has stated that ticket sales for shows in 2023 are "pacing even stronger than they were heading into 2022, up double-digits year-over-year".

Active Song Management
Hipgnosis' Portfolio of iconic and culturally important Songs are naturally in high and constant demand from producers to feature in their movies, TV shows and advertisements, video games and online marketing endeavours. Alongside this, our global in-house '24/7' Synch licensing operation actively manages our Songs with responsibility. The Hipgnosis Song Management team focuses on creating opportunities which add value to both the song and the songwriter's legacy, while also responding to incoming enquiries within a matter of minutes. The success of our approach is demonstrated by the 32% increase in synch PFAR revenue in calendar H1 2022 compared to H1 2021. Overleaf we have identified a selection of our recent Synchs.

We promised investors that we would deliver a new, responsible approach to Song Management, one where we have the resource and bandwidth to manage great Songs to their full potential – and in doing so add significant value. We share some examples here:

Firstly, we begin to better utilise alternative interpretations of our repertoire. *All the Small Things* was a Song created by Blink-182, co-written by Tom Delonge, whose Catalogue we bought in December 2019. The Song reached Number six in the Billboard Hot 100 and Number two in the UK on release in 2000. Our Synch team saw the potential of a slowed down version of this track by Scott Bradlee Post Modern Jukebox and presented it to John Lewis, who chose it to be their seasonal Christmas advert. By really putting the spotlight on alternative representations of our Songs we deliver new ways to gain exposure for our Songs.

Secondly, we have created new master recordings of selected Songs within the Catalogue. These new interpretations are designed to be attractive for synch opportunities. In addition to our existing ownership in the Song, Hipgnosis owns 100% of these master recordings.

This approach has already proved successful, with a new version of Bon Jovi's *Wanted Dead Or Alive*. We utilised the musical skill sets of a Channel Island based artist Empara Mi and the team created a whole new rendition of this Song, which we released in May 2022. In this case, Hipgnosis owns 50% of the Publishing copyright and 100% of the master recording. We released the Song on Streaming services to establish a base for the record and it has already achieved over a million streams. However, more importantly, and financially far more successful, we have also secured the placement of the Song with a major gaming studio, earning a six-figure synch fee.

Thirdly, we focus on contemporary artists proving new interpolations of Songs. For example, in 2022 Nicki Minaj has delivered another enormous global hit based on Rick James's hit *Super Freak*. We have always known the hidden value of Rick's catalogue. This year Nicki's Song *Super Freaky Girl* went to Number 1 on the Billboard Hot 100 in the US as well as being a top five hit in the UK. The original Song was released in 1981, superbly capturing Rick's raw funk beauty and this has been a seminal track ever since. Almost 10 years later MC Hammer utilized this track for the enormous global Grammy award winning hit *U Can't Touch This*. Nicki Minaj's new recording helps to again revive the original Catalogue. Rick James saw a 59% increase in people listening to his music on Spotify alone last month and an 26% increase in US consumption of the original *Super Freak* version. Hipgnosis has 55% of the new work. Hipgnosis also has over 20 major tracks and another 14 features with Nicki Minaj with other writers including Redone, Starrah and Lunchmoney Lewis.

We also continue to work to promote our Songs for use on social media and lifestyle platforms. For example, Hipgnosis' main TikTok channel now has 2.1 million followers, one of the highest performing music company channels on the platform. This allows us at no cost to reach this very active audience with our music, our Songs, and with contemporary uses of the track to help magnify their attractiveness and levels of consumption. We have several additional splinter channels which focus on particular music moods and genres (Rock, Gaming and Country) and these are all at over 100,000 followers. As discussed in detail in the Annual Report, TikTok, as a platform, has demonstrated the capacity to expose Songs, extend their life for new generations to come and to make them hits all over again by introducing them to a new audience.

Grammy
Hipgnosis writers were included in 16 Grammy nominations for 2022, as follows:

- Album Of The Year: Beyonce's *RENAISSANCE* (Travis Garland) and Lizzo's, *Special* (The Monsters & Strangerz; Phoelix; Thomas Brenneck)

- Best Alternative Performance and Best Alternative Album: Yeah Yeah Yeahs (Dave Sitek)

- Best Compilation Soundtrack for Visual Media: The soundtrack to 'Stranger Things': Separate Ways (Journey/Cain/Schon)

- Best Dance/Electronic Album: Beyonce's *RENAISSANCE* (Travis Garland) and Diplo's *Diplo*, (Phil Scully/David Karbal)

- Best Folk Album: *Revealer* by Madison Cunningham
(Dan Wilson)

- Best Historical Album: *Against the Odds: 1974-1982* by Blondie (Debbie Harry and Chris Stein)

- Best Immersive Audio Album: *Aguilera* by Christina Aguilera (Tobias Wincorn)

- Best Latin Pop Album: *De Adentro Pa Afuer* by Camilo (production by Juan Ariza) and *Aguilera* by Christina Aguilera (Tobias Wincorn)

- Best Music Film: Neil Young & Crazy Horse, *Barn* (Neil Young)

- Best Pop Vocal Album: Lizzo's *Special* (The Monsters & Strangerz; Phoelix; Thomas Brenneck)

- Best Progressive R&B Album: Terrace Martin's, *DRONES* (Kamasi Washington)

- Best Rap Album: *Come Home The Kids Miss You* by Jack Harlow (Tobias Wincorn)

- Best Rock Performance: Beck's *Old Man* (Neil Young).

Song Administration
Hipgnosis has continued to implement its strategy to reduce administration costs and ensure that payments are received as quickly as possible by reverting (i.e. moving) Catalogues and renegotiating administration rates at the earliest possible opportunity (except where there are compelling reasons to maintain the current administration relationships).

During the period we announced that Hipgnosis had entered into a direct licensing and administration partnership with Sacem, a world-leading Collective Management Organisation (CMO), to collect digital rights for the Writers' Share and Hipgnosis' own Publisher Share, primarily in the UK and the European Union. Initially 36 full-or part Catalogues were transferred to Sacem on 1 July 2022, accounting for c.6.5% of our publisher's share of revenue.

Additionally, Hipgnosis entered into a sub-publishing partnership with peermusic to collect publishing rights and other royalties in the rest of the world, excluding the US. These arrangements are expected to result in relevant revenues being uplifted by over 7% starting in 2023, as underlying rights revert into these partnerships and we will start to receive those statements. Further administration arrangements are due for reversion to Sacem and peermusic in the second half of this financial year.

Hipgnosis will continue to use Hipgnosis Songs Group (HSG) for royalty collection in the United States and will revert Catalogues when possible, for the collection of US income. During the period under review, a further eight administration arrangements have been reverted to HSG.

In addition to administering Songs for the Company, HSG is a third-party administrator. In this capacity, HSG administers Catalogues such as Glass Animals (Beggars), who claimed the longest run in Billboard 100 history with *Heat Waves*. The Song has gone 5x Platinum and amassed 9.5 billion global streams. It was the second most streamed Song in 2022 in the US, generating 493 million on-demand US audio streams alone, and is ranked among the Top 20 “most streamed Songs of all-time on Spotify”. Additionally, the Song took home the honour of “Song of the Year” at the 2022 SESAC Music Awards.

Alongside our HSG, Sacem and peermusic structures, we continue to have significant administration business at Kobalt as well as at Sony Music Publishing, Warner Chappell and Universal Publishing.

Song Copyright Management
The recent focus of Song Copyright team has been on the CRB settlements, described above.

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

The headline rates agreed by the CRB were as follows:

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

In August 2019, certain DSPs (including Spotify, Google and Amazon) filed their appeal of this ruling in the US Court of Appeal for the DC Circuit, arguing that the US Copyright Royalty Board made numerous legal errors while adopting a rate structure that was not justified by explanation or evidence and that, in any event, the rates should not have been applied retrospectively to 1 January 2018. This appeal was disallowed on 1 July 2022, although the Total Content Cost (TCC) and bundle definitions were returned to the CRBII levels. During much of the time the remand was pending and, from October 2020, the headline rate paid out by the DSPs to the Publishers dropped back to the lower rate of 10.5%.

As a result of the above appeal, a portion of DSP revenue for the CRB III period has not been paid to songwriters and publishers at the newly set rates. As detailed in the financial review, we have accrued income for the retroactive fiscal periods for a total of $16.1 million. We are also accruing a $6.2 million annualized accrual for 2022, to account for the higher headline rate of 15.1%, recognising half of this amount in these financial results.

Both the CRB III retroactive and uplift accruals are based off historical earnings paid through to the Company by Publishers. In order to calculate the accrual, the US mechanical portion of those earnings were analysed and uplifted accordingly based on the CRB III rates over the five year period from 2018 to 2022.

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

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

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

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

To this end, our Copyright Team has continued its efforts to identify incorrect or missing registrations in the MLC’s database and to ensure revenues are correctly linked between original and samples, remixes and cover versions. The team has also trialled a number of external services to support this process to further improve data quality and have now chosen a preferred partner.

The DSPs have been given time to deliver revised data to the MLC for usages post 2021. Assuming there are no delays, the earliest possible payment to publishers of historic adjustments is expected to be end 2023, with settlements due to Hipgnosis following after that.

Separately, the return of live music concerts allowed Hipgnosis to trial the PRS Major Concert Service and PACE Rights Management to collect rights for the Red Hot Chili Peppers and Blondie concert tours respectively. Both trials were successful, with reduced fees and payments being processed more quickly than the traditional solutions. As a result, we are in the process of identifying additional tours to be signed up to these, or similar, services.

Song Creation
Song Creation delivers dynamic Catalogue growth via a stable of active, front-line writers and artists. Building future assets at a relatively low cost, providing contemporary context and synergistic opportunities throughout the industry is the strength and ongoing mission of HSG's Song Creation team.

Highlights from the period include the phenomenal success of Stefan and Jordan Johnson – The Monsters & Strangerz – and the extension of HSG's deals with Sharon Van Etten, Amber Mark and signing Latin Grammy nominated songwriter Albert Hype and artist Bruses. The Song Creation team also has strategically focused on recent signings and further development of its roster in the marketplace including Normani and joint ventures with
NO I.D. and other major songwriters and producers.

Highlights from Song Creation

Jordan and Stefan Johnson (of The Monsters & Strangerz): On the heels of Hipgnosis Songs Fund (in 2021) acquiring Jordan and Stefan's Catalogue and concurrently agreeing a new moving forward deal via HSG Jordan and Stefan hit the ground running in 2022. They kicked off the year celebrating their 4th Top 40 Number 1 with Justin Bieber's *Ghost* and earned 3 Grammy nominations for their work on Bieber's album *Justice*, including one for the single *Anyone*.

Further success has been achieved with Selena Gomez's *My Mind & Me*, Lizzo's *Birthday Girl, whose album reached* Number 2 on the Billboard 200 and Burna Boy's *Wild Dreams* which drove his album to Number 2 in the UK and Number 14 in the US.

Albert Hype – has been in the Billboard Top 10 Latin producers' list every month for the past 24 months. He has recently collaborated on various Songs on Bad Bunny's Un Verano Sin Ti, including *Tarot*, *La Corriente* and *Party*. The album was voted the most streamed album of 2022 by both Apple Music and Spotify. He has also collaborated on Shakira's *Te Felicito, featuring* Rau Alejandro and *Monotonia, featuring* Ozuna.

Steph Jones: A prolific year of output across multiple genres for Steph which culminated in her making the short list for the inaugural Grammy category 'Songwriter Of The Year – Non Classical'.

Jake Sinclair: co-wrote all the Songs on Panic! At The Disco's *Viva Las Vengeance* album. The first single, eponymously titled, spent three weeks at Number 1 beginning 30 June 2022 on the US Alternative radio daily chart.

Amber Mark: Has enjoyed a stellar run of placements across the TV landscape. These include 'Euphoria', 'Insecure', 'Empire', 'And Just Like That', 'Grays Anatomy', 'Ballers', 'Bel Air', across a selection of her Songs.

Bruses (Amalia Ramirez) a Latin Grammy-nominated artist/songwriter from Tijuana currently based in Mexico City. Her Song *Dueles Tan Bien* went viral on TikTok earning her more than 3 million followers. Her debut album *Monstruos* was recently nominated for Best Album Pop/Rock at the Latin Grammys 2022.

Sharon Van Etten: Sharon's majestic 5th full-length included new radio high-water mark, *Mistake*, while further boosting her into a major concert draw and fueling a truly remarkable rise in the film & television communities, both as composer and creator of licensed work spanning her entire Hipgnosis-controlled catalogue.

Songwriter Advocacy
Songwriters deliver the most important component of a Song but continue to be paid inequitably. Through our platform and influence, Hipgnosis continues to campaign for that to change. We aim to take the songwriter from the bottom to the top of the economic equation with our advocacy on this issue. When a Catalogue is acquired, our Shareholders sit directly in the shoes of the songwriter so there is complete alignment between the song writing community and our Shareholders. What is in the best interest of the songwriter is also in the best interest of the Company.

In the US our leadership, tone and advocacy on behalf of the song writing community has resulted in a change of tone and messaging from both the recorded music labels and DSPs. This is best demonstrated in the proposed CRB IV settlement which will provide 5 years of stability between 2023 and 2027 at the highest rates ever paid to Songwriters. This stability will provide the platform to advocate further and take Songwriters to a far more fair and equitable share of the income going forward.

In the UK we were disappointed that, whilst the Competition and Markets Authority (CMA) recognised the market failures, they have, as yet, declined to take the steps which would have addressed these problems, despite the original report from the DCMS Select Committee which ultimately prompted their market study. Nevertheless, we continue to work with the DCMS, regulators and legislators to seek solutions and a fair outcome for songwriters.

Financial Review

NAV
The Company reports two net asset values: an IFRS NAV which is prepared in accordance with IFRS under which the Company's investments in Catalogues are held at cost less amortisation and impairment, and an Operative NAV which adjusts the IFRS NAV to reflect the fair value of the Company's Catalogues, as determined by the Portfolio Independent Valuer. The Board and the Investment Adviser consider that the most relevant NAV for Shareholders is the Operative NAV.

The Operative NAV per share reduced by 1.0% to $1.8312 during the six-month period (31 March 2022: $1.8491). This, together with the dividends, of 19p, takes Total $ NAV Return to Shareholders to 60.0% since the IPO on 11 July 2018.

Based on the Sterling to Dollar exchange rate at 30 September 2022 of 1.116, the Operative NAV presented in Sterling is 164.06p per share (31 March 2022: 140.79p based on Sterling to Dollar exchange rate of 1.3134). As at 6 December 2022, the Operative NAV presented in Sterling would be 149.82p per Share (GBP: USD 1.2223).

The strength of the Dollar, and in particular the Sterling to Dollar exchange rate, has been beneficial to the Sterling NAV and the dividend.

The fall in the Operative NAV in Dollar terms over the six-month period was driven by a small reduction in the Fair Value of the Portfolio to $2.67 billion (31 March 2022: $2.69 billion). This is driven by the strength of the Dollar reducing the value of non-Dollar denominated royalty statements.

The vast majority of the Company's cash receipts are received in Dollars, with c.12% received in other currencies, primarily Sterling and Euros.

The Portfolio Independent Valuer calculated the Catalogue Fair Value as of 30 September 2022 maintaining a discount rate of 8.5% (31 March 2022: 8.5%).

The Portfolio Independent Valuer has consistently taken a long-term view on expected interest rates since Hipgnosis's IPO in July 2018. They therefore reduced the discount rate by just 50bp since the IPO despite the substantial fall in US treasury yields we have experienced until this year.

Additionally, the proportion of utility-like revenue from Streaming has increased since Hipgnosis was launched and justifies a substantially lower risk premium applied to music as an asset. These factors provide a cushion within the discount rate against the global interest rates rises over the last 12-months.

The Portfolio Independent Valuer reviews the discount rate regularly and will adjust the discount rate if it considers it appropriate. A 0.5% increase in the discount rate to 9.0% would result in a decline to the Fair Value of the Catalogue of 7.9% ($212.2 million); conversely a reduction to 8.0% would result in an increase of 9.4% ($251.5 million).

Operative NAV per Ordinary Share Bridge ($) from 1 April 2022 to 30 September 2022

Opening Operative NAV per Ordinary Share	1.8491
Profit After Tax excluding amortisation and impairment of Catalogues	0.0309
Decrease in Fair Value of Catalogues	(0.0182)
Dividends Paid	(0.0159)
Dividends Declared not yet Paid	(0.0147)
Closing Operative NAV per Ordinary Share	1.8312

Revenue

Gross revenue increased by 7.5% year-on-year to $91.7 million (six months ended 30 September 2021: $85.3 million).

The Company has reflected accruals of $19.2 million, as a result of the confirmation of the CRB III rate increases for the Songwriters' mechanical portion of US Streaming income. Of this, $3.1 million is the impact of the higher 15.1% rate on the revenue earned by the Company during this six-month period and $16.1 million has been recognised as an estimate of the retroactive payment due as a result of revenues historically not having been recognised at the full CRB III rates.

Furthermore, this gross revenue increase occurred despite no Right To Income (RTI), due to no acquisitions in the period (30 September 2021: $14.1 million).

Net revenue of $78.4 million increased by 5.8% year-on-year (six months ended 30 September 2021: $74.1 million), after royalty cost deductions of $13.3 million (six months ended 30 September 2021: $11.2 million) which relate to contractual royalties due to writers in HSG and Kobalt Fund One.

After stripping out exceptional adjustments including RTI in the prior period, the CRB III retro-active payment and accrual adjustments, the Company has shown strong underlying net revenue growth of 5.8% year-on-year, to $65.1 million.

Pro-Forma Annual Revenue (PFAR)
To provide its Shareholders with an understanding of the like-for-like performance of the Company's revenues, by removing the impact of new Catalogue acquisitions and the Usage Accrual, the Company presents the Pro-Forma Annual Revenue (PFAR) performance measure. This shows the royalty revenue earned by Catalogues in a calendar year largely based on royalty statements received, irrespective of whether the Songs were owned by the Company over the period analysed. The Company believes this provides a relevant like-for-like full year income comparison of the Group's Catalogues of Songs held as at the period end.

The table below shows PFAR for Catalogues owned as at 30 September 2022 over time.

Pro Forma Annual Revenue for Catalogues owned

	12 months to				
	Jun 2020 $m	Dec 2020 $m	Jun 2021 $m	Dec 2021* $m	Jun 2022 $m
Total PFAR for Catalogues owned as at 30 Sep 2022	**131.7**	**121.3**	**115.9**	**116.6**	**120.8**
<10 years	65.9	57.2	51.0	49.9	50.9
>10 years	65.8	64.1	64.9	66.7	69.9

* Restated to reflect actual receipts

Note: Greater or Less than 10 years of a Catalogue is calculated as the average release year of a Catalogue as at January 2022 weighted on earnings at time of acquisition.
PFAR does not include NPS revenues from HSG.

The PFAR for the 12 months to December 2021, has been restated from $114.9 million to $116.6 million to reflect royalty statements relating to the period that were received after the publication of the Annual Report.

PFAR for the 12 months to June 2022 increased by 4.2% year-on-year to $120.8 million, despite headwinds on income from non-US Dollar denominated sources described below. Indeed, not only has there been continued growth in our >10 year catalogues by 7.7% year-on-year to $69.9 million, the data also shows that the PFAR of our <10 year catalogues is broadly flat year-on-year at $50.9 million supporting the statement made in our Annual Report, that overall we are approaching the end of the decay curve in the younger catalogues.

Whilst the majority of our cash receipts are received in Dollars (88%), it is worth noting that the original source of our revenues is in multiple different currencies. Approximately 54% of the Company's income is generated in the US, 14% in the UK and 21% in the EU and there are exchange rate differences at all points along the value chain, which are not directly seen in our receipts.

Notably these results do not include any revenue due to the Company as a result of CRB III, which would have been equal to approximately $6.2 million in the most recent PFAR, providing a strong tailwind for further PFAR growth.

We have set out below the PFAR by income type for the first half of calendar 2022 compared against the comparative period in 2021.

H1 2022 vs H1 2021 PFAR split by income type

Income Type	H1 2021 $m	H1 2022 $m	Change %
Streaming Income	20.35	23.56	+15.8
Synchronisation Income	7.41	9.78	+32.0
Performance Income	13.73	13.12	-4.5
Mechanical Income	2.55	2.47	-3.2
Digital Downloads Income	1.83	1.28	-29.9
Other Publishing Income	0.91	1.05	+15.4
Producer Royalties	3.76	3.83	+1.9
Masters Income	3.75	3.45	-8.1
	54.29	**58.54**	**+7.8**

Note: Writer's Share of Performance has been allocated to Streaming and Performance income

Streaming revenues increased by 15.8% year-on-year, comparing favourably with the +10% year-on-year growth in US streaming revenue as reported by the RIAA. This is a testament to the strategy of acquiring Catalogues with high levels of streaming consumption.

Synchronisation has seen the largest increase in growth across all income types, growing 32% year-on-year. This is partly driven by a marked increase in procured direct synchronisation deals. An increasing number of these licenses have been procured via the collaboration between the Synch teams of the Investment Adviser and Hipgnosis Songs Group (HSG) on the Catalogues that have reverted to HSG.

Synch revenues include both fees for the use of Songs on traditional media outlets and digital licences for social media, gaming and fitness platforms. In line with our expectations at the full year, we can now see meaningful revenues from these emerging platforms for the first time.

Performance income declined by 4.5% year-on-year to $13.1 million. This is largely driven by a decline in US radio airplay in line with the natural ageing of some our younger Catalogues, which resulted in some of those Catalogues no longer qualifying for radio bonus payments. Adverse foreign exchange movements from source revenue would also have had a negative impact.

The Company expected to see partial bounce-back in general performance revenues during the period as a result of the post-COVID-19 recovery, but these were not seen during the period. With continued strong performance income recovery reported by the major publishers, who sit ahead of Hipgnosis in the music payment chain, this provides confidence of a healthy bounce-back in general Performance revenues.

Within Performance income, revenues from Live performance have remained subdued as live concerts were impacted by COVID-19 restrictions with a full resurgence not being seen until Summer 2022. However, a number of our Songwriters have been on tour this summer, including the Red Hot Chili Peppers, Nile Rodgers & CHIC, 50 Cent, Blondie, Journey and Lindsey Buckingham.

Mechanical revenues of $2.5 million declined less than expected (-3.2% year-on-year) as a result of an improvement in physical revenues driven by the continued resurgence of vinyl.

While the majority of revenue is derived from our Publishing rights, the Company receives revenue from Sound Recording Rights, which includes both Masters and Producers. These combined revenues declined by 3.1% year-on-year, from $7.5 million to $7.3 million. This is largely a result of the timing of settlement statements.

Costs
Adjusted operating costs, excluding interest costs, decreased to $14.5 million (six months ended 30 September 2021: $18.6 million). This is driven by a reduction in Advisory fees as a function of the Company's lower share price during the six-month period and reduced administration, legal and professional fees as a result of no acquisition activity during the six-month period.

Annualised Ongoing Charges as a percentage of the average Operative NAV decreased to 1.23% for the six months ended 30 September 2022 (six months ended 30 September 2021: 1.77%), reflecting the Board's commitment to reduce operating costs and maximise returns to Shareholders.

As a result of strong performance on certain Catalogues, the Company has recognised an additional contingent bonus provision of $3.7 million (prior period nil) relating to bonuses to Songwriters, based on certain defined performance hurdles defined in the catalogue acquisition agreement.

Included within Operating expenses during the six-month period is a one-off provision of $0.9 million relating to a restructuring of HSG's Song Creation division.

EBITDA
EBITDA for the six months ended 30 September 2022 increased by 16.9% to $63.8 million (six months ended 30 September 2021: $54.6 million), reflecting the growth in net revenue and reduced operating costs.

Leverage
Loan interest has increased to $14.5 million (six months ended 30 September 2021: $10.0 million) due to the rise in interest rates. In order to address the interest rate risk and to control costs, on 30 September 2022 the Company entered into a new Revolving Credit Facility (RCF) with a commitment of $700 million which runs for five years until 30 September 2027. This RCF materially reduces the margin from 3.25% to an initial margin of 2.00%.

In addition, on 5 October 2022, the Company completed interest rate swap agreements to hedge a total of $540 million at a blended rate of 5.75%, including debt margin, for a weighted average life of 4.26 years, starting from 3 January 2023.

As at 30 September 2022, gross debt was $607.0 million (31 March 2022: $600.0 million) and net debt was $570.6 million (31 March 2022: $569.9 million). Net debt as a percentage of Operative NAV has remained stable at 25.7% as at 30 September 2022 (31 March 2022: 25.4%).

Foreign Exchange Hedge
On 12 October 2022, the Company entered into a series of US Dollar to Sterling foreign exchange forward contracts to limit its exposure to foreign exchange rate risk relating to future Sterling dividend payments until April 2024 as part of a rolling hedge strategy.

Dividends
In line with the Company's target of 5.25p in interim dividends per Ordinary Share in relation to the current financial year, two dividends have been declared in the period totalling 2.625p per Share.

The dividends declared in the financial year to date amount to $37.1 million, which was covered 1.2x by Distributable Revenues recognised during the period. In addition, the Company had 1.6x the leveraged free cash flow, necessary to meet those dividend payments paid in the period.

EPS
EPS for the six months ended 30 September 2022 is -1.66¢ (six months ended 30 September 2021: -1.69¢); this marginal improvement reflects the growth in net revenue and reduced operating costs, offsetting the increased interest costs.

Adjusted EPS, as defined within the Alternative Performance Measures, primarily removes the impact of Catalogues amortisation and other non-operating costs. The Group amortises Catalogues over a useful life, using a straight-line method of 20 years, which is in line with industry standard. Adjusted EPS for the six months ended 30 September 2022 is 3.76¢ (six months ended 30 September 2021: 3.85¢); the decrease in adjusted EPS is driven primarily by the increased interest expense for the period.

Accruals and Receivables
Royalty receivables at 30 September 2022 were $5.0 million, representing royalty statements received by September 2022 with payment received subsequent to period end.

Accrued income as at 30 September 2022 was $125.1 million (on a gross basis), a breakdown of which is set out below:

- $51.9 million for earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q4 2022 onwards.

- $8.3 million income accrual relating to time-lagged international reporting on PRO earnings. International PRO reporting has a significant time lag due to the additional collection time taken for PROs to distribute income from territories. The lag is due to the nature of processing royalties locally, then distributing them to the domestic PRO, which will in turn process and distribute these royalties to the Group. Six months of international PRO earnings are accrued, although PRO processing delays can typically result in an earnings lag of up to 24 months;

- $16.1 million relating to retro-active payment of the CRB III ruling;

- $3.1 million for the CRB III ruling rate uplift due for the six-month period ending 30 September 2022;

- $37.5 million Usage Accrual, which recognises revenues that have triggered a contractual payment but have not been paid to, and processed by, collection societies, publishers and administrators.;

- $8.2 million HSG gross revenue accrual, which includes the accrued PRO lag.

Right to Income (RTI)
On acquisition of a Catalogue, the accounting policy of the Company is to allocate the full purchase consideration to the cost of the Catalogues asset. Income is recognised on acquisition via two separate mechanisms as follows:

1. Income derived from cash receipts from the Vendor, representing royalties collected by the Vendor starting from the date determined by the purchase agreement, which precedes the date of acquisition; and

2. Accrued receivables are recognised for any revenues generated by ownership of the IP to the extent that these are not yet collected.

If the income due under these mechanisms is for a period that precedes the start of the financial year that the Catalogue is acquired within, that income is booked within the financial year in which the Catalogue is acquired.

RTI shows both revenue recognised in 'Pre-Financial Year RTI' and 'Within Financial Year RTI.' Within Financial Year RTI is considered as recurring as it relates to a revenue period that will be collected and received by the Company in the following financial year.

There is no combined RTI recognised in the period (30 September 2021: $17.97 million, of which the Pre-Financial Year RTI was $14.09 million and the Within Financial Year RTI was $3.88 million).

Recurring Revenue vs. Pre-Financial Year RTI for each financial year to date

Financial year (FY)	Description	No. of Catalogues	Financial year revenue ($m) Prior year (over) / under accrual	Pre-FY (RTI)	Recurring revenue Within FY, pre-acq (RTI)	Within FY, post-acq	Total revenue
FY19	New acquisitions in year	13	–	2.52	–	6.88	9.39
			–	27%	–	73%	100%
FY19	Pre-existing Catalogues	0	–	–	–	–	–
			–	–	–	–	–
FY19	**Total**	**13**	**–**	**2.52**	**–**	**6.88**	**9.39**
			–	**27%**	**–**	**73%**	**100%**
FY20	New acquisitions in year	41	–	13.40	27.57	23.56	64.53
			–	16%	34%	29%	79%
FY20	Pre-existing Catalogues	13	1.66	–	–	15.88	17.55
			2%	–	–	19%	21%
FY20	**Total**	**54**	**1.66**	**13.4**	**27.57**	**39.45**	**82.08**
			2%	**16%**	**34%**	**48%**	**100%**
FY21	New acquisitions in year	84	–	28.94	37.66	26.16	92.75
			–	21%	27%	19%	67%
FY21	Pre-existing Catalogues	54	(4.90)	–	–	50.54	45.64
			(4%)	–	–	37%	33%
FY21	**Total**	**138**	**(4.90)**	**28.94**	**37.66**	**76.70**	**138.39**
			(4%)	**21%**	**27%**	**55%**	**100%**
FY22	New acquisitions in year	8	–	14.09	3.88	3.34	21.31
			–	19%	5%	5%	29%
FY22	Pre-existing Catalogues	138	(1.53)	–	–	54.26	52.73
			(2%)	–	–	73%	71%
FY22	**Total**	**146**	**(1.53)**	**14.09**	**3.88**	**57.60**	**74.04**
			(2%)	**19%**	**5%**	**78%**	**100%**
FY23 Half Year	New acquisitions in year	0	–	–	–	–	–
			–	–	–	–	–
FY23 Half Year	Pre-existing Catalogues	146	(2.83)	–	–	81.18	78.35
			(4%)	**–**	**–**	**104%**	**100%**
FY23	**Total**	**146**	**(2.83)**	**–**	**–**	**81.18**	**78.35**
			(2%)	**–**	**–**	**48%**	**47%**

Outlook

These results demonstrate our focus on efforts that maximize the value of our portfolio. Our pro forma revenues show strong growth from streaming and Synch, despite currency headwinds from the exceptional strength of the US Dollar. While the lag in collections before we receive performance payments means that the upside following the world reopening from COVID-19 lockdowns is not yet included in our revenues, our refinancing and hedging of interest and exchange rates provides greater certainty on the Company's costs.

All the leading indicators demonstrate Hipgnosis' investment thesis and establishing Songs as an asset class as being valid and strong with further continued revenue growth in the global music market. Nevertheless, I share the disappointment of shareholders that the true value of our iconic songs is not reflected in today's share price and I am firmly committed to do whatever is necessary to ensure the Company's value is recognised.

With Apple Music moving beyond the 9.99 price point in major markets and the most recently available public data showing strong on-going growth in streaming subscribers; positive regulatory moves in the US to increase payments to holders of Songwriters rights; increasing revenues from social media, gaming and lifestyle channels all coupled to strong market growth, Hipgnosis' Song Management capabilities and a portfolio packed with high quality, iconic and culturally important Songs.

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

7 December 2022

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022 (unaudited)

	Notes	1 April 2022 to 30 September 2022 $'000	1 April 2021 to 30 September 2021 $'000
Income			
Total revenue	11	91,678	85,320
Interest income		40	2
Royalty costs		(13,368)	(11,232)
Net revenue		**78,350**	**74,090**
Expenses			
Advisory and performance fees	14	(6,760)	(8,173)
Administration fees		(300)	(663)
Legal and professional fees		(1,728)	(2,955)
Audit fees		(189)	(499)
Brokers' fees		(147)	(156)
Directors' remuneration	14	(324)	(268)
Listing fees		(41)	(249)
Subscriptions and licences		(383)	(248)
Public relations fees		(326)	(505)
Contingent bonuses		(3,689)	–
Other operating expenses	12	(4,847)	(5,736)
Amortisation of Catalogues of Songs	5	(55,871)	(52,124)
Impairment of Catalogues of Songs	5	(2,007)	–
Amortisation of borrowing expenses		(1,001)	(1,622)
Fixed asset depreciation		(30)	(331)
Loan interest		(14,473)	(10,002)
Finance charges for deferred consideration		(378)	(672)
Net loss from joint ventures		(48)	(49)

Foreign exchange losses		(2,083)	(7,841)
Operating expenses		**(94,625)**	**(92,093)**
Operating loss for the period before taxation		**(16,275)**	**(18,003)**
Taxation	4	(3,815)	(1,240)
Loss for the period after tax		**(20,090)**	**(19,243)**
Total comprehensive income for the period		**(20,090)**	**(19,243)**
Basic Earnings per Share (cents)	15	**(1.66)**	**(1.69)**
Diluted Earnings per Share (cents)	15	**(1.66)**	**(1.69)**

All activities derive from continuing operations.
The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022 (unaudited)

	Notes	1 April 2022 to 30 September 2022 $'000	1 April 2021 to 30 September 2021 $'000
Loss for the period after tax		(20,090)	(19,243)
Other comprehensive income:			
Movement in foreign currency translation reserve		(307)	–
		(307)	**–**
Total comprehensive income for the year		**(20,397)**	**(19,243)**

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

Condensed Consolidated Statement of Financial Position

For the six months ended 30 September 2022 (unaudited)

	Notes	30 September 2022 (Unaudited) $'000	31 March 2022 (Audited) $'000
Assets			
Catalogues of Songs	5	1,978,854	2,036,732
Other assets		1,143	568
Goodwill		272	272
Non-current receivables	6	19,197	640

Non-current assets		**1,999,466**	**2,038,212**
Trade and other receivables	6	136,384	144,450
Cash and cash equivalents	7	36,392	30,067
Current assets		**172,776**	**174,517**
Total assets		**2,172,242**	**2,212,729**
Liabilities			
Loans and borrowings	8	595,823	593,992
Deferred investment payables	9	100	925
Non-current liabilities		**595,923**	**594,917**
Other payables and accrued expenses	9	51,374	35,413
Current liabilities		**51,374**	**35,413**
Total liabilities		**647,297**	**630,330**
Net assets		**1,524,945**	**1,582,399**
Equity			
Share capital	10	1,692,198	1,692,198
Foreign currency translation reserve		(2,542)	(2,235)
Retained earnings		(164,711)	(107,564)
Total equity attributable to the owners of the Company		**1,524,945**	**1,582,399**
Number of Ordinary Shares in issue at period end		**1,211,214,286**	**1,211,214,286**
IFRS Net Asset Value per Ordinary Share (cent)		**125.90**	**130.65**
Operative Net Asset Value per Ordinary Share (cent)		**183.12**	**184.91**

Approved and authorised for issue by the Board of Directors on 7 December 2022 and signed on their behalf by:

Andrew Sutch Chair **Andrew Wilkinson** Director

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022 (unaudited)

	Notes	Number of Ordinary Shares	Share capital $'000	Other reserves $'000	Foreign currency translation reserve $'000	Retained earnings* $'000	**Total equity $'000**
As at 1 April 2022		1,211,214,286	1,692,198	–	(2,235)	(107,564)	**1,582,399**
Dividends paid	13	–	–	–	–	(19,313)	**(19,313)**
Dividends declared	9	–	–	–	–	(17,744)	**(17,744)**
Loss for the year		–	–	–	–	(20,090)	**(20,090)**
Foreign currency translation reserve movement		–	–	–	(307)	–	**(307)**
As at 30 September 2022		**1,211,214,286**	**1,692,198**	**–**	**(2,542)**	**(164,711)**	**1,524,945**

* Distributable Revenues arising during the period were $45.5 million which, taken together with the $18.7 million of Distributable Revenue Reserves carried forward from the previous financial year ended 31 March 2022, result in available Distributable Revenues of $64.2 million.

For the six months ended 30 September 2021 (unaudited)

	Notes	Number of Ordinary Shares	Share capital $'000	Other reserves $'000	Foreign currency translation reserve $'000	Retained earnings $'000	**Total equity $'000**
As at 1 April 2021		1,073,440,268	1,466,851	234	(419)	(3,821)	**1,462,845**
Shares issued	10	137,774,018	229,702	(234)	–	–	**229,468**
Share issue costs	10	–	(4,102)	–	–	–	**(4,102)**
Dividends paid	13	–	–	–	–	(41,900)	**(41,900)**
Loss for the year		–	–	–	–	(19,243)	**(19,243)**
Foreign currency translation reserve movement		–	–	–	(1,826)	–	**(1,826)**
As at 30 September 2021		**1,211,214,286**	**1,692,451**	**–**	**(2,245)**	**(64,964)**	**1,625,242**

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022 (unaudited)

	Notes	1 April 2022 to 30 September 2022 $'000	1 April 2021 to 30 September 2021 $'000
Cash flows generated from operating activities			
Operating loss for the period before taxation		(16,275)	(18,003)
Adjustments for non-cash items:			
Loan interest		14,473	10,002
Provision for writer advances		–	916
Movement in trade and other receivables		(18,368)	2,608
Movement in other payables and accrued expenses		5,219	(3,387)
Depreciation of fixed assets		30	–
Amortisation of Catalogues of Songs and borrowing costs		56,872	54,749
Impairment of Catalogues of Songs	5	2,007	–
Foreign exchange losses		2,083	443
Lease interest paid		(378)	–
Taxation paid		(200)	(4,798)
Net cash generated from operating activities		**45,463**	**42,530**
Cash flows used in investing activities			
Purchase of Catalogues of Songs		–	(294,374)
Purchase of other assets		(48)	–
Movement in writer advances		(1,915)	(6,560)
Deferred acquisition payments		(2,500)	–
Net cash used in investing activities		**(4,463)**	**(300,934)**
Cash flows generated from financing activities			
Proceeds from issue of shares		–	229,468
Issue costs paid		–	(4,102)
Dividends paid	13	(19,313)	(41,900)
Interest paid		(14,973)	(10,660)
Borrowing costs	8	(6,170)	(594)
Bank loan repaid	8	(600,000)	–
Bank loan drawn down	8	607,000	22,708
Net cash (used in)/generated from financing activities		**(33,456)**	**194,920**
Net movement in cash and cash equivalents		**7,544**	**(63,484)**
Cash and cash equivalents at the start of the period		30,067	112,634
Effect of foreign exchange rate changes on cash and cash equivalents		(1,219)	(42)
Cash and cash equivalents at the end of the period	7	**36,392**	**49,108**

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

Notes to the Consolidated Financial Statements

For the six months ended 30 September 2022 (unaudited)

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.

The Company makes its investments through its subsidiaries, which are registered in the UK and US as limited companies.

The Condensed Consolidated Financial Statements present the results of the Group for the six months ended 30 September 2022 and are unaudited. The Condensed Consolidated Financial Statements are rounded to the nearest US Dollar. The Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property.

2. Accounting policies

a) Basis of preparation

The Condensed Consolidated Financial Statements included in this Interim Report have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the FCA.

The Condensed Consolidated Financial Statements do not include all the information and disclosures required in the Annual Report and should be read in conjunction with the Company's Annual Report for the year ended 31 March 2022, which are available on the Company's website (www.hipgnosissongs.com). The Annual Report has been prepared in accordance with IFRS.

The same accounting policies and methods of computation have been followed for the preparation of these Condensed Consolidated Financial Statements as in the Annual Report for the year ended 31 March 2022.

b) Group information

As at 30 September 2022, the details of the Company's subsidiaries are as follows:

Name of the subsidiary	Place of incorporation and operation	% of voting rights	% Interest	Consolidation method	Functional Currency
Hipgnosis Holdings UK Limited	UK	100	100	Full	USD
Hipgnosis SFH I Limited	UK	100	100	Full	USD
Hipgnosis SFH XIII Limited	UK	100	100	Full	USD
Hipgnosis SFH XIX Limited	UK	100	100	Full	USD
Hipgnosis SFH XX Limited	UK	100	100	Full	GBP
RubyRuby (London) Limited [1]	UK	100	100	Full	GBP
Hipgnosis Songs Group LLC	US	100	100	Full	USD
Hipgnosis Acquisition Corp	US	100	100	Full	USD
Kennedy Publishing & Productions Limited [1]	UK	100	100	Full	GBP
Robot of the Century Music Publishing Inc	US	100	100	Full	USD
Deamon Limited [1]	UK	100	100	Full	GBP
PB Songs Ltd [1]	UK	100	100	Full	GBP

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

c) Going concern

The Directors monitor the capital and liquidity requirements of the Company on a regular basis. They have also reviewed cash flow forecasts prepared by the Investment Adviser which are based in part on assumptions about the future purchase and returns from existing Catalogues of Songs and the annual operating cost.

Based on these sources of information and their judgement, the Directors believe it is appropriate to prepare the Condensed Consolidated Financial Statements of the Group on a going concern basis.

d) 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, together with the potential for capital growth.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group's Condensed Consolidated Financial Statements requires the application of estimates and assumptions which may affect the results reported in the Condensed 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.

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 Group has reflected accruals of $19.2 million, as a result of the confirmation of the CRB III rate increases for the Songwriters' mechanical portion of US Streaming income. Of this, $3.1 million is the impact of the higher 15.1% rate on the income earned by the Company during this six-month period and $16.1 million has been recognised for the retro-active payment due as a result of revenues historically not having been recognised at the full CRB III rates.

Both the CRB III retroactive and uplift accruals are based off historical earnings paid through to the Company by Publishers. In order to calculate the accrual, the US mechanical portion of those earnings were analysed and uplifted accordingly based on the CRB III rates over the five year period from 2018 to 2022.

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

In order to provide additional rigour on the calculation, the CRB III retroactive and uplift accrual estimates were compared and benchmarked against the estimates provided by the Portfolio Independent Valuer and the Fair Value appraiser for the CNB-led Revolving Credit Facility. Net revenue is subject to a royalty cost accrual applied to gross revenue receipts primarily within the Hipgnosis Songs Group ("HSG") subsidiaries. Royalty cost accruals represent contractual royalties due to songwriters and other rights holders that are payable on a 6-monthly basis for writers under publishing contracts and quarterly for clients under administration contracts. Royalty rates vary by writer (negotiated by contract) and by revenue stream.

Expected Credit Loss (ECL) in relation to revenue receivables

Royalty earnings for accruals and receivables recognised in the period ending 30 September 2022 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.

Expected Credit Loss (ECL) in relation to HSG advances

Hipgnosis Songs Group LLC advance royalty payments to songwriters. Management are required to assess the recoverability of these advances bi-annually in accordance with IFRS 9 Financial Instruments. Management will consider market conditions and historic trading patterns affecting the relevant assets.

Management have analysed their historical loss ratio data and apply this using the risk based methodology as there are no defined terms of repayment related to advances. The risk categories against which the historical loss ratios are assessed and expected credit losses are calculated are:

- low risk advances where the advance is expected to be recouped in full under the terms of the writer's agreement (because of the writer's reputation, previous success etc);

- medium risk advances where there is reasonable expectation that a level of the advances will be recouped; and

- high risk advances, where management believe that either because of the writer's unknown potential or other factors, a large level of recoverability may not be achieved.

At 30 September 2022 HSG gross recoupable advances are $30.6 million (31 March 2022: $31.6 million) with an expected credit loss provision of $12.6 million (31 March 2022: $13.0 million) recognised against the advances. The movement in the provision for expected credit losses is included under Other Operating Expense in the Condensed Consolidated Statement of Comprehensive Income.

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 Catalogues is considered at each reporting period, which is 20 years, in line with industry standard.

Assessment of impairment and the calculation of Operative NAV

Intangible assets are subject to a bi-annual impairment review which relies on assumptions made by the Board. Assumptions are updated bi-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 30 September 2022 concluded that $2.0 million (31 March 2022: $1.5 million) impairment was required to the Group's Catalogues.

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' of 8.5% (31 March 2022: 8.5%) and a terminal value in 16 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.

When considering whether a Catalogue of Songs should be impaired, the Board considers a co-efficient analysis that incorporates various factors, including the time remaining of when the carrying value equals the fair value based on the rate of amortisation, the ability for the Company to renegotiate administration rates and the active management that is undertaken.

Future revenue derived from active song management by the Investment Adviser is not reflected in the fair value of each Catalogue of Songs as determined in accordance with IFRS 13.

4. Taxes

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 appropriate to use the standard UK tax rate for the year of 19% (2021: 19%). On 14 October 2022 the UK government confirmed an increase to the main rate of UK corporation tax to 25% from April 2023, however the impact of this proposed change is not included within these Condensed Consolidated Financial Statements.

The Group currently has no exposure to US Corporation Tax as the US based subsidiaries are currently not making a taxable profit. Aside from the US, the Group has no other foreign subsidiaries.

The taxation charge of $3.8 million (six months ended 30 September 2021: $1.2 million) is based on adjustments in respect of the prior year.

5. Catalogues of Songs

	$'000
Cost	
At 1 April 2022	2,237,284
Additions	–
Impairment	–
At 30 September 2022	**2,237,284**
Amortisation and impairment	
At 1 April 2022	200,552
Amortisation	55,871
Impairment	2,007
At 30 September 2022	**258,430**
Net book value	
At 1 April 2022	2,036,732
At 30 September 2022	**1,978,854**
Fair value as at 30 September 2022	**2,671,881**
Cost	
At 1 April 2021	1,972,199
Additions	265,085
At 31 March 2022	**2,237,284**
Amortisation and impairment	
At 1 April 2021	93,275
Amortisation	105,787
Impairment	1,490
At 31 March 2022	**200,552**
Net book value	
At 1 April 2021	1,878,924
At 31 March 2022	**2,036,732**
Fair value as at 31 March 2022	**2,693,974**

The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years (other than in exceptional circumstances for specific Catalogues of Songs). An assessment of the useful life of Catalogues is considered at each reporting period, which is 20 years, in line with industry standard. At 30 September 2022 accumulated amortisation for Catalogues of Songs is $254.9 million (31 March 2022: $199.1 million) and the accumulated impairment to date is $3.5 million (31 March 2022: $1.5 million).

The Board engaged Portfolio Independent Valuer, Citrin Cooperman Advisors LLC, to value the Catalogues as at 30 September 2022. 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% (31 March 2022: 8.5%) 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. The Board are comfortable that Kobalt is valued on this basis as the Kobalt Catalogue was purchased as a whole. Future revenues of Catalogues are also estimated and incorporated into their valuation. Citrin Cooperman has also taken into consideration macro factors including the growth of Streaming revenue and the global growth of the recorded music industry 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 and foreign exchange rate to the fair value of the Portfolio is as follows:

		Foreign Exchange Rate	
EUR:USD	1.02	1.12	1.22
GBP:USD	1.18	1.28	1.38
Discount Rate			
8.0%	2,894,449	2,923,377	2,952,306
Variance to Fair Value	8.3%	9.4%	10.5%
8.50%	2,645,485	2,671,881	2,698,278
Variance to Fair Value	-1.0%	-	1.0%
9.0%	2,435,411	2,459,673	2,483,936
Variance to Fair Value	-8.9%	-7.9%	-7.0%

6. Trade and other receivables

	30 September 2022 $'000	31 March 2022 $'000
Non-current receivables		
Non-current accrued income	19,197	640
	19,197	**640**
Current receivables		
Accrued income	105,930	104,658
Royalties receivable	4,952	6,605
HSG net recoupable advances	17,985	18,604
Prepayments and other debtors	7,517	7,274
VAT receivable	–	7,309
	136,384	**144,450**

In the current year, an accrual for $19.2 million has been recognised as a result of the confirmation of the CRB III rate increases for the Songwriters' mechanical portion of US Streaming income. Of this, $3.1 million is the impact of the higher 15.1% rate on the income earned by the Company during this six-month period and $16.1 million has been recognised for the retro-active payment due as a result of revenues historically not having been recognised at the full CRB III rates. This is presented as a non-current receivable and calculated as described in Note 3.

7. Cash and cash equivalents

	30 September 2022 $'000	31 March 2022 $'000
Cash available on demand	36,392	30,067
	36,392	**30,067**

8. Loans and borrowings

On 30 September 2022 the Company entered into a new Revolving Credit Facility (RCF) with a commitment of $700 million which runs for five years until 30 September 2027. City National Bank is lead arranger and sole bookrunner for the new debt facility with Truist Securities, Inc., MUFG Union Bank, N.A. and Fifth Third Bank as co-leads. On the same day the Company drew down $607 million to repay in full the Company's pre-existing JP Morgan RCF ($600 million). $93 million remains available under the new RCF which provides the Company with flexibility to fund investments and provide additional working capital. During the year $6.2 million of costs relating to the set-up of the new RCF were capitalised, to be amortised over the five year length of the agreement.

The RCF's key covenants include a total debt to Catalogue value test, a total debt leverage test and a fixed charge coverage test reviewed quarterly and is secured by, inter alia, a charge over the shares in all the subsidiaries of the Company, a charge over all of their assets including all Catalogues of Songs of the Company held through these subsidiaries and a charge over the bank accounts of the Company and its subsidiaries. The Company has also provided a parent company guarantee. In accordance with the Investment Policy, any borrowings by the Company will not exceed 30% of the Operative NAV.

Interest on the new facility charged is based on the Secured Overnight Financing Rate (SOFR), published by the New York Federal Reserve, plus a margin of either 2.00% or 2.25% depending on the gross drawn debt. The initial margin will be 2.00%. As disclosed in Note 18, the Company has entered into an interest rate swap agreement post period end to manage its exposure to interest rate risk.

	30 September 2022 $'000	31 March 2022 $'000
Opening balance – loan drawn down	600,000	577,292
Amounts drawn down during the period	607,000	72,708
Amounts repaid during the year	(600,000)	(50,000)
Total loan drawn down	**607,000**	**600,000**
Cumulative borrowing costs	(11,177)	(6,008)
Closing balance	**595,823**	**593,992**

During the period ended 30 September 2022 $14.5 million (30 September 2021: $10.0 million) was charged as interest on the amounts drawn down.

9. Liabilities and accrued expenses

	30 September 2022 $'000	31 March 2022 $'000
Non-current liabilities		
Deferred investment payables	100	925
	100	**925**
Current liabilities		
Dividend declared	17,744	–
Amounts owed to songwriters	15,773	16,957
Deferred investment payables	4,912	11,197
Trade creditors and accruals	5,473	4,106
Corporation tax	6,184	2,570
VAT payable	1,243	–
Directors fees payable	45	83
Loan interest payable	–	500
	51,374	**35,413**

10. 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 2022	1,211,214,286
Shares as at 30 September 2022	**1,211,214,286**

	$'000
Issued and fully paid:	
Shares as at 1 April 2022	1,692,198
Shares as at 30 September 2022	**1,692,198**

	No. of Units
Issued and fully paid:	
Shares as at 1 April 2021	1,073,440,268
Shares issued on 29 April 2021	9,000,000
Shares issued on 9 July 2021	128,774,018
Shares as at 31 March 2022	**1,211,214,286**

	$'000
Issued and fully paid:	
Shares as at 1 April 2021	1,466,851
Shares issued on 29 April 2021	14,938
Shares issued on 9 July 2021	214,764
Share issue costs	(4,355)
Shares as at 31 March 2022	**1,692,198**

On 29 April 2021 the Company issued 9,000,000 new Ordinary Shares at a price of 119.5p per Ordinary Share and on 9 July 2021 the Company issued 128,774,018 new Ordinary Shares at a price of 121p per Ordinary Share. These shares rank pari passu with the existing Ordinary Shares in issue. The net proceeds were used to fund an investment in accordance with the Company's Investment Policy.

Under the Company's Articles of Incorporation, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every Ordinary Share held.

Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the residual assets of the Company.

11. Total revenue

	1 April 2022 to 30 September 2022 $'000	1 April 2021 to 30 September 2021 $'000
Mechanical income	2,893	5,530
Performance income	4,729	11,194
Digital downloads income	2,736	1,999
Streaming income	50,028	19,858
Synchronization income	12,546	14,921
Publishing admin income	154	108
Masters income	2,184	3,939
Writer share income	12,817	21,393
Neighbouring rights income	663	0
Other income	(628)	2,414
Producer royalties	3,556	3,964
Total revenue	**91,678**	**85,320**

All revenue streams disclosed in this note are in scope of IFRS 15 and include all revenue related accruals, unlike PFAR which provides like-for-like analysis.

There is an inherent time lag with royalties between the time a song is performed, and the revenue being received by the copyright owner. The revenue accruals are disclosed in Note 6 Trade and other receivables.

12. Other operating expenses

	1 April 2022 to 30 September 2022 $'000	1 April 2021 to 30 September 2021 $'000
Aborted deal expenses	332	367
Bank charges	26	23
Charitable donations	28	20
Directors' and officers' insurance	160	163
Disbursements and sundry	73	629
Postage, stationery and printing	79	28
Movement in ECL provision for HSG advances	(375)	916
HSG staff payroll and expenses	3,154	3,335
HSG restructuring provision	925	–
Travel and accommodation fees	187	110
HSG travel and accommodation fees	258	145
	4,847	**5,736**

13. Dividends paid

A summary of the dividends paid are set out below:

	Dividend per share Pence	Total Dividend $'000
1 April 2022 to 30 September 2022		
Interim dividend in respect of quarter ended 31 March 2022	1.3125	19,313
	1.313	**19,313**
1 April 2021 to 30 September 2021		
Interim dividend in respect of quarter ended 31 March 2021	1.3125	20,093
Interim dividend in respect of quarter ended 30 June 2021	1.3125	21,807
	2.625	**41,900**

14. 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.

Directors

The Company Directors' fees for the period to 30 September 2022 amounted to $323,763 (30 September 2021: $314,811). Outstanding fees amounted to $nil at the reporting date (30 September 2021: $nil).

Directors' transactions in or holdings in shares of the Company are not disclosed as related party transactions as they do not receive shares as part of their remuneration. Any shares held or transacted are acquired or disposed of in their own right as Shareholders and as result, it is management's assessment that the Company has not transacted with the Directors as related parties in this regard.

Investment Adviser

Merck Mercuriadis is the founder of the 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, maintain financial records and a system of internal controls for the financial reporting for the Company, and develop strategies to maximise the earning potential of the Songs in the portfolio through improved placement and coverage of Songs.

Investment Adviser fees for the period to 30 September 2022 amounted to $6.8 million (30 September 2021: $8.2 million) of which $nil was outstanding at the reporting date (31 March 2022: $nil).

15. Earnings per share

	30 September 2022 Basic	30 September 2022 Diluted
Loss for the period ($'000)	(20,090)	(20,090)
Weighted average number of Ordinary Shares in issue	1,211,214,286	1,211,214,286
Earnings per share (cents)	**(1.66)**	**(1.66)**

	30 September 2021 Basic	30 September 2021 Diluted
Loss for the period ($'000)	(19,243)	(19,243)
Weighted average number of Ordinary Shares in issue	1,140,172,604	1,140,172,604
Earnings per share (cents)	**(1.69)**	**(1.69)**

The earnings per share is based on the loss of the Group for the period year and on the weighted average number of Ordinary Shares for the period ended 30 September 2022.

There are no diluted shares at 30 September 2022.

16. Net Asset Value per share and Operative Net Asset Value per share

	30 September 2022	31 March 2022
Number of Ordinary Shares in issue	1,211,214,286	1,211,214,286
IFRS NAV per share (cents)	**125.90**	**130.65**
Operative NAV per share (cents)	**183.12**	**184.91**

The IFRS NAV per share and the Operative NAV per share are arrived at by dividing the IFRS Net Assets and Operative Net Assets (respectively) by the number of Ordinary Shares 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	30 September 2022 $'000	31 March 2022 $'000
IFRS NAV	**1,524,945**	**1,582,399**
Adjustments for revaluations of Catalogues of Songs to fair value	434,597	457,441
Reversal of accumulated amortisation and impairment	258,430	199,800
Operative NAV	**2,217,972**	**2,239,640**

17. Presentation change

The Company has made immaterial changes to the presentation of the Consolidated Statement of Profit and Loss and accompanying notes during the period. This has resulted in the following changes of the comparative figures.

Consolidated Statement of Profit and Loss	As reported in 30 September 2021 Interim Report 1 April 2021 to 30 September 2021 $'000	Presentation change $'000	As reported in 30 September 2022 Interim Report 1 April 2021 to 30 September 2021 $'000
Income			
Total revenue	85,271	49	85,320
Interest income	2	–	2
Royalty costs	(11,232)	–	(11,232)
Net revenue	**74,041**	**49**	**74,090**
Expenses			
Advisory and performance fees	(8,220)	47	(8,173)
Administration fees	(639)	(24)	(663)
Legal and professional fees	(2,955)	–	(2,955)
Audit fees	(499)	–	(499)
Brokers' fees	(1)	(155)	(156)
Directors' remuneration	(315)	47	(268)
Listing fees	–	(249)	(249)
Subscriptions and licences	(249)	1	(248)
Public relations fees	–	(505)	(505)
Charitable donations	(20)	20	-
Other operating expenses	(6,885)	1,149	(5,736)
Amortisation of Catalogues of Songs	(52,124)	–	(52,124)
Amortisation of borrowing expenses	(1,622)	–	(1,622)
Fixed asset depreciation	–	(331)	(331)
Loan interest	(10,002)	–	(10,002)
Finance charges for deferred consideration	(672)	–	(672)
Net loss from joint ventures	–	(49)	(49)
Foreign exchange losses	(7,841)	–	(7,841)
Operating expenses	**(92,044)**	**(49)**	**(92,093)**
Operating loss for the period before taxation	(18,003)	–	(18,003)
Taxation	(1,240)	–	(1,240)
Loss for the period after tax	**(19,243)**	**–**	**(19,243)**

18. Subsequent events

As announced on 5 October 2022, the Company entered into interest rate swap agreements as detailed below:

- From 3 October 2022 until 2 January 2023, interest on all the drawn debt is based on a three-month fixed SOFR of 5.71% (including debt margin); and

- From 3 January 2023, the company has agreed to enter into interest rate swaps to hedge $540 million. Of this, $340 million is hedged for the duration of the RCF (until 30 September 2027) at a fixed rate of 5.67% (including debt margin); a further $200 million is hedged until 3 January 2026 at a fixed rate of 5.89% (including debt margin). The balance remains unhedged to provide flexibility in the operation of the RCF facility.

The interest rate hedging contracts are not subject to margin calls in the event of movements in underlying interest rates. Accordingly, the Company now has certainty as to the quantum of its fixed interest payment obligations over the term of those contracts.

On 12 October 2022, the Company entered into US Dollar to Sterling foreign exchange forward contracts to manage its exposure to foreign exchange rate risk relating to future Sterling dividend payments.

Both the interest rate swap and the foreign exchange hedge will be designated as Held for Trading Financial Assets.

On 14 October 2022 the Company announced an irrevocable share repurchase programme to buy back Ordinary Shares within certain pre-set parameters. The Share Purchase Programme will run until 8 December 2022. Any shares purchased pursuant to the Share Repurchase Programme will count towards Hipgnosis' general buy back authority of 14.99% of the Company's issued share capital, as approved at the Company's 2022 AGM.

On 28 October 2022 the Company's interim dividend of 1.3125p per Ordinary Share in respect of the period from 1 April to 30 June 2022 was paid.