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

Final Results for the year ended 31 March 2023

13 July 2023

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 final results for the year ended 31 March 2023.

Financial Highlights

- Operative NAV per share increased 3.6% year-on-year to $1.9153 (31 March 2022: $1.8491), driven primarily by a 4.0% increase in the Fair Value of the Portfolio with the Portfolio Independent Valuer determining their discount rate should remain unchanged at 8.5%
    - As at 31 March 2023, Operative NAV per share in Sterling was 154.91p (Sterling: Dollar exchange rate 1.236);
    - As at 11 July 2023, Operative NAV per share in Sterling was 148.51p (Sterling: Dollar exchange rate 1.2897).
- Total $ NAV Return to Shareholders at period end, including 27.9 cent per share of dividends declared, has been 69.0% since the IPO on 11 July 2018.
- Gross revenue $177.3 million (Year ending 31 March 2022: $200.4 million); Net revenue $147.2 million (Year ending 31 March 2022: $168.3 million)
    - Reduction in IFRS revenue due to the initial recognition of the Usage accrual ($36.0 million) and FY22 non-recurring RTI ($14.1 million) in the prior year, partly offset by the CRB III retroactive accrual ($16.1 million) in the current year;
    - Excluding the impact of these adjustments, Net revenue grew by 10.9% year-on-year.
- Pro-forma Annual Revenue (PFAR), which shows the royalty revenue earned by Catalogues in a calendar year largely based on royalty statements, for the twelve months to 31 December 2022 grew 12.1% year-on-year to $130.2 million from $116.1 million despite currency headwinds
    - Continued growth in streaming income, up 14.8% to $52.1 million from $45.4 million, and synchronisation income, up 24.7% to $19.4 million from $15.6 million;
    - 9% increase in performance revenues to $30.8 million from $28.3 million, as a small H1 decline was more than off-set by a 41% increase in H2, strongly suggesting revenue from post-Covid-19 lockdown recovery is now being paid through;
    - Classic iconic songs deliver strong performance with >10 years catalogues income up 11.4% year-on-year. Income from younger catalogues (<10 years) up 13% year-on-year, providing further evidence younger catalogues are reaching the end of their natural decay curve.
- Ongoing Charges fell to 1.21%, from 1.54%.
- Total dividends declared of 5.25p per ordinary share were fully covered 1.08x by leveraged free cash flow.
- Net debt of $562.0 million as at 31 March 2023 (31 March 2022: $569.9 million) represents 24.3% of Operative NAV (31 March 2022: 25.4%).

Operational Highlights

- New Revolving Credit Facility agreed and interest rate swaps implemented providing certainty over interest payment, a lower margin cost than the previous facility and greater operational flexibility.
- US Dollar to Sterling foreign exchange hedges put in place in October 2022 providing $50 million of forward contracts.
- High profile synchs include Blink-182's *All the Small Things* as the soundtrack to the iconic John Lewis Christmas Advert; Rihanna performing four Hipgnosis Songs in the Super Bowl half time show; Journey's *Separate Ways (Worlds Apart)* in Stranger Things; Nile Rodgers and Bernard Edwards' *Spacer* in the new Renault Space commercial and a Hipgnosis created cover of Bon Jovi's *Wanted Dead or Alive* on the global trailer for the new Transformers: Reactivate video game.
- Nicki Minaj's *Super Freaky Girl*, which interpolates Rick James's hit *Super Freak*, went to Number 1 on the Billboard Hot 100 in the US as well as being a top five hit in the UK.
- Administration partnerships with Sacem and peermusic, which reduced third party administration and collection costs by 6.6% and reduced payment to as little as four months on the 6,200 Songs reverted to date.
- Trials of multi-territory live performance direct revenue collection services delivering faster payments and substantially lower third party costs.
- US Copyright Royalty Board (CRB) confirmed substantial CRB III increases for mechanical streaming rates and accepted industry proposal supported by Hipgnosis' advocacy for additional increases for 2023-2027 period.

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

"Today's results are an important validation of Hipgnosis Songs Fund's investment thesis delivering the best like-for-like income growth in our short 5-year history. Streaming revenues have grown strongly; the success of active Song Management is clearly visible in our Synch successes; Performance revenues were very strong with 41% second half growth demonstrating their return following Covid lockdowns; and, our over ten year old classic iconic catalogues are behaving exactly how you would expect with 11.4% PFAR growth, whilst our younger catalogues, now reaching the end of their natural decay curves, grew even more quickly, enabling us to take full advantage of growth in the market.

"Despite our strong numbers, I am aligned with Shareholders in believing that the fundamental value and opportunity of the Company fails to be reflected in the current share price. As a result, we have been working with the Board, following consultation with many of our largest Shareholders, on a number of options to enhance Shareholder value. We look forward to updating the market prior to the AGM and the Continuation Vote.

"Today's financial results, being released two days after the 5th anniversary of our IPO, offer the perfect milestone to re-consider Hipgnosis' investment case and its ongoing opportunity.

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

“Against this backdrop, we curated a Portfolio of Songs that is unrivalled for its extraordinary success and cultural importance. Each of these Catalogues is iconic and, significantly, was selected specifically to benefit from the growth in music streaming.

“Since then our thesis has become reality and we have transitioned from an era where almost all consumption of music was unpaid to one where almost all consumption of music is being paid for. This has enabled us to deliver a 69% Total $ NAV Return since IPO.

“Looking forward, I believe there is continued reason for optimism. Despite the global economic challenges, our markets continue to grow with strong earnings being reported by the administrators that sit ahead of us in the payment chain. In addition, the increasing adoption of streaming not only continues strongly but has also demonstrated its pricing power with price rises introduced by several DSPs in the year signifying the excellent value that music streaming delivers to the consumer, even in a high inflation environment. As a result, Goldman Sachs, in their recent 2023 *Music in the Air* report, increased global music publishing market annual growth expectations to 7.6% from 5.9% through to 2030.

“Hipgnosis Songs Fund, with its portfolio of iconic, culturally significant Songs, is uniquely placed to benefit from this backdrop and deliver superior Shareholder returns and substantial Net Asset Value growth. Both the Board and I are determined to deliver this.”

Results presentation

The Investment Adviser will be hosting a webinar for analysts and investors today, 13 July, at 1000 BST.

Registration for the live webcast is available at:

https://www.lsegissuerservices.com/spark/HipgnosisSongsFundLtd/events/17896f4e-5aa3-44ce-8303-1d15f263d1af.

A video recording of the event will be made available on the Company's website (www.hipgnosissongs.com) after the event and the slides are available at https://www.hipgnosissongs.com/results-center/.

For more information:

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Notes to Editors

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

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

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

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

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

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

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

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

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

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

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

Strong underlying growth

IFRS Net Revenue, which is based on the Group's accounting policies (including accruals), was $147.2 million and decreased from $168.3 million due to a number of non-recurring elements identified and called out in the prior and current period.

These include non-recurring Right to Income (RTI), the initial recognition of the Usage Accrual and the impact of the retroactive CRB III revenue due. Excluding the impact of these adjustments, IFRS Net Revenue grew by 10.9% year-on-year.

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

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

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

Firstly, the Songs in our Portfolio.

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

Secondly, our active Song Management.

- We drive consumption and value through Song management of the Catalogue to individual listeners, music creators and business music users, as well as harnessing consumer platforms through which the Catalogue can be showcased and consumed.
- We optimize revenue generation, revenue collection and value by ensuring accurate registration and rights enforcement of the Songs in the Catalogue, then collect revenues as efficiently and cost-effectively as we can.
- We campaign to change the position of Songwriters in the economic equation by working with politicians, NGOs and the wider music community to build support for increased fairness in payments for Songwriters. For the Songs which we've purchased, the Company stands in the shoes of the Songwriters, so our interests are perfectly aligned.

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

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

Active management of our Portfolio

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

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

- Placing Nile Rodgers as the face of Chanel Eyewear as well as the first and only “Artist In Residence” at Apple Music. We have also presented CHIC’s first five albums and Sister Sledge’s *We Are Family* in Spatial Audio on the service, as well as securing a significant six figure synch for the song *Spacer* with Renault in Europe. These initiatives have introduced our iconic songs, co-written by Bernard Edwards, to a new generation of fans and are driving increased streaming consumption.

- Placing a cover version of Blink-182’s *All The Small Things*, co-written by Tom Delonge whose catalogue we purchased in 2019, as the soundtrack for John Lewis’s 2022 Christmas advert – one of the most coveted Synchs in the World.

- Rihanna performing four Hipgnosis Songs Fund co-owned Songs during her set at the 2023 Superbowl: *Birthday Cake* (The-Dream), *All Of The Lights* (Jeff Bhasker / The-Dream), *Run This Town* (Jeff Bhasker / No I.D.) and *Umbrella* (The-Dream / Tricky Stewart). Close to 119 million viewers tuned in for her performance on television and streaming services, with each of the Songs recording gains on streaming platforms of up to 280% in the week following her performance. Four months on, *Umbrella’s* US weekly Streaming-on-Demand figures are still 1.3 times that pre the Superbowl; *Run This Town* is showing 1.5x the demand and this has led to further synch placements.

- Our new recording of Bon Jovi’s *Wanted Dead or Alive*, by Empara Mi was commissioned to specifically to appeal to the Synch market. It was successfully placed, as the global trailer for Transformers: Reactivate, a major forthcoming video game. It generated six figure fees for both the publishing and the new recording which we participate in.

- Placing Richie Sambora as a contestant on the UK version of The Masked Singer. Four of the six Songs that he performed on the series were from the Company’s portfolio. When he was revealed in the semi-final, his profile reached a recent all-time high. There was an increased streaming consumption of the Bon Jovi songs as well as the four songs held by the Company that he performed on the series including *Go Your Own Way* and *Smooth*.

- Nicki Minaj interpolated our iconic Rick James song *Super Freak* into *Super Freaky Girl* making it a Number 1 single in the US and Top 5 in the UK and around the world, driving over 1 billion new streams across all digital service. It also increased streaming consumption on the original *Super Freak* and *U Can’t Touch This* by MC Hammer which is another iconic Super *Freak* interpolaton.

- Entering a direct licensing and administration partnership for digital royalties of reverted catalogues with Sacem, a world-leading Collection Management Organisation. This is materially cutting collection times, reducing collection costs and is delivering an increase in revenues.

Artificial Intelligence

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

Our activities within the Songwriter community

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

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

Over the last five years we have made demonstrable progress. We advocated for and welcomed the moves by the US Copyright Royalty Board (CRB) and the wider music industry in the US to increase the rates paid to Songwriters and publishers.

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

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

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

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

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

Outlook

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

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

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

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

Merck Mercuriadis

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

12 July 2023

The Chair's Statement

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

It is now five years since your Company was launched in July 2018 and its shares were listed on the London Stock Exchange. We are proud to have been a FTSE 250 company since March 2020. Our objective at launch was to create a Company which provided investors with exposure to Songs and associated intellectual property rights. We believed then, and have demonstrated since, that music royalties provide long-term, stable income streams. Equally importantly, when the Company was launched, we believed that these long-term revenue streams were at an inflection point and would increase significantly as a result of the strong growth expected in paid for music streaming. Since IPO, this growth has seen music industry revenues return to levels not seen in 20 years and we and our Investment Adviser fully expect that this growth will continue for the foreseeable future.

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

Equally, the increase in global interest rates over the last 24 months, as central banks seek to control inflation, caused in large part by Covid-19 and the energy crisis attributable to the war in Ukraine, has been a challenge both directly and indirectly. Directly, the increase in the cost of the Company's debt has had to be managed and last year the Company refinanced its Revolving Credit Facility (RCF). Indirectly, increased yields on government securities have provided income-focused investors opportunities to invest risk free at yields approaching the yield on the Net Asset Value of the Company's shares. Whilst government securities may currently provide a similar current income yield, they do not offer the opportunity for the significant capital growth that we believe your Company will also provide. Furthermore, the underlying strength of the business model has enabled the Board to maintain its target annual dividend at 5.25p per Ordinary Share.

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

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

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

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

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

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

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

Performance

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

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

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

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

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

Our approach to valuation

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

The Fair Value of the Portfolio increased by 4.0% to $2.80 billion (31 March 2022: $2.69 billion), mainly as a result of royalty statements received exceeding expectations, especially those related to performance income and streaming income from older vintage catalogues. This also drove the increase in the Operative NAV in Dollar terms over the period.

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

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

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

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

The period since 30 September 2022 has seen significant volatility, as global investors grappled with the impact of inflationary pressures and the continued hike of policy interest rates by major central banks. The resulting equity market uncertainty contributed to a higher equity risk premium and an increase in the Company's shares' correlation to market indices. Meanwhile, risk-free rate inputs, particularly 10- and 20-year US Treasury yields, experienced significant volatility during this period, initially rising and then declining to levels somewhat lower than in September 2022.

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

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

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

Revenue

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

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

Revolving Credit Facility

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

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

Share buybacks

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

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

In determining whether a share purchase would enhance shareholder value, the Board will take into account market conditions, the Company's performance, any known third-party investors or sellers, the impact on liquidity and total expense ratios and of course the level of discount to net asset value at which the shares are trading. Any purchases will only be made at prices below the prevailing net asset value and where the Board believes that such purchases will enhance shareholder value. On 14 October 2022, the Board announced a share buyback programme funded out of free cash flow.

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

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

Dividends

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

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

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

On 12 October 2022, the Company entered into a series of US Dollar to Sterling foreign exchange forward contracts in order to limit its exposure to foreign exchange rate risk and to provide certainty on the US Dollar value of future Sterling dividend payments. This passive rolling hedging strategy ensures that there are £50 million of forward contracts in place at any time, broadly equivalent to the Company's quarterly Sterling dividend obligation. The foreign exchange forward contracts were initially in place until April 2024 and have, subsequent to the year end, been rolled forward to October 2024.

The Board

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

We have recently announced the appointment of an additional director, Cindy Rampersaud, with effect from 1 August 2023, and are delighted to welcome Cindy to the Board.

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

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

Annual General Meeting

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

Outlook

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

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

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

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

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

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

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

Andrew Sutch Chair
12 July 2023

Investment Adviser's Report

It is now five years since Hipgnosis Songs Fund was launched in July 2018 and its shares were listed on the London Stock Exchange, before graduating to the FTSE 250 in March 2020. Our objective was to provide investors with exposure to iconic Songs. In that time we have demonstrated that music royalties provide long term cashflows that benefit from the ever growing consumption of music which has become more convenient in the streaming paradigm. The growth of streaming has seen music revenues return to historic highs after the decade and a half of technological disruption and as with the last 8 years we expect that this growth will continue for many years to come.

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

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

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

Given the multiple non-recurring elements captured with the IFRS revenue line and the application of accruals for revenue required under IFRS, we also provide PFAR, a like-for-like revenue analysis per calendar year, which is based primarily on royalties received (i.e. reflecting royalties collected).

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

Music demonstrates continued growth

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

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

Due in part to our advocacy on behalf of Songwriters and Artists, the major record labels are increasingly recognising the value of the content that they allow streaming platforms to use. Rightsholders and DSPs are questioning the current streaming business model, which pays the same per stream for high-quality songs as is paid for unknown songs.

Additionally, there is an increased focus on solving the problem of digital trappers, stream farms & bots, which are believed to be distorting the distribution of streaming revenues. Given the quality of the Company's Catalogue, we are confident that the Company's Shareholders will eventually further benefit from improvements in the economic equation for Songwriters.

Welcome return of Performance Revenues

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

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

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

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

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

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

Impact of Artificial Intelligence

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

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

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

The Company's Portfolio

The Portfolio as at 31 March 2023 comprised of 146 Catalogues containing the rights to 65,413 Songs. The overall Fair Value of the Portfolio, as determined by the Portfolio Independent Valuer, increased by 4.0% to $2.80 billion (31 March

2022: $2.69 billion), mainly as a result of royalty statements received exceeding expectations, especially performance income and streaming income from older vintage catalogues.

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

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

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

Portfolio as at 31 March 2023

Catalogue	Acquisition Date	Total Songs
The-Dream	13 Jul 2018	302
Poo Bear	21 Nov 2018	214
Bernard Edwards	28 Nov 2018	290
TMS	17 Dec 2018	121
Tricky Stewart	17 Dec 2018	121
Giorgio Tuinfort	21 Dec 2018	182
Rainbow	15 Jan 2019	15
Itaal Shur	31 Jan 2019	209
Rico Love	26 Feb 2019	245
Sean Garrett	21 Mar 2019	588
Johnta Austin	22 Mar 2019	249
Sam Hollander	31 Mar 2019	499
Ari Levine	31 Mar 2019	76
Teddy Geiger	12 Apr 2019	6
Starrah	25 Apr 2019	73
Dave Stewart	7 May 2019	1,068
Al Jackson Jr	8 May 2019	185
Jamie Scott	15 May 2019	144
Michael Knox	28 May 2019	110
Brian Kennedy	14 Jun 2019	101
John Bellion	14 Jun 2019	180
Lyric Catalogue	17 Jun 2019	571
Neal Schon	20 Jun 2019	357
Jason Ingram	10 Jul 2019	462
Eric Bellinger	12 Jul 2019	242
Andy Marvel	23 Jul 2019	740
Benny Blanco	2 Aug 2019	93
The Chainsmokers	22 Aug 2019	42
Timbaland	10 Oct 2019	108
10cc	17 Oct 2019	29
Journey (Publishing)	21 Oct 2019	103
John Newman	5 Nov 2019	47
Jaron Boyer	5 Nov 2019	109
Arthouse	15 Nov 2019	44
Fraser T Smith	5 Dec 2019	298
Jack Antonoff	5 Dec 2019	188
Ammar Malik	5 Dec 2019	90
Ed Drewett	9 Dec 2019	109

Kaiser Chiefs (Masters)	9 Dec 2019	48
Jeff Bhasker	11 Dec 2019	436
Johnny McDaid	11 Dec 2019	164
Emile Haynie	13 Dec 2019	122
Brendan O'Brien	13 Dec 2019	1,855
Savan Kotecha	18 Dec 2019	49
Tom Delonge	23 Dec 2019	157
Journey (Masters)	10 Jan 2020	389
Rebel One	10 Jan 2020	157
Scott Harris	10 Jan 2020	129
Brian Higgins	22 Jan 2020	362
Gregg Wells	10 Feb 2020	11
Jonathan Cain	28 Feb 2020	216
Jonny Coffer	28 Feb 2020	85
Mark Ronson	28 Feb 2020	315
Richie Sambora	4 Mar 2020	186
Rodney Jerkins	16 Jul 2020	982
Barry Manilow	16 Jul 2020	917
RedOne	16 Jul 2020	334
Eliot Kennedy	16 Jul 2020	217
NO I.D.	24 Jul 2020	273
Pusha T	24 Jul 2020	238
Closer (J King & I Slade)	27 Jul 2020	2
Ian Kirkpatrick	29 Jul 2020	137
Blondie	30 Jul 2020	197
Chris Cornell	10 Aug 2020	241
Robert Diggs "RZA"	12 Aug 2020	814
Ivor Raymonde	13 Aug 2020	505
Nikki Sixx	3 Sep 2020	305
Big Deal Music "BDM"	10 Sep 2020	4,212
Julian Bunetta	10 Sep 2020	188
Chrissie Hynde	10 Sep 2020	162
Steve Robson	17 Sep 2020	1,034
Rick James	18 Sep 2020	97
Kevin Godley	23 Sep 2020	358
Scott Cutler	24 Sep 2020	111
Nate Ruess	30 Sep 2020	59
LA Reid	30 Sep 2020	162
50 Cent	30 Sep 2020	388
Aristotracks	30 Sep 2020	152
B-52's	30 Sep 2020	96
Bonnie McKee	30 Sep 2020	78
Brill Building	30 Sep 2020	234
Christina Perri	30 Sep 2020	68
Dierks Bentley	30 Sep 2020	113
Editors	30 Sep 2020	64
Eman	30 Sep 2020	97
Enrique Iglesias	30 Sep 2020	157
Evan Bogart	30 Sep 2020	229
George Benson	30 Sep 2020	107
George Thorogood	30 Sep 2020	40
Good Soldier	30 Sep 2020	760
Holy Ghost	30 Sep 2020	62
J-Kash	30 Sep 2020	90
John Rich	30 Sep 2020	7
Kojak	30 Sep 2020	148
Lateral	30 Sep 2020	248
Lindsey Buckingham (Kobalt)	30 Sep 2020	174
LunchMoney Lewis	30 Sep 2020	116
Lyrica Anderson	30 Sep 2020	96
Madcon	30 Sep 2020	173
Mark Batson	30 Sep 2020	210
Mobens	30 Sep 2020	1,034
Nelly (Kobalt)	30 Sep 2020	145
Nettwerk	30 Sep 2020	25,259
PRMD	30 Sep 2020	335
Rob Hatch	30 Sep 2020	167
Rock Mafia	30 Sep 2020	393

Savan Kotecha (Kobalt)	30 Sep 2020	354
SK Music	30 Sep 2020	23
Skrillex	30 Sep 2020	153
Stereoscope	30 Sep 2020	456
Steve Winwood	30 Sep 2020	215
Tequila	30 Sep 2020	1
Third Day	30 Sep 2020	212
TImeflies (Masters)	30 Sep 2020	80
Walter Afanasieff	30 Sep 2020	213
Wayne Wilkins	30 Sep 2020	113
Yaslina	30 Sep 2020	73
Sacha Skarbek	20 Nov 2020	303
Tricky Stewart (Masters)	27 Nov 2020	95
Eric Stewart	2 Dec 2020	255
Bob Rock	4 Dec 2020	43
Caroline Ailin ("New Rules")	10 Dec 2020	2
Nelly	15 Dec 2020	240
Lindsey Buckingham	24 Dec 2020	161
Joel Little	24 Dec 2020	178
Jimmy Iovine	24 Dec 2020	259
Neil Young	31 Dec 2020	590
Shakira	31 Dec 2020	145
Brian Kennedy (Writer Share)	31 Dec 2020	139
Andrew Watt	17 Feb 2021	105
Christian Karlsson	2 Mar 2021	255
Carole Bayer Sager	17 Mar 2021	983
Paul Barry	18 Mar 2021	510
Espionage	26 Mar 2021	151
Martin Bresso	31 Mar 2021	51
Andy Wallace	31 Mar 2021	1,242
David Sitek	31 Mar 2021	230
Happy Perez	31 Mar 2021	192
Red Hot Chili Peppers	14 Jul 2021	220
Kaiser Chiefs	15 Jul 2021	136
Christine McVie	21 Jul 2021	115
Jordan Johnson	22 Jul 2021	58
Stefan Johnson*	22 Jul 2021	58
Rhett Akins	23 Jul 2021	564
Ann Wilson	29 Jul 2021	152
Elliot Lurie	24 Aug 2021	70
Total Songs		**65,413**

* Not counted in total song count

Active Song Management

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

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

- Optimising revenue generation, revenue collection and value by ensuring accurate registration and rights enforcement of the Songs in the Catalogue, ensuring we collect revenues as efficiently and cost-effectively as we can.

- Driving consumption and value through active marketing and pitching of the Catalogue to individual listeners, music creators and business music users, as well as harnessing consumer platforms through which the Catalogue can be showcased and consumed.

- Campaigning to change the position of Songwriters in the economic equation by working with politicians, NGOs and the wider music community to build support for increased fairness in payments for Songwriters. As our Shareholders stand in the shoes of the Songwriters, what's in the best interest of Songwriters is also what's in the best interest of our Shareholders and there is complete alignment.

Optimising revenue generation

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

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

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

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

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

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

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

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

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

Driving consumption through Synch

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

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

The success of our approach is demonstrated by the 24.7% year-on-year increase in synch PFAR income in calendar 2022 compared to 2021.

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

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

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

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

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

Bringing Songs to new audiences

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

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

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

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

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

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

Another initiative aimed at introducing our iconic songs to a new generation of fans in order to drive increased streaming consumption is making Nile Rodgers the face of Chanel Eyewear as well as the first and only "Artist In Residence" at Apple

Music. We have also presented CHIC's first five albums and Sister Sledge's *We Are Family* in Spatial Audio on the service, as well as securing a significant six figure synch for the song *Spacer* with Renault in Europe.

Progress made towards ensuring that Songwriters are fairly remunerated

The 2022-23 financial year saw significant progress in our campaign for Songwriters to be more fairly rewarded for their contribution to the success of the music industry. Without Songwriters there is no music industry and all Songwriters deserve to go from the bottom of the economic equation to the top. It cannot be said often enough that where the Company has purchased a Catalogue we stand in the shoes of the Songwriter, so our Shareholders' interests are entirely aligned with those of Songwriters. If we can get Songwriters paid more, our Shareholders benefit equally.

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

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

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

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

In the UK, the Competition and Markets Authority (CMA) concluded their market study and recommended that the Intellectual Property Office (IPO) take forward a number of workstreams. After the year end, the IPO announced an agreement on how the music industry and the Government will work together to deliver consistent high-quality metadata and the Government has announced a joint industry working party on music industry remuneration. We welcome these steps, however, we believe that far greater reform is needed and we continue to engage with the relevant organisations to achieve this change. Our ultimate goal is for Songwriters' pay to be determined by the free market, not legislation.

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

Hipgnosis Songs Group (HSG) and new Songs

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

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

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

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

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

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

Recognition through awards

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

- **Best Dance/Electronic Album:** Beyonce's *RENAISSANCE* co-written by Travis Garland and Diplo's *Diplo*, co-written by Phil Scully and David Karbal.

- **Best Folk Album:** Revealer by Madison Cunningham co-written by Dan Wilson

- **Producer Of The Year (Non Classical):** Jack Antonoff

PRO Performance Awards

- **Song of the Year SESAC Music Awards 2022:** *Heatwaves*, by Glass Animals, written by Dave Bayley

- **Winners at the ASCAP Pop Awards 2023:**

  - *Ghost* by Justin Bieber, co-written by Stefan Johnson and Jordan Johnson

  - *Super Freaky Girl* by Nicki Minaj, co-written by Rick James

- **ASCAP Most Performed Songs of the Year:**
  Just About Over You performed by Priscilla Block and co-written by Emily Kroll

- **ASCAP Country Awards 2022:**
  Just About Over You performed by Priscilla Block and written by Emily Kroll

- **BMI Most Performed Songs of The Year:**

  - *It's Cause I Am* performed by Callista Clark and
    co-written by Cameron Jaymes

  - *Baila Conmigo* performed by Selena Gomez and Rauw Alejandro written by Albert Hype

- **Winner in the BMI Pop Awards 2023** for most performed Song: *Ghost* by Justin Bieber, co-written by Stefan Johnson

- **Winner in the BMI Country Awards 2022:** *Tequila Little Time* by Jon Pardi, written by Rhett Akins

- **Winner in the BMI Latin Awards 2022:** *Telepatia* by Kali Uchis, co-written by Albert Hype

Upgraded capabilities

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

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

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

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

Patrick Joest has been promoted to Head of Synch leading the IA's global synch marketing and licensing operation. Patrick has over two decades' global experience and a network in Film & TV/synch licensing on both the supervision and rights owners' side. Prior to Hipgnosis, Patrick spent 11 years at BMG, where he built the global synch business from scratch to a multi-million dollar operation, leading a team across 15 offices.

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

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

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

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

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

Financial Review

NAV

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

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

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

Operative NAV per share Bridge

From 1 April 2022 to 31 March 2023

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

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

Fair Value of the Portfolio

The Fair Value of the Portfolio increased by 4.0% to $2.80 billion (31 March 2022: $2.69 billion), mainly as a result of royalty statements received exceeding expectations, especially related to performance income and streaming income from older vintage catalogues. This also drove the increase in the Operative NAV in Dollar terms over the period.

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

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

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

Tax considerations

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

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

Revenue

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

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

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

Pro Forma Annual Revenue (PFAR)

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

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

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

Pro Forma Annual Revenue for Catalogues owned

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

Vintage >10 years	73.7	69.6	66.2	64.9

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

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

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

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

2022 vs 2021 PFAR split by income type

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

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

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

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

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

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

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

Costs

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

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

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

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

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

EBITDA

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

Cash flow and net debt

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

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

In addition to the reduction in net debt, due to the increase in the Operative NAV, net debt as a percentage of Operative NAV has decreased to 24.3% as at 31 March 2023 (31 March 2022: 25.4%).

Leverage

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

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

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

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

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

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

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

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

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

Foreign Exchange Hedge

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

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

Dividends

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

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

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

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

EPS

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

EPS Bridge	Cents

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

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

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

Accruals and Receivables

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

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

A breakdown of these accruals is set out below:

- $47.2 million for earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q2 2023 onwards (31 March 2022: $54.6 million);

- $7.8 million income accrual relating to time-lagged international reporting on PRO earnings. International PRO reporting has a significant time lag due to the additional collection time taken for PROs to distribute income from territories. The lag is due to the nature of processing royalties locally, then distributing them to the domestic PRO, which will in turn process and distribute these royalties to the Group. Six months of international PRO earnings are accrued, although PRO processing delays can typically result in an earnings lag of up to 24 months (31 March 2022: $7.3 million);

- $21.7 million CRB III accruals (31 March 2022: $Nil). This is as a result of the confirmation of the CRB III rate increases in July 2022 for the Songwriters' mechanical portion of US Streaming income. Of this, $5.6 million is the impact of the higher 15.1% rate on the revenue earned by the Company during the year and $16.1 million has been recognised as an estimate of the retroactive payment due as a result of revenues historically not having been recognised at the full CRB III rates;

- $42.2 million Usage Accrual, which recognises revenues that have triggered a contractual payment but have not been paid to, or processed by, collection societies, publishers and administrators (31 March 2022: $36.0 million); and

- $7.3 million HSG gross revenue accrual, (31 March 2022: $7.4 million).

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

12 July 2023

Consolidated Statement of Profit and Loss

For the year ended 31 March 2023

	Notes	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
Income			
Total revenue	13	177,312	200,384
Interest income		237	5
Royalty costs		(30,316)	(32,041)
Net revenue		**147,233**	**168,348**
Expenses			
Advisory and performance fees	19	(12,472)	(16,548)
Administration fees		(608)	(1,152)
Legal and professional fees		(3,794)	(5,999)
Audit fees	21	(753)	(600)
Brokers' fees		(554)	(274)
Directors' remuneration	18	(643)	(696)
Listing fees		(84)	(34)
Subscriptions and licences		(607)	(526)
Public relations fees		(780)	(702)
Catalogue bonus provision	10	(43,757)	(936)
Movement in ECL provision for HSG advances		(2,196)	(1,570)
Other operating expenses	14	(10,354)	(10,105)
Amortisation of Catalogues of Songs	6	(111,583)	(105,787)
Impairment of Catalogues of Songs	6	(3,901)	(1,490)
Amortisation of borrowing expenses		(1,618)	(1,635)
Borrowing cost extinguishment	9	(5,007)	–
Fixed asset depreciation		(653)	(712)
Loan interest	9	(33,700)	(20,377)
Fair value gain on held for trading derivative financial instruments	22	2,622	–
Finance charges for deferred consideration		–	(212)
Net loss from joint ventures		(264)	(836)
Foreign exchange losses	15	(3,157)	(14,857)
Operating expenses		**(233,863)**	**(185,048)**
Operating loss for the year before taxation		**(86,630)**	**(16,700)**
Taxation	5	(3,008)	(2,743)
Loss for the year after tax		**(89,638)**	**(19,443)**
Basic Earnings per Share (cents)	20	**(7.41)**	**(1.65)**
Diluted Earnings per Share (cents)	20	**(7.41)**	**(1.65)**

All activities derive from continuing operations.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
Loss for the year after tax		**(89,638)**	**(19,443)**
Other comprehensive income:			
Movement in foreign currency translation reserve		(6)	(1,816)
		(6)	**(1,816)**
Total comprehensive loss for the year		**(89,644)**	**(21,259)**

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

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	31 March 2023 $'000	31 March 2022 $'000
Assets			
Catalogues of Songs	6	1,921,248	2,036,732
Other assets		917	568
Goodwill	3	272	272
Non-current receivables	8	13,210	640
Non-current assets		**1,935,647**	**2,038,212**
Trade and other receivables	8	139,999	144,450
Held for trading derivative financial asset	22	4,914	–
Cash and cash equivalents	7	37,965	30,067
Current assets		**182,878**	**174,517**
Total assets		**2,118,525**	**2,212,729**
Liabilities			
Loans and borrowings	9	594,428	593,992
Catalogue bonus provision	10	33,080	925
Non-current liabilities		**627,508**	**594,917**
Held for trading derivative financial liability	22	3,395	–
Other payables and accrued expenses	10	53,088	35,413
Current liabilities		**56,483**	**35,413**
Total liabilities		**683,991**	**630,330**
Net assets		**1,434,534**	**1,582,399**
Equity			
Share capital	11	1,692,198	1,692,198
Foreign currency translation reserve		(2,241)	(2,235)
Treasury share reserve	11	(1,961)	–
Retained earnings		(253,462)	(107,564)
Total equity attributable to the owners of the Company		**1,434,534**	**1,582,399**
Number of Ordinary Shares in issue at year end (excluding Treasury Shares)		**1,209,214,286**	**1,211,214,286**
IFRS Net Asset Value per Ordinary Share (cents)	12	**118.63**	**130.65**
Operative Net Asset Value per Ordinary Share (cents)	12	**191.53**	**184.91**

Approved and authorised for issue by the Board of Directors on 12 July 2023 and signed on their behalf by:

Andrew Sutch Chair

Andrew Wilkinson Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Notes	Number of Ordinary Shares	Share capital $'000	Other reserves $'000	Foreign currency translation reserve $'000	Treasury reserve $'000	Retained earnings* $'000	Total equity $'000
As at 1 April 2022		1,211,214,286	1,692,198	–	(2,235)	–	(107,564)	**1,582,399**
Dividends paid	16	–	–	–	–	–	(56,260)	**(56,260)**
Repurchase of ordinary shares into treasury	11	(2,000,000)	–	–	–	(1,961)	–	**(1,961)**
Loss for the year		–	–	–	–	–	(89,638)	**(89,638)**
Foreign currency translation reserve movement		–	–	–	(6)	–	–	**(6)**
As at 31 March 2023		**1,209,214,286**	**1,692,198**	**–**	**(2,241)**	**(1,961)**	**(253,462)**	**1,434,534**

* Distributable Revenues (as defined in the Alternative Performance Measures) arising during the year were $81.0 million which, taken together with the $18.7 million of Distributable Revenue reserves carried forward from the previous financial year ended 31 March 2022, result in Distributable Revenue Reserves of $43.4 million as at 31 March 2023.

For the year ended 31 March 2022

	Notes	Number of Ordinary Shares	Share capital $'000	Other reserves $'000	Foreign currency translation reserve $'000	Treasury reserve $'000	Retained earnings $'000	Total equity $'000
As at 1 April 2021		1,073,440,268	1,466,851	234	(419)	–	(3,821)	**1,462,845**
Shares issued	11	137,774,018	229,702	(234)	–	–	–	**229,468**
Share issue costs	11	–	(4,355)	–	–	–	–	**(4,355)**
Dividends paid	16	–	–	–	–	–	(84,300)	**(84,300)**
Loss for the year		–	–	–	–	–	(19,443)	**(19,443)**
Foreign currency translation reserve movement		–	–	–	(1,816)	–	–	**(1,816)**
As at 31 March 2022		**1,211,214,286**	**1,692,198**	**–**	**(2,235)**	**–**	**(107,564)**	**1,582,399**

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	31 March 2023 $'000	31 March 2022 $'000
Cash flows generated from operating activities			
Operating loss for the year before taxation		(86,630)	(16,700)
Adjustments for:			
Movement in trade and other receivables		(14,018)	(37,274)
Movement in other payables and accrued expenses		3,890	(1,545)
Lease liability interest		369	–
Loan interest	9	33,700	20,377
Movement in ECL provision for HSG advances		2,196	1,570
HSG restructuring provision		1,028	–
Catalogue bonus provision		43,719	–
Depreciation of fixed assets		653	712
Amortisation of Catalogues of Songs and borrowing costs		113,201	107,422
Impairment of Catalogue of Songs	6	3,901	1,490
Borrowing cost extinguishment	9	5,007	–
Fair value gain on held for trading derivative financial assets		(2,622)	–
Foreign exchange losses	15	3,157	14,857
Taxation paid		(5,422)	(6,040)
Net cash generated from operating activities		**102,129**	**84,869**
Cash flows used in investing activities			
Purchase of Catalogues of Songs		–	(300,455)
Purchase of other assets		(51)	(173)
Writer advances paid		(4,040)	(8,509)
Deferred consideration paid		(2,500)	–
Net cash used in investing activities		**(6,591)**	**(309,137)**
Cash flows generated from financing activities			
Proceeds from issue of shares		–	229,468
Repurchase of ordinary shares into treasury	11	(1,961)	–
Issue costs paid		–	(4,355)
Dividends paid	16	(56,260)	(84,300)
Lease interest paid		(592)	–
Interest paid		(23,433)	(20,775)
Borrowing costs	9	(960)	(1,274)
Bank loan repaid	9	(7,000)	(50,000)
Bank loan drawn down	9	1,771	72,708
Net cash (used)/generated from financing activities		**(88,435)**	**141,472**
Net movement in cash and cash equivalents		**7,103**	**(82,796)**
Cash and cash equivalents at the start of the year		30,067	112,635
Effect of foreign exchange rate changes on cash and cash equivalents		795	228
Cash and cash equivalents at the end of the year		**37,965**	**30,067**

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

1. General information

Hipgnosis Songs Fund Limited was incorporated and registered in Guernsey on 8 June 2018 with registered number 65158 and is governed in accordance with the provisions of the Companies Law. The registered office address is Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

The Company is registered with the Guernsey Financial Services Commission under the Registered Collective Investment Scheme Rules 2015, and the Protection of Investors (Bailiwick of Guernsey) Law, 2020. The Company is not authorised or regulated by the Financial Conduct Authority.

The Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 11 July 2018 and migrated to a Premium Listing on the Main Market of the London Stock Exchange on 25 September 2019. The Company was added as a constituent of the FTSE 250 Index effective from after the market close on 20 March 2020.

The Company makes and manages its investments through its subsidiaries, which are registered in the UK and US as limited companies. The Consolidated Financial Statements present the results of the Group for the year ended 31 March 2023, rounded to the nearest US Dollar. The Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property.

There has been a presentational change in the comparative period in the Consolidated Statement of Profit and Loss, as set out in Note 23.

2. Accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied, unless otherwise stated.

New and amended standards and interpretations applied

On incorporation, the Company adopted all of the IFRS standards and interpretations that were in effect at that date and are applicable to the Group. No new standards during the year ended 31 March 2023 had a material impact on the Consolidated Financial Statements.

Amended standards and interpretations not applied

The following are amended standards and interpretations in issue effective from years beginning on or after 1 January 2023:

Amended standards and interpretations		Effective date
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Presentation of Financial Statements (Amendments regarding financial statements' on classification of liabilities and disclosure of accounting policies)	1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
IAS 12	Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 January 2023

The Group has considered the IFRS standards and interpretations that have been issued but are not yet effective.

None of these standards or interpretations are likely to have a material effect on the Group, as it is the belief of the Board that the activities of the Group are unlikely to be affected by the changes to these standards, although any disclosures recommended by these standards, where applicable, will be provided as required.

a) Group information

As at 31 March 2023, the details of the Company's subsidiaries are as follows:

Name of the subsidiary	Place of incorporation and operation	% of voting rights	% interest	Consolidation method	Functional Currency
Hipgnosis Holdings UK Limited	UK	100	100	Full	USD
Hipgnosis SFH I Limited	UK	100	100	Full	USD
Hipgnosis SFH XIII Limited	UK	100	100	Full	USD
Hipgnosis SFH XIX Limited	UK	100	100	Full	USD
Hipgnosis SFH XX Limited	UK	100	100	Full	GBP
RubyRuby (London) Limited [1]	UK	100	100	Full	GBP

Hipgnosis Songs Group LLC [2]	US	100	100	Full	USD
Hipgnosis Acquisition Corp [2]	US	100	100	Full	USD
Kennedy Publishing & Productions Limited [1]	UK	100	100	Full	GBP
Robot of the Century Music Publishing Company Inc	US	100	100	Full	USD
Deamon Limited [1]	UK	100	100	Full	GBP
PB Songs Ltd [1]	UK	100	100	Full	GBP

1 These companies are subsidiaries of Hipgnosis SFH XX Limited and therefore an indirect subsidiary of Hipgnosis Songs Fund Limited.

2 On 10 September 2020 the Company acquired the entire share capital of Big Deal Music Group (rebranded to Hipgnosis Songs Group) which includes BDM Acquisition Corp (rebranded to Hipgnosis Acquisition Corp) and Big Deal Music LLC (rebranded to Hipgnosis Songs Group LLC) both incorporated in the US. Big Deal Music LLC is part of a joint venture with Big Family LLC, a publishing company which was formed in June 2018 and is equity accounted for in the Consolidated Financial Statements.

All subsidiaries undertake the same activities as the Group. In addition, Hipgnosis Songs Group LLC undertakes publishing administration.

The majority of subsidiaries of the Company are considered tax resident in the UK and are subject to UK corporation tax. Robot of the Century Music Publishing Inc is registered in New York, Hipgnosis Songs Group LLC and Hipgnosis Acquisition Corp. are registered in Delaware and all are subject to applicable State and Federal Taxes.

b) Going concern

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

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

Although the Board is confident that the Company will have sufficient financial resources to meet their obligations due within 12 months of the reporting date, the outcome of the Continuation Vote which is due to be held before the end of September 2023 in accordance with Part I, Section 9 of the latest Company prospectus creates a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern or in its current form and, therefore, that it may be unable to realize its assets and discharge its liabilities in line with the current normal course of business.

c) Basis of preparation

Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with IFRS and applicable company law. The Consolidated Financial Statements have been prepared on a historical cost basis as amended from time to time by the fair valuing of certain financial assets and liabilities where applicable.

Consolidation

In accordance with section 244 of the Companies Law, the Directors have elected to prepare only consolidated accounts for the financial year for the Group. Therefore, there is no requirement to present individual accounts for the Company within the Consolidated Financial Statements.

The Company is not considered to be an Investment Entity, as defined by IFRS 10. Whilst the Company evaluates the Portfolio on a fair value basis as demonstrated by the Operating NAV provided as an alternate performance measure, the Company also actively manages the Songs to add further value and has no defined exit strategy for any of its investments.

All companies in which the Company has a controlling interest, namely those in which it has the power to govern financial and operational policies in order to obtain benefits from their operations, are fully consolidated. Control as defined by IFRS 10 is based on the following three criteria to be fulfilled simultaneously to conclude that the parent company exercises control:

- a parent company has power over a subsidiary when the parent company has existing rights that give it the current ability to direct the relevant activities of the subsidiary, i.e. the activities that significantly affect the subsidiary's returns. Power may arise from existing or potential voting rights, or contractual arrangements. Voting rights must be substantial, i.e. they shall be exercisable at any time without limitation, particularly during decision making related to significant activities. The assessment of the exercise of power depends on the nature of the subsidiary's relevant activities, the internal decision-making process, and the allocation of rights among the subsidiary's other shareowners;
- the parent company is exposed, or has rights, to variable returns from its involvement with the subsidiary which may vary as a result of the subsidiary's performance. The concept of returns is broadly defined and includes, among other

things, dividends and other economic benefit distributions, changes in the value of the investment in the subsidiary, economies of scale, and business synergies; and

- the parent company has the ability to use its power to affect the returns. Exercising power without having any impact on returns does not qualify as control.

Consolidated Financial Statements of a group are presented as if the Group were a single economic entity. The Group does not include any non-controlling interest.

Segmental reporting

The chief operating decision maker is the Board of Directors. All of the Company's income is global but received from sources within US, Europe and UK. While the Company's income is derived internationally, the Directors are of the opinion that the Group is engaged in a single segment of business, being the investment of the Company's capital in a Portfolio of Song copyrights, together with the potential for capital growth.

d) Revenue recognition

Bank interest income

Interest income from cash deposits is recognised as it accrues by reference to the effective interest rate applicable.

Revenue from operations and associated costs

Revenues from operations are recorded when it is probable that future economic benefits will be obtained by the Group and when they can be reliably measured. The revenue earned by the Group is recognised in accordance with IFRS 15 and solely consists of royalty income, which is divided into these main revenue categories:

i) Mechanical royalties – these are collected by PROs worldwide which represent Songwriters and other copyright owners. Mechanical royalties are also collected by royalty collection agents or the portfolio administrators with whom the Group contracts. This includes mechanical income, an element of streaming income and publishing admin income and digital downloads income;

ii) Performance royalties – these are collected by various PROs worldwide which represent Songwriters and other copyright owners. This includes performance income, an element of streaming income and publishing admin income and writer share income;

iii) Synchronisation fees – these are typically paid directly to the owner of the relevant copyright or its publisher, on the terms and in the amounts agreed with the relevant film or television production company, advertising agency or end customer. This includes synchronization income and an element of publishing admin income; and

iv) Masters royalties – these are royalties collected on our masters rights. These are collected by record companies and collection agencies and paid to master rights owners based on their contractual rates. This revenue category includes masters income, neighbouring rights income and producer royalties.

These revenue categories are further disaggregated into individual revenue streams which are disclosed in detail in Note 13. The Group follows the same accounting policies in respect of all revenue streams, unless otherwise disclosed.

As royalty income is typically reported by the royalty collection agents/performance rights organisations on an arrears basis via statement and where statements have not been received at the year end, the Group accrues for revenue relating to processing delays (outstanding royalty statements/time lag in royalty reporting) and for the period between consumption and reporting. This is done by assessing historic and forecasted earnings over the equivalent reporting period based on evidenced historic revenue reporting, seasonality and industry consumption and growth rates since the last statement date.

Licence arrangements for all income types which include publishing income (mechanical, performance, downloads, Streaming, Synchronisation and writer share income), income derived from master recordings and producer royalties.

The Group enters into licence arrangements in respect of Catalogues of Songs with third-party collection agents. Licences granted to collection agents are deemed to constitute usage based, right of use licences as per IFRS 15.

Revenue arising from licences entered into with collection agents is therefore recognised in the period. Payment is received once the royalty statement is delivered, the royalty statement includes amounts covered by both the usage and processing accrual.

This revenue, which is net of the administration fee retained by the collection agent, is disaggregated to be reviewed by song usage period, source of income, work title, reporting period and any third-party royalty entitlements where necessary.

The contractual basis of the licence arrangements are such that the agents are deemed as 'principals' for tax purposes, therefore the Group recognises its revenue net of administration fees.

Where available at the end of each month or at an earlier interval to which the revenue relates, revenue is recorded on the basis of royalty statements received from collection agents.

Where notification has not yet been received from collection agents, an estimate is made of the revenue due to the Group at the end of the month to which the usage of the music copyright relates. Estimates are made on the basis of the historical track record of music Catalogues, ad hoc data provided by collection agents, industry forecasts and expected seasonal variations.

Non-recourse fixed fee arrangements are recognised at the point at which control of the licence passes to the collection agents. Variable consideration is recognised in the period when the usage of the Catalogues of Songs occurs.

e) Royalty costs

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

f) Expenses

Expenses are accounted for on an accruals basis. Expenses are charged through the Consolidated Statement of Profit and Loss.

g) Dividends to Shareholders

Dividends are accounted for in the year in which they are paid. The Company, being a Guernsey regulated entity, is able to pay dividends out of capital, subject to the assessment of solvency in accordance with the Companies Law and subject to a levered free cashflow test as required by the Revolving Credit Facility. Nonetheless, the Board of Directors carefully consider any dividend payments made to ensure the Company's capital is maintained in the longer term. Careful consideration is also given to ensuring sufficient cash is available to meet the Company's liabilities as they fall due.

h) Assets

Catalogues of Songs

Catalogues of Songs include music Catalogues, artists' contracts and music publishing rights and are recognised as intangible assets measured initially at the fair value of the consideration paid. Catalogues of Songs are subsequently amortised in expenses over the useful life of the asset and shown net of any impairment considered. This amortisation is shown in the Consolidated Statement of Profit and Loss as 'Amortisation of Catalogues of Songs'. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with what the Board of Directors and Investment Adviser deem to be industry standard.

Useful life of intangible assets

In order to calculate the amortised cost of the intangible assets it is necessary to assess the useful economic life of the copyright interests in Songs. This requires forecasts of the expected future revenue from the copyright interests, which contains uncertainties as the ongoing popularity of a song can fluctuate unexpectedly. An assessment of the useful life of Catalogues is considered initially at acquisition, which is 20 years, and assessed for continued applicability at each reporting period. A useful life of 20 years is what the Board of Directors and the Investment Adviser deem to be industry standard. Although an estimate, the Board do not believe that there is significant judgement applied and as a result no sensitivity has been performed.

Asset impairment

Intangible assets are subject to a bi-annual review to identify any indicators of impairment; this review can also be performed when events or the economic environment indicate a risk of impairment. When there are indicators of impairment, the recoverable amount of the asset is compared to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value as described hereafter, for each individual asset.

The Fair Value of the Catalogues as calculated by the Independent Portfolio Valuer is used to identify any indicators of impairment. The Independent Portfolio Valuer adopts a DCF valuation approach and applies a number of significant assumptions to the projected future earnings for all Catalogues including:

- Market factors impacting revenues;
- Discount rate, currently 8.5% (31 March 2022: 8.5%); and
- Terminal value at 16 years.

The fair value uses an IFRS 13 approach that a market participant might apply and does not factor in the impact of any future active management by the Investment Adviser or other planned activities to increase the revenue of those Catalogues. Any Catalogues which have a carrying value higher than their Fair Value are at risk of impairment.

As part of the bi-annual impairment review, the Company then considers whether there are mitigating factors relevant to the Catalogues which have a carrying value higher than their Fair Value to assess if there is a residual risk of impairment in the Catalogues. These factors include a requirement that the Catalogue's Fair Value has been lower than its carrying value for a period of at least 2 years and any future planned activities by the artist which are not factored into the fair value model but could reasonably be expected to increase the future earnings of the Catalogue.

After the above mitigating factors have been applied, a Value-In-Use is calculated for any Catalogues with a residual risk of impairment. The Value-In-Use is calculated by using the original projected cash flows used during the Fair Value calculation by the Independent Portfolio Valuer, with a 0.5% reduction to the discount rate. The reduction in the discount rate reflects the Company's ability to drive additional value through active management of a Catalogue and addresses the passive nature of the Company's cash flows. If the Value-In-Use calculation for the Catalogue is lower than the carrying value of the Catalogue, an impairment loss equal to the difference between the Value-In-Use calculated and the carrying value is recognised in the Consolidated Statement of Profit and Loss. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

The impairment review is performed at an individual Catalogue level with the exception of Kobalt. The Kobalt portfolio contains a number of Catalogues; the Company identifies a number of these Catalogues as 'key Catalogues'. The Company has performed a purchase price allocation within the Kobalt portfolio between the key Catalogues and the other Catalogues. The key Catalogues represent 91% of the carrying value of the Kobalt portfolio. The Portfolio Independent Valuer values both the key Catalogues and the remaining Catalogues within the Kobalt portfolio under the same methodology as the other Catalogues held by the Company. The impairment review for both the key Catalogues and the remaining Catalogues within the Kobalt portfolio follow the same process as the other Catalogues held by the Company.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are initially measured at fair value plus transaction costs directly attributable to the acquisition and subsequently measured at amortised cost using the effective interest method, less allowance for Expected Credit Loss (Note 4). Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Held for trading derivative financial assets

Derivative financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at fair value through profit and loss (FVTPL). Net unrealised and realised gains and net unrealised and realised losses (including any interest expense if applicable) are recognised in the Consolidated Statement of Profit and Loss.

Derecognition of assets

The Group derecognises an asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of an asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the Consolidated Statement of Profit and Loss.

i) Catalogue bonus provision

Under the terms of the acquisition agreements for Catalogues, the Group recognises a financial liability for consideration that may be payable in line with the acquisition agreements that are dependent on the performance of the respective Catalogues. Such financial liabilities are initially recognised at fair value and subsequently carried at amortised cost. Management consider both the revenue forecasts used in the independent valuation and their expectation of revenue expected to be received within the specified performance time frame of acquiring the Catalogues when assessing the initial recognition of this financial liability. At 31 March 2023 a provision for the financial liability of $45.0 million was recognised as a Catalogue bonus provision given the likelihood of economic outflow being triggered through respective Catalogue performance (31 March 2022: $1.3 million).

j) Deferred consideration

In such cases where payment is deferred and capitalised under the terms of the acquisition agreements for Catalogues, a liability will be recognised at net present value with any associated finance charge to be accrued over the respective deferral period.

k) Financial liabilities and equity

Financial liabilities are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the value of proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the Consolidated Statement of Profit and Loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Loans and borrowings

Loans and borrowings are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Held for trading derivative financial liabilities

Held for trading derivative financial liabilities are classified as measured at fair value through profit and loss (FVTPL). Financial liabilities at FVTPL are measured at fair value. Net unrealised and realised gains and net unrealised and realised losses (including any interest expense if applicable) are recognised in the Consolidated Statement of Profit and Loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Consolidated Statement of Profit and Loss.

l) Share-based payments

Investment Adviser's performance fee

The Group recognises the variable fee for the services received in a share-based payment transaction as the Group becomes liable to the variable fee on an accruals basis.

The fair value of the performance fee, as defined in the Investment Advisory Agreement, which is payable to the Investment Adviser in Shares is recognised as an expense when the fees are earned with a corresponding increase in equity.

m) Cash and cash equivalents

Cash at bank and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as call deposits, short term deposits with a term of no more than 3 months from the start of the deposit and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents consist of cash in hand and short-term deposits in banks with an original maturity of 3 months or less.

n) Functional and foreign currency

Determination of functional currency

Whilst the functional currency of the Company is Dollars, some subsidiaries have a functional currency of Sterling which is translated into the presentation currency. The entities which continue to have a functional currency of Sterling are shown in Note 2(a).

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Dollars, which is the Group's functional and presentation currency of the Company and each of its subsidiaries.

Treatment of foreign currency

At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the Consolidated Statement of Profit and Loss in the year in which they arise. Transactions denominated in foreign currencies are translated into Dollars at the rate of exchange ruling at the date of the transaction.

3. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the:

- consideration transferred; and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in Consolidated Statement of Profit and Loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in the Consolidated Statement of Profit and Loss.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires the application of estimates and assumptions which may affect the results reported in the Consolidated Financial Statements. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and made estimates based on the information available when the Consolidated Financial Statements were prepared. However, these assumptions and estimates may change based on market changes or circumstances beyond the control of the Group.

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

Accrued income as at 31 March 2023 was $126.2 million (31 March 2022: $105.3 million), a breakdown of which is set out below:

- $62.3 million for earnings where, due to the time lag in royalty reporting. Statements are not expected to be received until calendar Q2 2023 onwards. This includes international PRO reporting and HSG (31 March 2022: $69.3 million).
- $21.7 million CRB III accruals (31 March 2022: $Nil) as discussed below.
- $42.2 million Usage Accrual, which recognises revenues that have triggered a contractual payment but have not been paid to, and processed by, collection societies, publishers and administrators (31 March 2022: $36.0 million).

In calculating accruals, the Company makes judgments around seasonality, over or under performance, and commercial factors based on historical performance, and its knowledge of each Catalogue through its regular correspondence with the various administrators, record labels and international societies. The Company also makes an estimate of revenue from consumption to reporting.

Estimated royalty revenue receivable is accrued for on the basis of historical earnings for each Catalogue, which incorporates an element of uncertainty. The estimated revenue accrual may not therefore directly equal the actual cash received in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual revenue received is known, and these adjustments may be material.

Net revenues also include an accrual for performance income, to account for the writer's share of Performance royalties which are subject to a significant time lag in reporting in the industry, but which the Group is entitled to receive in due course. In recommending the estimate of this accrual to the Board of Directors the Investment Adviser used its analysis of each Catalogue's revenue history as well its knowledge of the respective Catalogue performance trends to recommend the estimated accruals.

Net revenue is subject to a royalty cost accrual applied to gross revenue receipts primarily within the Hipgnosis Songs Group ("HSG") subsidiaries. Royalty cost accruals represent contractual royalties due to Songwriters and other rights holders that are payable on a 6-monthly basis for writers under publishing contracts and quarterly for clients under administration contracts. Royalty rates vary by writer (negotiated by contract) and by revenue stream.

In July 2022, after a lengthy process, the 2018-22 rate increases on the Songwriter's and publisher's mechanical portion of US Streaming income, known as CRB III, were finally agreed. The Group has reflected accruals of $21.7 million for the year ended 31 March 2023 as a result of the confirmation of the CRB III rate increases for the Songwriters' mechanical portion of US Streaming income. Of this, $5.6 million is the impact of the higher 15.1% rate on the income earned by the Company during the year and $16.1 million has been recognised for the retro-active payment due as a result of revenues historically not having been recognised at the full CRB III rates. The amount recognised in relation to the retro-active payment will not recur in future years. As the ruling was made final in July 2022 there was no CRB III revenue recognised in the prior year.

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

Whilst some Publishers had different policies regarding the distribution of the higher rates received from DSPs up to when the CRB III ruling was appealed, the Company has applied a consistent approach and has not considered any Publisher specific policies given the lack of clarity from the various payors.

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

A sensitivity of the significant estimates used in calculating accrued income and the impact of the sensitivities on the balance is performed below:

Name of the subsidiary	31 March 2023	Sensitivity +10%	Sensitivity -10%
Accruals due to the time lag in royalty reporting	$62.3 million	$6.2 million	($6.2) million
CRB III accruals*	$21.7 million	$2.2 million	($2.2) million

		One quarter increase	One quarter reduction
Usage accrual	42.2 million	$10.8 million	($10.1 million)

* The CRB III sensitivity represents the variability of the historical US streaming mechanical revenue that the contractual rates are applied to.

Expected Credit Loss (ECL) in relation to revenue receivables
Royalty earnings for accruals and receivables recognised in the year ended 31 March 2023 are distributed by PROs, Publishers and Record Labels who collect royalties at the source of usage and distribute those earnings directly to Hipgnosis.

The probability of future default has been deemed close to nil, due to the long-standing history of PROs, Publishers and Record Labels within the music industry and the existing framework of cash collection amongst the Company's stakeholders. Whilst there are smaller/newer organisations that have relatively unproven credit resilience these account for a small minority of the Group's receivables.

The Company's current risk assessment includes analysis of the exposure to commercial risk by PROs, Publishers and Record Labels, and the likely impact of their credit risk on Hipgnosis' revenue streams. This impact is considered immaterial and a sensitivity analysis on this is performed in Note 8.

Expected Credit Loss (ECL) in relation to HSG advances
Hipgnosis Songs Group LLC advances royalty payments to Songwriters. Management are required to assess the recoverability of these advances bi-annually in accordance with IFRS 9 Financial Instruments. Management will consider market conditions and historic trading patterns affecting the relevant assets.

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

- low risk advances where the advance is expected to be recouped in full under the terms of the writer's agreement (because of the writer's reputation, previous success etc);
- medium risk advances where there is reasonable expectation that a level of the advances will be recouped; and
- high risk advances, where management believe that either because of the writer's unknown potential or other factors, a large level of recoverability may not be achieved.

At 31 March 2023 HSG gross recoupable advances are $32.0 million (31 March 2022: $31.6 million) with an expected credit loss provision of $15.5 million (31 March 2022: $13.0 million) recognised against the advances. A sensitivity analysis on this provision is performed in Note 8.

Assessment of impairment and the calculation of Operative NAV
As disclosed in Note 2(h) intangible assets are subject to a bi-annual review to identify any indicators of impairment.

The Fair Value of the Catalogues as calculated by the Independent Portfolio Valuer is used to identify any indicators of impairment. The Portfolio Independent Valuer adopts a DCF valuation approach and applies a number of significant assumptions to the projected future earnings for all Catalogues including:

- Market factors impacting revenues;
- Discount rate, currently 8.5% (31 March 2022: 8.5%); and
- Terminal value at 16 years.

As disclosed in Note 2(h) a Value-In-Use is calculated for any Catalogues with a residual risk of impairment. The Value-In-Use is calculated by using the original projected cash flows used during the Fair Value calculation by the Independent Portfolio Valuer, with a 0.5% reduction to the discount rate. The reduction in the discount rate reflects the Company's ability to drive additional value through active management of a Catalogue and addresses the passive nature of the Company's cash flows within the Portfolio Independent Valuer's fair value analysis.

If the Value-In-Use calculation for the Catalogue is lower than the carrying value of the Catalogue, an impairment loss equal to the difference is recognised in the Consolidated Statement of Profit and Loss. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

Management's impairment review as at 31 March 2023 concluded that an impairment of $3.9 million (31 March 2022: $1.5 million) was required to the Group's Catalogues. A sensitivity analysis on the Value-In-Use calculation and impact on the impairment charge is performed in Note 6.

5. Taxation

The major components of income tax expense for the years ended 31 March 2023 and 31 March 2022 are:

Current tax	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
United Kingdom corporation tax based on the loss for the year at 19% (31 March 2022: 19%)	–	123
Adjustments in respect of prior periods	2,837	2,369
Non-reclaimable withholding tax on royalty payments received	171	251
Total current tax	**3,008**	**2,743**
Deferred tax		
Origination and reversal of timings differences	656	–
Deferred tax asset recognised to extent of liability on timing difference	(656)	–
Total deferred tax	–	–
Total tax	**3,008**	**2,743**

Prior to 1 April 2021 the Company was Guernsey tax resident but exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989.

From 1 April 2021 the Company was granted investment trust company status by HMRC and is UK tax resident from that date.

Whilst the Company is incorporated in Guernsey, the majority of the Company's subsidiaries are incorporated and tax resident in the UK and the majority of the Group's income and expenditure in incurred in these UK entities. Therefore is it considered most appropriate to prepare the tax reconciliation below at the standard UK tax rate of 19% (31 March 2022: 19%).

The March 2021 UK Budget announced an increase to the main rate of UK corporation tax to 25% from April 2023. This rate was substantively enacted prior to the balance sheet date and consequently this rate has been considered when assessing items of deferred tax.

The actual tax charge differs from the standard rate for the reasons set out in the following reconciliation:

	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
Loss on the Group's ordinary activities before tax	(86,630)	(16,700)
Tax on the loss on the Group's ordinary activity at the standard UK rate of 19%	(16,460)	(3,173)
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	3,405	887
Adjustment in respect of previous periods	2,837	2,369
Effect of overseas tax rate	(649)	(760)
Deferred tax not recognised – US	2,704	3,169
Deferred tax not recognised – UK	11,000	–
Net non-reclaimable withholding tax on royalty payments received	171	251
Total actual amount of current tax	**3,008**	**2,743**

Deferred tax	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
Short term timing differences related to hedging arrangements	656	–
Deferred tax asset recognised in relation to UK tax losses	(656)	–
Total deferred tax	**–**	**–**

The following potential deferred tax assets have not been recognised as it is not considered suitably probable that such assets will be utilised based on forecasts.

Deferred tax	31 March 2023 $'000	31 March 2022 $'000

Unrecognised deferred tax asset in relation to UK tax losses	(14,474)	–
Unrecognised deferred tax asset in relation to US tax losses	(5,873)	(3,169)

There is currently no expiry date for the utilisation of UK tax losses.

The unrecognised deferred tax asset in relation to UK and US losses arise on the following tax losses:

	31 March 2023 $'000	31 March 2022 $'000
UK tax losses	(57,895)	–
US tax losses	(23,490)	(12,676)

Disposals of Catalogues may give rise to potential tax charges depending on the availability of tax attributes (tax losses) to offset any taxable gains otherwise arising. There were no such disposals of Catalogues in the year (or prior year) and so no such tax liabilities arose.

6. Catalogues of Songs

	$'000
Cost	
At 1 April 2022	2,237,284
Additions	–
At 31 March 2023	**2,237,284**
Amortisation and impairment	
At 1 April 2022	200,552
Amortisation	111,583
Impairment	3,901
At 31 March 2023	**316,036**
Net book value	
At 1 April 2022	2,036,732
At 31 March 2023	**1,921,248**
Fair value as at 31 March 2023	**2,802,762**
Cost	
At 1 April 2021	1,972,199
Additions	265,085
At 31 March 2022	**2,237,284**
Amortisation and impairment	
At 1 April 2021	93,275
Amortisation	105,787
Impairment	1,490
At 31 March 2022	**200,552**
Net book value	
At 1 April 2021	1,878,924
At 31 March 2022	**2,036,732**
Fair value as at 31 March 2022	**2,693,974**

The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years (other than in exceptional circumstances for specific Catalogues of Songs). An assessment of the useful life of Catalogues is considered at each reporting period, which is 20 years, in line with what the Board of Directors and the Investment Adviser deem to be industry standard. The Company performs an impairment review as disclosed in Note 2(h). At 31 March 2023 accumulated amortisation for Catalogues of Songs is $310.6 million (31 March 2022: $199.1 million) and the accumulated impairment to date is $5.4 million (31 March 2022: $1.5 million).

The Board engaged Portfolio Independent Valuer, Citrin Cooperman Advisors LLC, to value the Catalogues as at 31 March 2023. The Board has approved and adopted the valuations prepared by the Portfolio Independent Valuer which are used as an input into the impairment review process and for the Operative NAV.

The sensitivity of the discount rate to the fair value of the Portfolio is as follows:

Discount Rate	8.00%	8.50%	9.00%
Portfolio Value ($'000)	3,065,753	2,802,762	2,580,725
Variance to Fair Value ($'000)	262,991	–	(222,037)
Variance to Fair Value (%)	9.4%	–	(7.9%)

The sensitivity of the terminal value growth rate to the fair value of the Portfolio is as follows:

Sensitivity to the Terminal Value Growth Rate	–1.00%	Current	+1.00%
Portfolio Value ($'000)	2,637,623	2,802,762	3,035,424
Variance to Fair Value ($'000)	(165,139)	–	232,662
Variance to Fair Value (%)	(5.9%)	–	8.3%

The sensitivity of the applied growth rate to the fair value of the Portfolio is as follows:

Growth Rate	–1.00%	Current	+1.00%
Portfolio Value ($'000)	2,573,221	2,802,762	3,048,641
Variance to Fair Value ($'000)	(229,541)	–	245,879
Variance to Fair Value (%)	(8.2%)	–	8.8%

A Value-In-Use is calculated for any Catalogue with a residual risk of impairment following the impairment review. The Value-In-Use is calculated by using the original projected cash flows used during the Fair Value calculation by the Portfolio Independent Valuer, with a 0.5% reduction to the discount rate.

The sensitivity of the Value-In-Use calculation to the impairment charge is as follows:

Discount Rate used in the Value-In-Use calculation	-0.50%	Current	+0.50%
Impairment of Catalogues of Songs ($'000)	1,378	3,901	11,934

7. Cash and cash equivalents

	31 March 2023 $'000	31 March 2022 $'000
Cash available on demand	37,965	30,067
	37,965	**30,067**

8. Trade and other receivables

	31 March 2023 $'000	31 March 2022 $'000
Non-current receivables		
Accrued income	13,210	640
	13,210	**640**
Current receivables		
Accrued income	112,943	104,658
Royalties receivable	7,078	6,605
HSG net recoupable advances	16,436	18,604
Prepayments and other debtors	3,542	7,274
VAT Receivable	–	7,309
	139,999	**144,450**

In the current year, an accrual for $21.7 million has been recognised as a result of the confirmation of the CRB III rate increases for the Songwriters' mechanical portion of US Streaming income. Of this, $5.6 million is the impact of the higher 15.1% rate on the income earned by the Company during this financial year and $16.1 million has been recognised for the retro-active payment due as a result of revenues historically not having been recognised at the full CRB III rates.

At 31 March 2023, the aging of the Company's trade and other receivables are:

	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Accrued income	4,430	34,593	73,920	13,210	–	–	126,153
Royalties receivable	2,960	2,701	1,417	–	–	–	7,078
HSG net recoupable advances	99	119	16,218	–	–	–	16,436
Prepayments and other debtors	86	142	3,314	–	–	–	3,542
Total	**7,575**	**37,555**	**94,869**	**13,210**	**–**	**–**	**153,209**

Credit Risk and Provision for Expected Credit Losses

The Group has applied IFRS 9, Financial Instruments, during the year, which includes the requirements for calculating a provision for expected credit losses on financial assets. As disclosed in Note 4, the probability of future default against revenue receivable balances has been deemed close to nil. At 31 March 2023, an ECL provision is recognised against the HSG recoupable advances as below:

At 31 March 2023	High Risk $'000	Medium Risk $'000	Low Risk $'000	Total $'000
Expected loss rates	*-100.0%*	*-24.0%*	*0.0%*	*-48.6%*
Gross carrying amounts	13,000	10,520	8,436	**31,956**
Provision for expected credit losses	(13,000)	(2,520)	–	**(15,520)**
Net carrying amounts	**–**	**8,000**	**8,436**	**16,436**

At 31 March 2022	High Risk $'000	Medium Risk $'000	Low Risk $'000	Total $'000
Expected loss rates	*-100.0%*	*-41.1%*	*0.0%*	*-41.1%*
Gross carrying amounts	6,712	15,324	9,576	**31,612**
Provision for expected credit losses	(6,712)	(6,296)	–	**(13,008)**
Net carrying amounts	**–**	**9,028**	**9,576**	**18,604**

If the probability of future default against the revenue receivable balances was 5% higher, this would result in a $0.4 million increase to the ECL provision on revenue receivables. If the probability of future default against the medium risk HSG recoupable advances was 41.1%, which is consistent with the prior year, this would result in a $1.8 million increase to the ECL provision on HSG recoupable advances.

9. Loans and borrowings

On 30 September 2022 the Company entered into a new Revolving Credit Facility (RCF) with a commitment of $700 million which runs for five years until 30 September 2027. City National Bank is lead arranger and sole bookrunner for the new debt facility with Truist Securities, Inc., MUFG Union Bank, N.A. and Fifth Third Bank as co-leads. On the same day the Company drew down $607 million, as part of the arrangement City National Bank repaid in full the Company's pre-existing J.P. Morgan RCF of $600 million directly to J.P. Morgan and paid $5.2 million of fees on behalf of the Company. The remaining $1.8 million was received as cash by the Company. During the year $6.2 million of costs relating to the set-up of the new RCF were capitalised, to be amortised over the five year length of the agreement. On derecognition of the pre-existing J.P. Morgan RCF, $5.0 million was recognised as a borrowing cost extinguishment charge and represents the unamortised capitalised borrowing costs on the pre-existing J.P. Morgan RCF.

On 31 March 2023 the Company repaid $7 million of the new RCF. $100 million remains available under the new RCF which provides the Company with flexibility to fund investments and provide additional working capital.

Interest on the new facility charged is based on the Secured Overnight Financing Rate (SOFR), published by the New York Federal Reserve, plus a margin of either 2.00% or 2.25% depending on the gross drawn debt. The current margin is 2.00%. As disclosed in Note 17, the Company has entered into an interest rate swap agreement to manage its exposure to interest rate risk.

The RCF's key covenants are set out in the below table:

Key financial covenant	31 March 2023 Actual	Lender Covenants
i) Total debt to Catalogue value as determined by the lender	31.5%	Must not exceed 40%

ii) Total debt leverage	5.5:1.0	Not greater than 7:1
iii) Fixed charge coverage	1.3:1.0	Not less than 1:1

The Catalogue value as determined by the lender is specifically prepared for the banking syndicate based on a set of assumptions that reflect an immediate sale of the portfolio in order to provide maximum loan security.

The covenants are reviewed quarterly and are secured by, inter alia, a charge over the shares in all the subsidiaries of the Company, a charge over all of their assets including all Catalogues of Songs of the Company held through these subsidiaries and a charge over the bank accounts of the Company and its subsidiaries. The Company has also provided a parent company guarantee. In accordance with the Investment Policy, any borrowings by the Company will not exceed 30% of the Operative NAV which is $694.8 million.

	31 March 2023 $'000	31 March 2022 $'000
Opening balance	600,000	577,292
Amounts drawn down during the period	607,000	72,708
Amounts repaid during the year – pre-existing RCF	(600,000)	(50,000)
Amounts repaid during the year – new RCF	(7,000)	–
Total loan drawn down	**600,000**	**600,000**
Cumulative borrowing costs	(5,572)	(6,008)
Closing balance	**594,428**	**593,992**

During the year ended 31 March 2023 $33.7 million (31 March 2022: $20.4 million) was charged as interest on the amounts drawn down.

10. Liabilities and accrued expenses

	31 March 2023 $'000	31 March 2022 $'000
Non-current liabilities		
Catalogue bonus provision	33,080	925
	33,080	**925**
Current liabilities		
Amounts owed to Songwriters	18,799	16,957
Catalogue bonus provision	11,962	398
Deferred investment payable	–	10,799
Loan interest payable	9,891	500
Trade creditors and accruals	5,846	4,106
PRO Advances	3,178	–
Corporation tax payable	67	2,570
VAT	1,789	–
Lease liability	735	–
Directors fees payable	27	83
Other creditors	794	–
	53,088	**35,413**

The Group has a number of Catalogue bonuses which are dependent on the individual Catalogues meeting certain defined performance hurdles as defined in the Catalogue acquisition agreements which the Group consider when assessing the recognition of the Catalogue bonus provision as a financial liability. As at 31 March 2023, the Group recognised a financial liability of $45.0 million relating to the bonuses on 6 Catalogues (31 March 2022: $1.3 million relating to 2 Catalogues). Management consider that the carrying value of this financial liability would not differ significantly from its fair value. The last performance hurdle period to be assessed across the remaining Catalogues is 29 January 2029.

11. Share capital and capital management

Ordinary Share Capital

The share capital of the Company may consist of an unlimited number of:

i) Ordinary Shares of no par value which upon issue the Directors may classify as Ordinary Shares;

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

iii) Ordinary Shares purchased by the Company through share repurchases and held as Treasury Shares.

Ordinary Shares of no par value

	No. of Units outstanding	Share Capital $'000	Treasury Reserve $'000
Issued and fully paid:			
Shares as at 1 April 2022	1,211,214,286	1,692,198	–
Repurchase of ordinary shares into treasury	(2,000,000)	–	(1,961)
Shares as at 31 March 2023	**1,209,214,286**	**1,692,198**	**(1,961)**

	No. of Units outstanding	Share Capital $'000	Treasury Reserve $'000
Issued and fully paid:			
Shares as at 1 April 2021	1,073,440,268	1,466,851	–
Shares issued on 29 April 2021	9,000,000	14,938	–
Shares issued on 9 July 2021	128,774,018	214,764	–
Share issue costs	–	(4,355)	–
Shares as at 31 March 2022	**1,211,214,286**	**1,692,198**	**–**

As at 31 March 2023 the Company's authorised and issued share capital consisted of 1,211,214,286 ordinary shares, of which 2,000,000 were held In treasury.

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

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

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

Treasury Share Reserve

During the year, the Company launched a Share Repurchase Program to repurchase Ordinary Shares. The repurchased shares are not cancelled but held as Treasury Shares by the Company. Treasury shares hold no voting rights, are not entitled to a dividend and are excluded from the EPS, IFRS and Operative net asset value per share calculation. The consideration for the shares repurchased are detailed below:

	No. of Shares repurchased	Consideration per Share £	Amount $'000
Shares repurchased on 18 October 2022	250,000	0.85850	240
Shares repurchased on 19 October 2022	250,000	0.84320	235
Shares repurchased on 28 October 2022	250,000	0.88000	252
Shares repurchased on 31 October 2022	250,000	0.88000	252
Shares repurchased on 1 November 2022	250,000	0.87200	250
Shares repurchased on 2 November 2022	250,000	0.85826	246
Shares repurchased on 17 November 2022	250,000	0.82890	238
Shares repurchased on 2 December 2022	250,000	0.83400	248
Treasury Shares as at 31 March 2023	**2,000,000**		**1,961**

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

	31 March 2023	31 March 2022
Number of Ordinary Shares outstanding	1,209,214,286	1,211,214,286
IFRS NAV per share (cents)	**118.63**	**130.65**

Operative NAV per share (cents)	**191.53**	**184.91**

The IFRS NAV per share and the Operative NAV per share are arrived at by dividing the IFRS Net Assets and Operative Net Assets (respectively) by the number of Ordinary Shares outstanding.

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

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

Reconciliation of IFRS NAV to Operative NAV

	31 March 2023 $'000	31 March 2022 $'000
IFRS NAV	**1,434,534**	**1,582,399**
Adjustments for revaluations of Catalogues of Songs to fair value	565,478	457,441
Reversal of accumulated amortisation and impairment	316,036	199,800
Operative NAV	**2,316,048**	**2,239,640**

Tax considerations

As noted in the Chair's Statement, the Board are considering a number of options to enhance Shareholder value which may include the potential strategic sale of Catalogues of Songs. The Company's Investment Trust Company (ITC) status may allow for the Company to make disposals of shares or certain other capital assets on a tax-exempt basis for UK corporation tax purposes. However, a disposal of music Catalogues, considered intangible fixed assets for UK corporation tax purposes, would not qualify for exemption in the same way.

A disposal of music Catalogues by way of a sale of shares of a Group subsidiary company by the Company, in order to take advantage of its ITC tax-exempt status, would not necessarily result in greater value for the Group, depending on the attractiveness of such a transaction structure to the prospective purchaser and their other potential tax considerations on future sales of the acquired shares.

If the Group were to dispose of all of its Catalogues, an indicative tax calculation (subject to a number of assumptions in its preparation – see below) estimates that a potential corporation tax charge (or equivalent in the US) could be incurred by the Group subsidiary companies, of approximately $245 million. This has been calculated based on comparing the Fair Value determined by the Portfolio Independent Valuer (as a representation of indicative sales proceeds) to the Catalogues' carrying value as at 31 March 2023.

The calculations assumes a 25% tax rate as: (a) the prevailing rate of UK corporation tax from 1 April 2023 and (b) a proxy for US Federal and State corporate income tax. This indicative tax calculation does not take into account attributes such as UK tax losses, which could be used to offset some of the taxable gains, or where the tax treatment of an element of sale proceeds may be considered to be the sale of a receivable aligned with a Catalogue rather than part of the disposal value of that Catalogue, which could result in a materially lower tax charge.

As the Company has not disposed of any catalogues to date, no such tax liability currently exists.

13. Revenue

	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
Mechanical income	5,465	10,657
Performance income	17,972	22,291
Digital downloads income	3,635	4,405
Streaming income	83,886	72,850
Synchronization income	19,381	22,530
Publishing admin income	406	300
Masters income	7,582	8,448
Writer share income	26,076	45,103
Neighbouring rights income	4,120	–
Other income	715	6,037
Producer royalties	8,074	7,763

	177,312	**200,384**

There is an inherent time lag with royalties between the time a song is performed, and the revenue being received by the copyright owner. The revenue accruals are disclosed in Note 8 Trade and other receivables.

14. Other operating expenses

	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
Aborted deal expenses	468	1,951
Bank charges	50	34
Record label costs	98	–
Charitable donations	293	208
Directors' and officers' insurance	347	366
Disbursements	411	355
Postage, stationery and printing	153	41
Lease liability interest	369	–
HSG staff payroll and expenses	6,244	6,598
HSG restructuring provision	1,028	–
Travel and accommodation fees	499	162
HSG travel and accommodation fees	362	389
Sundry	32	1
	10,354	**10,105**

15. Foreign exchange

	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
Foreign exchange losses	3,157	14,857
	3,157	**14,857**

The foreign exchange impact reflects the effect of movements in foreign currency exchange rates throughout the year. Currency risk is discussed further in Note 17.

16. Dividends

A summary of the dividends paid are set out below:

	Dividend per share Pence	Total Dividend $'000
1 April 2022 to 31 March 2023		
Interim dividend in respect of quarter ended 31 March 2022	1.3125	19,313
Interim dividend in respect of quarter ended 30 June 2022	1.3125	17,744
Interim dividend in respect of quarter ended 30 September 2022	1.3125	19,203
	3.9375	**56,260**

On 16 March 2023, the Company announced an interim dividend for the quarter from 1 October 2022 to 31 December 2022 of 1.3125p per Ordinary Share, paid on 28 April 2023.

	Dividend per share Pence	Total Dividend $'000
1 April 2021 to 31 March 2022		
Interim dividend in respect of quarter ended 31 March 2021	1.3125	20,093
Interim dividend in respect of quarter ended 30 June 2021	1.3125	21,807
Interim dividend in respect of quarter ended 30 September 2021	1.3125	21,214
Interim dividend in respect of quarter ended 31 December 2021	1.3125	21,186
	5.250	**84,300**

The Company, being a Guernsey regulated entity, is able to pay dividends out of capital, subject to the assessment of solvency in accordance with the Companies Law and subject to a levered free cashflow test as required by the Revolving Credit Facility.

17. Financial risk management objectives

Financial risk management objectives

The Group's activities expose it to various types of financial risk, principally market risk, credit risk, and liquidity risk. The Board has overall responsibility for the Group's risk management and sets policies to manage those risks at an acceptable level.

Fair values

Management assessed that the fair values of cash and cash equivalents, current trade and other receivables and current trade and other payables approximate their carrying amount largely due to the short-term maturities and high credit quality of these instruments. The carrying value of the non-current accrued income and non-current Catalogue bonus provision reflect their fair value.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the capital return to Shareholders. The capital structure of the Group consists of issued share capital and retained earnings, as stated in the Consolidated Statement of Financial Position. In order to maintain or adjust the capital structure, the Group may repurchase shares or issue new shares. There are no external capital requirements imposed on the Group.

As detailed in Note 9, on 30 September 2022 the Company entered into a new Revolving Credit Facility (RCF) with a commitment of $700 million which runs for five years until 30 September 2027. On the same day the Company drew down $607 million to repay in full the Company's pre-existing J.P. Morgan RCF ($600 million). On 31 March 2023 the Company repaid $7 million of the new RCF.

The Group's investment policy is set out in the Investment Objective and Policy section of the Annual Report.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to currency risk and interest rate risk.

a) Currency risk

Currency risk is the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The revenue earned from the Catalogue of Songs may be subject to foreign currency fluctuations. Royalties are earned globally and paid in a number of currencies, therefore the Group may be impacted by adverse currency movements. The

Group will convert the majority of overseas currency receipts into US Dollars by agreeing to currency exchange arrangements with collection agents, or otherwise itself undertaking foreign exchange conversions.

Dividend payments are denominated in Sterling and also may be impacted by adverse currency movements. In order to mitigate currency risk and provide certainty over the US Dollar value of future Sterling dividend payments the Company entered into US Dollar to Sterling foreign exchange forward contracts as discussed in Note 22.

Settlement Date	Contract Value £'000	Outstanding Contracts $'000	Mark to Market equivalent $'000	Unrealised (losses)/gains $'000
17 April 2023	11,250	12,501	13,883	1,382
17 July 2023	11,250	12,477	13,906	1,429
16 October 2023	7,500	8,305	9,278	973
16 January 2024	5,000	5,528	6,189	661
15 April 2024	3,750	4,139	4,640	501
16 October 2024	3,750	4,644	4,639	(5)
16 January 2025	2,500	3,101	3,094	(7)
15 April 2025	1,250	1,552	1,546	(6)
15 July 2025	3,750	4,656	4,642	(14)
	50,000	**56,903**	**61,817**	**4,914**

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

As at 31 March 2023	USD $'000	GBP converted to USD* $'000	EUR converted to USD** $'000	Other converted to USD $'000	Total $'000
Non current and current receivables	147,955	4,987	205	62	153,209
Held for trading derivative financial asset	4,914	–	–	–	4,914
Cash and cash equivalents	32,530	4,074	1,361	–	37,965
Total financial assets	**185,399**	**9,061**	**1,566**	**62**	**196,088**
Revolving Credit Facility	600,000	–	–	–	600,000
Held for trading derivative financial liability	3,395	–	–	–	3,395
Non current and current payables	81,958	3,736	232	241	86,167
Total financial liabilities	**685,353**	**3,736**	**232**	**241**	**689,562**
Net asset/(liability) position	**(499,954)**	**5,325**	**1,334**	**(179)**	**(493,474)**

*At the reporting date 31 March 2023, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the impact on post tax loss and components of equity would have been $0.5 million higher/lower.

**At the reporting date 31 March 2023, if the EUR had strengthened/weakened by 10% against the Dollar with all other variables held constant, the impact on post tax loss and components of equity would have been $0.1 million higher/lower.

As at 31 March 2022	USD $'000	GBP converted to USD* $'000	EUR converted to USD** $'000	Other converted to USD $'000	Total $'000
Non current and current receivables	132,276	10,503	1,745	566	145,090
Cash and cash equivalents	25,454	4,314	299	–	30,067
Total financial assets	**157,730**	**14,817**	**2,044**	**566**	**175,157**
Revolving Credit Facility	600,000	–	–	–	600,000
Non current and current payables	31,448	4,883	7	–	36,338
Total financial liabilities	**631,448**	**4,883**	**7**	**–**	**636,338**
Net asset/(liability) position	**(473,718)**	**9,934**	**2,037**	**566**	**(461,181)**

*At the reporting date 31 March 2022, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the impact on post tax loss and components of equity would have been $1.0 million higher/lower.

**At the reporting date 31 March 2022, if the EUR had strengthened/weakened by 10% against the Dollar with all other variables held constant, the impact on post tax loss and components of equity would have been $0.2 million higher/lower.

b) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk on cash and cash equivalents and also on the interest bearing RCF. The RCF bears a fixed rate of interest plus a floating rate of interest based on Secured Overnight Financing Rate (SOFR). In order to mitigate interest rate risk and provide certainty over interest payments, the Company entered into interest rate swap agreements as detailed below:

- From 3 October 2022 until 2 January 2023, interest on all the drawn debt is based on a three-month fixed SOFR of 5.71% (including debt margin); and
- From 3 January 2023, the Company has agreed to enter into interest rate swaps to hedge $540 million. Of this, $340 million is hedged for the duration of the RCF (until 30 September 2027) at a fixed rate of 5.67% (including debt margin); a further $200 million is hedged until 3 January 2026 at a fixed rate of 5.89% (including debt margin). The balance remains unhedged to provide flexibility in the operation of the RCF facility.

At 31 March 2023, the unhedged RCF balance exposed to interest rate risk was $60 million.

The average interest rate during the year was 5.58%. If interest rates had been 100 basis points higher and all other variables were held constant, the Company's loan interest expense would have been $6.0 million higher.

Credit Risk

Credit risk is the risk of loss due to failure of a counterparty to fulfil its contractual obligations. The Group is exposed to credit risk in respect of its contracts with PROs and other collection societies. This exposure is minimised by dealing with reputable PROs whose credit risk is deemed to be low given their respective position in the industry.

As reported in Note 4, there is no impairment of the receivables balance, credit risk of third parties has been taken into account when calculating accruals and expected credit loss charge for the year on HSG advances was $2.2 million (31 March 2022: $1.6 million). The Group is exposed to credit risk through its balances with banks and its indirect holdings of money market instruments through those money market funds which are classified as cash equivalents for the purposes of these Consolidated Financial Statements.

The table below shows the Group's material cash balances and the short-term issuer credit rating or money-market fund credit rating as at the year-end date:

	Location	Rating*	31 March 2023 $'000	31 March 2022 $'000
Barclays Bank UK plc	Guernsey/UK	A-1	25,063	27,367
BlackRock	US	AA–	8,435	–
City National Bank	US	A-2	3,950	2,599

* Rated by Standard & Poor's

Liquidity Risk

Liquidity risk is the risk that the Group will encounter in realising assets or otherwise raising funds to meet financial commitments. The Group's liquidity risk is managed by the Investment Adviser and Directors on a monthly basis.

Liquidity risk is also the risk that the Group may not be able to meet their financial obligations as they fall due. The Group maintains a prudent approach to liquidity management by maintaining sufficient cash reserves to meet foreseeable working capital requirements.

The Group prepares a 3 year rolling cash forecast, which is reviewed by the Board. The cash flow forecast includes a sensitivity analysis with downside scenarios on income streams, foreign exchange rate movements and interest rate movements. Cash is delivered with royalty statements, and the majority are delivered quarterly or semi-annually. A small number of collections are delivered monthly. Cash is collected and processed throughout the year by the administrators.

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

	Carrying amount $'000	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Bank loan and future interest payments	(600,000)	–	–	(30,684)	(40,912)	(712,507)	–	(784,103)
Held for trading financial liability	(3,395)	1,139	–	(4,534)	–	–	–	(3,395)
Amounts owed to Songwriters	(18,799)	–	(640)	(18,159)	–	–	–	(18,799)
Catalogue bonus provision	(45,042)	–	(3,450)	(8,512)	(16,540)	(16,540)	–	(45,042)
Trade creditors and accruals	(5,846)	(4,168)	(1,040)	(638)	–	–	–	(5,846)
Loan interest payable	(9,891)	(9,891)	–	–	–	–	–	(9,891)

PRO Advances	(3,178)	–	(3,178)	–	–	–	–	(3,178)
VAT	(1,789)	(1,789)	–	–	–	–	–	(1,789)
Other creditors	(794)	(415)	–	(379)	–	–	–	(794)
Lease liability	(735)	(28)	(61)	(646)	–	–	–	(735)
Corporation tax payable	(67)	–	(67)	–	–	–	–	(67)
Directors fees payable	(27)	(27)	–	–	–	–	–	(27)
	(689,563)	**(15,179)**	**(8,436)**	**(63,552)**	**(57,452)**	**(729,047)**	**–**	**(873,666)**

18. Related party transactions and Directors' remuneration

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions.

All Directors are non-executive. The Directors' remuneration, excluding disbursements, for the year ended 31 March 2023 amounted to £473,000/$576,355 with no outstanding fees due to the Directors at 31 March 2023 (31 March 2022: £458,360/$613,720, with outstanding fees of £18,750/$24,745). There were no supplementary fees paid to Directors in the year ended 31 March 2023. Directors are reimbursed for out-of-pocket expenses incurred in fulfilling their roles, including costs of travel and accommodation (as required).

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

19. Material Agreements

Investment Adviser

The Company has entered into an Investment Advisory Agreement with the Investment Adviser pursuant to which the Investment Adviser will source Songs and provide recommendations to the Board on acquisition and disposal strategies, manage and monitor royalty and/or fee income due to the Company from its copyrights and collection agents, and develop strategies to maximise the earning potential of the Songs in the portfolio through improved placement and coverage of Songs.

During the year responsibility for the maintenance of the Group's accounting books and records, systems of internal control and financial reporting transferred from the Administrator to the Investment Adviser.

The Investment Adviser is entitled to receive an advisory fee (payable in cash) and a performance fee (usually payable predominantly in Shares subject to an 18 month lock up arrangement). The full terms and conditions of the calculation of the advisory and performance fees are disclosed in the Company's prospectus, which is available on the Company's website (https://www.hipgnosissongs.com/). However in summary:

Advisory fee

The advisory fee is calculated at the rate of:

1% per annum of the Average Market Capitalisation up to, and including, £250 million;

ii) 0.90% per annum of the Average Market Capitalisation in excess of £250 million and up to and including £500 million; and

iii) 0.80% per annum of the Average Market Capitalisation in excess of £500 million.

Advisory fees for the year were $12.5 million (31 March 2022: $16.5 million) with $0.4 million outstanding at 31 March 2023 (31 March 2022: $Nil).

Performance Fee

In respect of each accounting period, the Investment Adviser (or, where the Investment Adviser so directs, any member of the Investment Adviser's team) is entitled to receive a performance fee (the "Performance Fee") equal to 10% of the Excess Total Return relating to that accounting period provided that the Performance Fee shall be capped such that the sum of the advisory fee (payable in respect of the Average Market Capitalisation of Ordinary Shares only) and the Performance Fee paid in respect of that accounting period is no more than 5% of the lower of: (i) Net Asset Value; or (ii) Closing Market Capitalisation at the end of that accounting period.

The Excess Total Return for an accounting period is calculated by reference to: (i) the difference between the Performance Share Price at the end of that Accounting Period and the higher of: (a) the Performance Hurdle (being issue price compounded by 10% per annum from initial Admission subject to appropriate adjustments in certain situations); and (b) high watermark (being the Performance Share Price at the end of the last Accounting Period where a Performance Fee was payable); multiplied by (ii) the weighted average of the number of Ordinary Shares in issue (excluding any shares held in treasury) at the end of each day during that accounting period.

For the purposes of calculating the Performance Fee:

"Performance Share Price" means, in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the 1 month period ending on the last business day of that accounting period (which shall be adjusted as appropriate: (i) to include any dividend declared but not paid where the Ordinary Shares are quoted ex such dividend at any time during that month; (ii) to exclude any dividend paid in respect of the shares during that month; and (iii) for the PSP Adjustments). During the year, the average of the middle market quotations was 81.0p; and

"Performance Share Price Adjustments" means adjustments to the Performance Share Price to (i) include the gross amount of any dividends and/or distributions paid in respect of an Ordinary Share since initial Admission; and (ii) make such adjustments to take account of C Shares as were agreed between the Company and the Investment Adviser, acting reasonably and in good faith, at the time of issuance of such C Shares.

The amount of Performance Fee payable to the Investment Adviser shall be paid in the form of a combination of: a) cash equal to all taxes or charges payable with respect to the Performance Fee by the Investment Adviser or member(s) of the Investment Adviser's Team; and b) Ordinary Shares ("Performance Shares") which are either issued by the Company where the Ordinary Shares are on average trading at par or at a premium to the last reported Operative NAV per Ordinary Share at the relevant time or purchased from the secondary market where the Ordinary Shares are on average trading at a discount to the last reported Operative NAV per Ordinary Share at the relevant time and transferred to, the Investment Adviser or member(s) of the Investment Adviser's Team.

The Performance Shares are subject to 18-month lock-up arrangements. The performance fee for the year ended 31 March 2023 was $Nil (31 March 2022: $Nil).

Administration Agreement

Pursuant to the Administration Agreements: (i) Ocorian Administration (Guernsey) Limited has been appointed as Administrator of the Company; and (ii) Ocorian Administration (UK) Limited has been appointed as administrator to the subsidiaries. The Administrator or Ocorian Administration (UK) Limited (as applicable) are responsible for the day-to-day administration of the Company and its subsidiaries subject to the relevant Administration Agreement and general secretarial functions required by the Companies Law. During the year responsibility for the maintenance of the Group's accounting books and records, systems of internal control and financial reporting transferred from the Administrator to the Investment Adviser. For the purposes of the RCIS Rules, the Administrator is the designated manager of the Company.

Under the terms of the Administration Agreement between the Administrator and the Company, the Administrator is entitled to a fixed fee as at 31 March 2023 of £193,000 ($231,600) (31 March 2022: £187,500, $246,259) per annum for services such as administration, corporate secretarial, corporate governance, regulatory compliance and stock exchange continuing obligations. Additional ad hoc fees are payable in respect of certain additional services as determined by the Administration Agreement. Administration fees for the year to 31 March 2023 amounted to £209,873 ($251,848) (31 March 2022: £364,612, $478,875) of which nil (31 March 2022: £43,125, $56,639) was outstanding at the year end.

Under the terms of the Administration Agreement between Ocorian Administration (UK) Limited and the subsidiaries the Administrator is entitled to a fixed fee as at 31 March 2023 of £3,500 ($4,200) (31 March 2022: £14,000, $18,387) per subsidiary and a variable incremental fee per annum per additional Catalogue held by a subsidiary for services such as administration and corporate secretarial. Administration fees for the subsidiaries for the year amounted to £296,595 ($355,914) (31 March 2022: £489,683, $673,007) of which nil (31 March 2022: £237,490, $311,916) was outstanding at the year end.

20. Earnings per share

	31 March 2023 Basic	31 March 2023 Diluted
Loss for the year ($'000)	(89,638)	(89,638)
Weighted average number of Ordinary Shares outstanding	1,210,360,176	1,210,360,176
Earnings per share (cents)	**(7.41)**	**(7.41)**

	31 March 2022 Basic	31 March 2022 Diluted
Loss for the year ($'000)	(19,443)	(19,443)
Weighted average number of Ordinary Shares outstanding	1,175,596,128	1,175,596,128
Earnings per share (cents)	**(1.65)**	**(1.65)**

The earnings per share is based on the loss of the Group for the year and on the weighted average number of Ordinary Shares outstanding for the year ended 31 March 2023. As disclosed in Note 11, the Company repurchased Ordinary Shares during the year which are held as Treasury Shares at year end and these shares are not included the EPS calculation.

21. Auditor's remuneration

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

	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
PricewaterhouseCoopers CI LLP annual audit fees	753	600
PricewaterhouseCoopers CI LLP annual audit fees	**753**	**600**
Pricewaterhouse Coopers CI LLP Interim review fees	53	53
PricewaterhouseCoopers CI LLP non audit fees	**53**	**53**

22. Fair value gain on held for trading derivative financial instruments

The Company has the following derivative financial instruments in the following line items in the Consolidated Balance Sheet:

	31 March 2023 $'000	31 March 2022 $'000
Held for trading financial assets		
Foreign exchange forward contracts	4,914	–
Held for trading financial liabilities		
Interest rate swap arrangements	(3,395)	–

The carrying value of the held for trading financial instruments represent their fair value at year end.

The fair value gain on the held for trading derivative financial instruments are set out in the below table:

	1 April 2022 to 31 March 2023 $'000	1 April 2021 to 31 March 2022 $'000
Fair value gain on foreign exchange forward contracts	6,017	–
Fair value loss on interest rate swap arrangements	(3,395)	–
	2,622	**–**

23. Presentation Change

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

Consolidated Statement of Profit and Loss

	As reported in 31 March 2022 Annual Report 1 April 2021 to 31 March 2022 $'000	Presentation change $'000	As reported in 31 March 2023 Annual Report 1 April 2021 to 31 March 2022 $'000
Income			
Total revenue	200,384	–	200,384
Interest income	5	–	5
Royalty costs	(32,041)	–	(32,041)
Net revenue	**168,348**	**–**	**168,348**
Expenses			
Advisory and performance fees	(16,548)	–	(16,548)
Administration fees	(1,152)	–	(1,152)
Legal and professional fees	(5,999)	–	(5,999)
Audit fees	(600)	–	(600)
Brokers' fees	(274)	–	(274)
Directors' remuneration	(696)	–	(696)
Listing fees	(34)	–	(34)
Subscriptions and licences	(526)	–	(526)
Public relations fees	(702)	–	(702)
Catalogue bonus provision	–	(936)	(936)

Charitable donations	(208)	208	–
Movement in ECL provision for HSG advances	–	(1,570)	(1,570)
Other operating expenses	(12,403)	2,298	(10,105)
Amortisation of Catalogues of Songs	(105,787)	–	(105,787)
Impairment of Catalogues of Songs	(1,490)	–	(1,490)
Amortisation of borrowing expenses	(1,635)	–	(1,635)
Borrowing cost extinguishment	–	–	–
Fixed asset depreciation	(712)	–	(712)
Loan interest	(20,377)	–	(20,377)
Fair value gain on held for trading derivative financial assets	–	–	–
Finance charges for deferred consideration	(212)	–	(212)
Net loss from joint ventures	(836)	–	(836)
Foreign exchange losses	(14,857)	–	(14,857)
Operating expenses	**(185,048)**	**–**	**(185,048)**
Operating loss for the year before taxation	**(16,700)**	**–**	**(16,700)**
Taxation	(2,743)	–	(2,743)
Loss for the year after tax	**(19,443)**	**–**	**(19,443)**

24. Subsequent Events

On 28 April 2023 the Company's interim dividend of 1.3125 pence per Ordinary Share in respect of the period from 1 October 2022 to 31 December 2022 was paid.

On 23 June 2023 the Company's interim dividend of 1.3125 pence per Ordinary Share in respect of the period from 1 January 2023 to 31 March 2023 was declared.

Alternative Performance Measures

For the year ended 31 March 2023

Adjusted EPS

Definition
Loss after tax excluding Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses and Provision for HSG Advances divided by weighted average number of Ordinary Shares outstanding.

Reason for Use
Adjusted EPS is a strong indicator of Company performance and profitability after adjusting for non cash and financing items. Catalogue Bonus Provision has been included in the calculation in the current year as the Company does not anticipate this provision to occur at a material level in future years.

Calculation	31 March 2023 $'000	31 March 2022* $'000
Loss after tax	(89,638)	(19,443)
Total Amortisation	113,201	107,633
Impairment of Catalogues of Songs	3,901	1,490
Borrowing cost extinguishment	5,007	–
Depreciation	653	712
Lease liability interest	369	–

Catalogue bonus provision	43,757	936
HSG restructuring costs	1,028	–
Foreign exchange losses	3,157	14,857
Fair value gain on held for trading financial instruments	(2,622)	–
Movement in ECL provision for HSG advances	2,196	1,570
Adjusted earnings	**81,009**	**107,755**
Tax arising on above adjusting items †	(31,169)	(23,348)
	49,840	**84,407**
Weighted Average number of Ordinary Shares outstanding (number)	1,210,360,176	1,175,596,128
Adjusted Earnings per Share (cents)	**4.12**	**7.18**

† This figure is the sum of the tax effects of individual adjusting items other than permanent differences, calculated using the prevailing 19% corporation tax rate for the periods for UK items and 21% rate of US Federal corporate income tax for US items.

Adjusted Operating Costs less Interest Expense

Definition

Operational expenses less Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses, Provision for HSG Advances and Interest Expense.

Reason for Use

An indicator to Shareholders of the Company's underlying operational expenditure excluding non cash and financing items. Catalogue Bonus Provision has been included in the calculation in the current year as the Company does not anticipate this provision to occur at a material level in future years.

Calculation	31 March 2023 $'000	31 March 2022* $'000
Operational expenses	233,863	185,048
Total Amortisation	(113,201)	(107,633)
Impairment of Catalogues of Songs	(3,901)	(1,490)
Borrowing cost extinguishment	(5,007)	–
Depreciation	(653)	(712)
Lease liability interest	(369)	–
Catalogue bonus provision	(43,757)	(936)

HSG restructuring costs	(1,028)	–
Foreign exchange losses	(3,157)	(14,857)
Fair value gain on held for trading financial instruments	2,622	–
Provision for HSG advances	(2,196)	(1,570)
Interest expense	(33,700)	(20,377)
	29,516	**37,473**

* Refer to change in definitions on Alternative Performance Measures

Annualised Ongoing Charges

Definition

Adjusted Operating Costs less Interest Expense and non-recurring administrative expenses over a 12-month period.

Reason for Use

Ongoing Charges are a good indicator to Shareholders of the Company's continuing operating expenses excluding the cost of financing. These operating expenses are likely to recur in the foreseeable future.

Calculation	31 March 2023 $'000	31 March 2022 $'000
Adjusted Operating Costs less Interest Expense*	29,516	37,474
Non Recurring Administrative Expenses	(2,195)	(6,063)
	27,321	**31,411**

* Refer to change in Adjusted Operating Costs definition on Alternative Performance Measures

Distributable Revenues

Definition

Distributable Revenues are the Loss after Tax excluding Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses and Provision for HSG Advances.

Reason for Use

Distributable Revenues are the adjusted profits attributable to the Company's revenue activities and are an indicator of the Company's ongoing ability to pay its dividends, thereby excluding the impact of IFRS accounting matters, liabilities and costs not expected to occur at levels of current year.

Calculation	31 March 2023 $'000	31 March 2022 $'000
Loss after tax	(89,638)	(19,443)
Total Amortisation	113,201	107,633
Impairment of Catalogues of Songs	3,901	1,490

Borrowing cost extinguishment	5,007	–
Depreciation	653	712
Lease liability interest	369	–
Catalogue bonus provision	43,757	936
HSG restructuring costs	1,028	–
Foreign exchange losses	3,157	14,857
Fair value gain on held for trading financial instruments	(2,622)	–
Movement in ECL provision for HSG advances	2,196	1,570
	81,009	**107,755**

Dividend Cover

Definition
Distributable Revenues divided by the dividend paid during the year.

Reason for Use
A strong indicator to Shareholders of the Company's ability to pay a dividend from retained earnings.

Calculation	31 March 2023 $'000	31 March 2022 $'000
Distributable Revenues	81,009	107,755
Dividend Paid	56,260	84,300
	1.44	**1.28**

EBITDA

Definition
The Operating loss before Tax plus Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses, Provision for HSG Advances and Interest Expense.

Reason for Use
A strong indicator to Shareholders of Company performance and profitability after adjusting for non cash and financing items. Catalogue Bonus Provision has been included in the calculation in the current year as the Company does not anticipate this provision to occur at a material level in future years.

Calculation	31 March 2023 $'000	31 March 2022* $'000
Operating loss	(86,630)	(16,700)
Total Amortisation	113,201	107,633

Impairment of Catalogues of Songs	3,901	1,490
Borrowing cost extinguishment	5,007	–
Depreciation	653	712
Lease liability interest	369	–
Catalogue bonus provision	43,757	936
Restructuring costs	1,028	–
Foreign exchange losses	3,157	14,857
Fair value gain on held for trading financial instruments	(2,622)	–
Movement in ECL provision for HSG advances	2,196	1,570
Interest expense	33,700	20,377
	117,717	**130,875**

* Refer to change in definitions on Alternative Performance Measures

Leveraged Free Cash Flow

Definition

Net Cash from operating activities less interest paid, acquisition related balances and foreign exchange losses.

Reason for Use

A good indicator to Shareholders of the cash position of the Company and the availability of cash flows to fund dividend payments.

Calculation	31 March 2023 $'000	31 March 2022• $'000
Net Cash from operating activities	102,129	84,869
Acquisition related balances	–	9,505
Foreign exchange losses	3,157	11,098
Interest paid	(23,433)	(20,775)
	81,853	**84,697**

* Refer to change in definitions on Alternative Performance Measures

Net Debt

Definition

Loan facility amount utilised less cash held at bank.

Reason for Use

Liquidity metric used to determine how well a company can pay all of its debts if they were due immediately.

Calculation	31 March 2023 $'000	31 March 2022 $'000
Loan facility amount	600,000	600,000
Cash at bank	(37,965)	(30,067)
	562,035	**569,933**

Non recurring administrative expenses

Definition

Non recurring expenditure included within operating expense.

Reason for Use

A good indicator to Shareholders of expenses not likely to recur in the foreseeable future.

Calculation	31 March 2023 $'000	31 March 2022* $'000
Non recurring expenses included within:		
Legal and professional fees	546	2,099
Brokers' fees	122	18
Public relations fees	100	145
Advisory and performance fees	–	43
Other operating expenses	1,427	3,758
	2,195	**6,063**

* Refer to change in definitions on Alternative Performance Measures

Ongoing Charges %

Definition

Annualised ongoing charges divided by Average Operative NAV.

Reason for Use

To monitor the expenses, which are likely to recur, relative to the fund size over time.

Calculation	31 March 2023 $'000	31 March 2022 $'000
Annualised Ongoing Charges*	27,321	31,411

Average Operative NAV	2,257,887	2,044,831
	1.21%	**1.54%**

* Refer to change in Adjusted Operating Costs definition on Alternative Performance Measures

Operative NAV

Definition
The IFRS NAV adjusted for the Fair Value of the Catalogues of Songs.

Reason for Use
The Operative NAV reflects the values of the Catalogues of Songs based on fair values produced by the Portfolio Independent Valuer.

	31 March 2023 $'000	31 March 2022 $'000
IFRS NAV	**1,434,534**	**1,582,399**
Adjustments for revaluations of Catalogues of Songs to fair value	565,478	457,441
Reversal of accumulated amortisation and impairment	316,036	199,800
Operative NAV	**2,316,048**	**2,239,640**

Total Amortisation

Definition
Amortisation of Catalogues of Songs plus amortisation of capitalised borrowing costs plus finance charges for deferred consideration.

Reason for Use
Total amortisation is the measure of the non-cash items arising from accounting treatment and includes the amortisation of borrowing costs, and is used to evaluate the performance without any amortisation.

Calculation	31 March 2023 $'000	31 March 2022 $'000
Amortisation of Catalogues of Songs	111,583	105,787
Amortisation of capitalised borrowing costs	1,618	1,635
Finance charges for deferred consideration	–	212
	113,201	**107,634**

NAV Total Return

Definition
Operative NAV per share plus cumulative dividends paid up to year end less the Operative NAV per share as at 11 July 2018, divided by the Operative NAV as at 11 July 2018.

Reason for Use
To show how the assets have performed since IPO to Shareholders.

Calculation	31 March 2023 $'000	31 March 2022 $'000
Operative NAV per share	1.9153	1.8491
Cumulative dividends paid to year end	0.2789	0.2159
Operative NAV at IPO	(1.2983)	(1.2983)
	0.8959	0.7667
Operative NAV at IPO	1.2983	1.2983
	69.01%	**59.05%**

12 Month NAV Total Return

Definition
Operative NAV per share as at year end plus dividend paid during the 12-month to year end less the Operative NAV per share as at the beginning of the year divided by the Operative NAV per share as at the beginning of the year.

Reason for Use
To show how the assets have performed over the past 12 months to Shareholders.

Calculation	31 March 2023 $'000	31 March 2022 $'000
Operative NAV per share at year end	1.9153	1.8491
Dividend paid during the 12-month period to year end	0.0631	0.0726
	1.9784	1.9217
Operative NAV per share at beginning of year	1.8491	1.6829
	6.99%	**14.19%**

Change in definitions on Alternative Performance Measures

Performance Measure	Definition as reported in March 2023 Annual Report	Definition as reported in March 2022 Annual Report	Reason for change
Adjusted EPS	Loss after tax excluding Total Amortisation, Impairment of Catalogues of Songs, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses and Provision for HSG Advances divided by weighted average number of Ordinary Shares outstanding.	Loss after tax excluding Total Amortisation, Impairment of Catalogues of Songs, Depreciation, Foreign Exchange Losses and Provision for HSG Advances divided by weighted average number of Ordinary Shares outstanding.	Catalogue Bonus Provision and Restructuring Costs are now included in the Adjusted EPS calculation as they are liabilities recognised based on Catalogue performance in the current year which the Company doesn't anticipate will incur at a material level in future years.

Adjusted Operating Costs less Interest Expense	Operational expenses less Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses, Provision for HSG Advances and Interest Expense.	Operational expenses less Total Amortisation, Depreciation, Impairment, Foreign Exchange Losses and Provision for HSG Advances less Interest Expense.	Catalogue Bonus Provision and Restructuring Costs are now included in the Adjusted Operating Costs less interest calculation as they are liabilities, and costs not expected to occur to current year's levels, in the current year which the Company doesn't anticipate will incur at a material level in future years.
EBITDA	The Operating loss before Tax plus Total Amortisation, Impairment, Depreciation, Catalogue Bonus Provision, Restructuring Costs, Foreign Exchange Losses, Provision for HSG Advances and Interest Expense.	The Operating loss before Tax plus Total Amortisation, Impairment, Loan Interest, Depreciation, Foreign Exchange Losses and Provision for HSG Advances	Catalogue Bonus Provision and Restructuring Costs are now excluded from the EBITDA calculation as they are liabilities recognised based on Catalogue performance outside of the operating activities of the Company which the Company doesn't anticipate will incur at a material level in future years.
Leveraged Free Cash Flow	Net Cash from Operating Activities less interest paid, acquisition related balances and foreign exchange losses.	Net Cash from Operating Activities less Purchase of Fixed Assets.	To provide increased clarity to investors that interest is considered to be a levered payment. The purchase of fixed assets is not significant to the calculation and was removed. The calculation disclosure has been expanded to include Acquisition related balances and the impact of Foreign Exchange to provide clarity to investors on the Company's calculation methodology of Leveraged Free Cash Flow.
Non recurring administrative expenses	Non recurring expenditure included within operating expenses.	Exceptional costs included within legal and professional and listing fees plus Aborted deal expenses plus interest costs.	Non recurring expenditure in the current year is included throughout operating expenses and is not isolated to legal and professional and listing fees. Interest costs have been removed from the calculation as this calculation seeks to present the leveraged free non-recurring administrative expenses.