

• **Go Your Own Way** • Don't Stop Believin' • **Something Just Like This** • Shape Of You • **Closer** • Girls Like You • **Don't Let Me Down** • Castle on the Hill • **Sweet Dreams (Are Made Of This)** • Whatever It Takes • **New Rules** • **The Middle** • Havana • **In My Blood** • What About Us • **Love Yourself** • There's Nothing Holdin' Me Back • **No Tears Left To Cry** • High Hopes • **Look What You Made Me Do** • **Under The Bridge** • Beautiful Trauma • **Treat You Better** • What Lovers Do • **Uptown Funk!** • Photograph • **Happier** • Youngblood • **Separate Ways (Worlds Apart)** • Faithfully • **Breathin** • Single Ladies (Put A Ring On It) • **Love Shack** • **Californication** • Memories • **Don't Stop** • Livin' On A Prayer • **Sorry** • Wanted Dead Or Alive • **Royals** • Black Hole Sun • **Any Way You Want It** • God Is A Woman • **Señorita** • River • **Locked Out Of Heaven** • These Days • **All I Want For Christmas Is You** • The Chain • **Roses** • Shallow • **Otherside** • Scar Tissue • **Whenever, Wherever** • Young Dumb & Broke • **Sick Boy** • Let It Go • **Me Enamoré** • Supermarket Flowers • **Paris** • Your Love • **Want To Want Me** • **Break Up With Your Girlfriend, I'm Bored** • Bad Romance • **Smooth** • Umbrella • **In Da Club** • Dark Necessities • **A Thousand Years** • Set Fire To The Rain • **Super Freak** • Skin • **Bangarang** • Chantaje • **Holiday Road** • Snow (Hey Oh) • **Can't Stop** • U Can't Touch This • **Close To Me** • Green Light • **Galway Girl** • Dani California • **Baby** • Feels • **Poker Face** • You Need To Calm Down • **Higher Love** • Rockabye • **Hey, Soul Sister** • I Don't Wanna Live Forever (Fifty Shades Darker) • **It Ain't Me** • #SELFIE • **We Are Young** • Stone In Love • **All Time Low** • Best Of Me • **Story Of My Life** • It's My Life • **You Give Love A Bad Name** • Hero • **Wolves** • Just The Way You Are • **What Makes You Beautiful** • Give It Away • **Don't Get Me Wrong** • HandClap • **Great Are You Lord** • **When I Was Your Man** • Waka Waka (This Time for Africa) • **Eraser** • ME! • **Bailando** • Dive • **Cold Water** • 2002 • **Everywhere** • Symphony • **Moves Like Jagger** • Issues • **Nothing Breaks Like A Heart** • Perro Fiel • **Open Arms** • Believe • **I'll Stand by You** • Let Me Love You • **Drag Me Down** • **SÚBEME LA RADIO** • **New Man** • Trumpets • **Back To Black** • Know No Better • **By The Way** • Rise • **You Make Loving Fun** • 2U • **DUELE EL CORAZÓN** • Beautiful Now • **Hearts Don't Break Around Here** • Despacito – Remix • **Brass In Pocket (I'm Special)** • We Are Family • **2000 Miles** • P.I.M.P. • **Give It To Me Baby** • Hurt Somebody • **Message Of Love** • Suga Suga • **Wrecking Ball** • Look What God Gave Her • **La Tortura** • I Predict A Riot • **Naked** • Just Give Me A Reason • **Anywhere** • Team • **Heart Of Gold** • Old Man • **Needed Me** • Bad To The Bone • **Blame** • Love My Life • **Go Robot** • Big Love • **Private Idaho** • Kickstart My Heart • **Brave** • Love You Like A Love Song • **Just Dance** • Never Going Back Again • **I Like It** • I Only Want to Be With You • **Familiar** • Titanium • **Roar** • Graveyard • **Hot In Herre** • Songbird • **Drive By** • Second Hand News • **Life Changes** • Impossible • **Toxic** • Call It What You Want • **Who's Crying Now** • What Happens In A Small Town • **Soul To Squeeze** • There Must Be An Angel (Playing With My Heart) • **I'm The One** • Nancy Mulligan • **Don't You Worry Child** • Back On The Chain Gang • **Tusk** • Ruby • **Some Nights** • Everybody Hates Me • **Tenerife Sea** • What Do I Know? • **The Heart Wants What It Wants** • Lean On • **Too Much To Ask** • Bloodstream • **Only The Young** • Let Me Go • **1-800-273-8255** • Lights • **Rockin' In The Free World** • With You • **Dirty Work** • History • **Stand By You** • Sofia • **Sky Walker** • Firebird • **Rearview Town** • Runaway Baby • **Scared to Be Lonely** • All The Small Things • **Electricity** • Come And Get It • **8Teen** • Disturbia • **Not Giving In** • Mercy • **Getaway Car** • Bed • **Stay** • First Of The Year • **Grenade** • Spoonman • **All Of The Stars** • When I Need You • **Little Lies**



## HIPGNOSIS SONGS FUND

### Hipgnosis Songs Fund Limited Interim Report

For the period ended 30 September 2023

**What Do You Mean?** • Candy Shop • **Mama** • Marry You • **For You (Fifty Shades Freed)** • Judas • **So Far Away** • Don't Wanna Know • **Now Or Never** • Lost In Japan • **Hey Look Ma, I Made It** • DJ Got Us Fallin' In Love • **Stitches** • All We Know • **Barracuda** • Heart Of Glass • **Wait** • Torn • **Live In The Moment** • Here Comes The Rain Again • **Hips Don't Lie** • Lonely Together • **Let's Stay Together** • **Treasure** • Wheel in the Sky •

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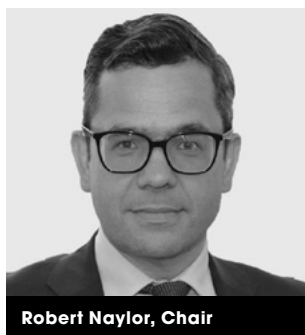


## **HIPGNOSIS SONGS FUND**

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

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

# The Chair's Statement



Robert Naylor, Chair

## Introduction

This is my first report as Chairman of Hipgnosis Songs Fund, having joined the Board with Francis Keeling on 7 November 2023. Christopher Mills subsequently joined the Board on 15 December 2023. These interim results are for the half year ended 30 September 2023.

## Votes against related party transaction and continuation as an investment company

At the Company's Annual General Meeting held on 26 October 2023, Shareholders overwhelmingly voted against the Company continuing its business as a closed-ended investment company, with 83% voting against. Shareholders also rejected, with 84% against, a related party transaction to sell a portfolio of 29 music catalogues to Hipgnosis Songs Capital, the trading name of Hipgnosis SC IV (Delaware), a limited partnership which is majority owned by funds managed and/or advised by Blackstone. Hipgnosis Songs Capital is advised by the same investment adviser as the Company – Hipgnosis Song Management Limited ("Hipgnosis Song Management" or "Investment Adviser"), which is also majority owned by funds managed and/or advised by Blackstone.

## Dividend

On 16 October 2023, the Company announced the suspension of the interim dividend of 1.3125p per share and further announced on 6 November 2023 that all dividends will be suspended for the rest of the financial year. This decision followed the identification, by the Investment Adviser of additional liabilities and certain over accruals for the prior year revenue.

The Board will act responsibly and only start paying dividends to shareholders when it believes that we can sustainably meet our banking covenants and working capital requirements.

The Board believes, based on forecasts provided by the Investment Adviser, that the Company should have sufficient headroom to operate within its banking covenants for at least the next 12 months. However, this is qualified by the continuation of issues around

financial reporting and controls. For example, the Board were made aware on Friday 15 December 2023 of a drafting error in a contract, whereby the Company received notice of the exercise of a put option contained within an acquisition contract, which increased the estimated liability from \$4 million to \$25 million. The Investment Adviser sought to remedy this over the subsequent weekend by way of an amendment to the contract and the Board now understands, from the Investment Adviser, the potential liability to be in the region of \$7.5 million to \$8.5 million.

## Portfolio Valuation

In spite of the positive music market and like-for-like income growth of the Company's assets, the Company's Operative NAV, which reflects the Fair Value of its assets as determined by the Independent Portfolio Valuer, has fallen 9.2%. This primarily reflects the material reduction in expectations of CRBIII and CRBIV income.

The Board are aware of multiple data points and transactions within the market which are at material discounts to the implied Fair Value of the Company's assets. Given these multiple valuation data points and the continued uncertainty in the wider macro-economic environment, the Board sought advice from Hipgnosis Song Management Limited, its Investment Adviser, which is majority owned by funds managed and/or advised by Blackstone on this matter. Hipgnosis Song Management is the Company's appointed expert on the marketplace for songs and de facto executive function, and the Board expects them to provide an opinion as to whether the Fair Value is reasonable.

Hipgnosis Song Management Limited at first declined to give an opinion but, after repeated requests from the Board, eventually provided an opinion which was heavily caveated. In the absence of further evidence or insight from the Investment Adviser, on which to base a judgement on the valuation of the Company's assets, the Board has concerns as to whether the Fair Value is reasonable.

Consequently, the Board recommends that investors use the Fair Value and the Operative NAV with a higher degree of caution and less certainty than might otherwise be attached to it as an accurate reflection of the fair value of the Company's assets. The Company confirms that the uncertainty around the Fair Value and Operative NAV has no impact on its banking covenants.

## Strategic Review

As announced previously, the Board, through its advisers, have begun due diligence on the Company's assets. Shot Tower LLC, a specialist music rights practice, is acting as lead adviser.

We have requested Hipgnosis Song Management propose alternative terms for their future investment advisory arrangements of the Company during this period of due diligence. Should Hipgnosis Songs Management not propose terms which the Board believes are in the best interests of the future of the Company and its shareholders, it will explore bringing forward alternative proposals to shareholders.

I have personally met with Shareholders holding, in aggregate, more than 60% of the Company's shares. There was a high degree of alignment between our diverse Shareholders with two key themes becoming apparent from these meetings.

Firstly, the failure of the financial reporting and controls at the Investment Adviser. Dan Pounder, who joined as CFO of the Investment Adviser on 1 September 2023, has begun to improve financial reporting and disclosure, which has led to short-term negative impacts on reporting. This is evidenced in the additional catalogue bonus provisions of \$23 million, deductions in the prior year income accrual of \$12 million due to a reduction in expected CRB III receipts and a proposed change to the revenue accrual methodology for the year end which may result in an adjustment reducing annual revenue by up to 10%. The Board has faith in Dan and his ability to improve the financial reporting.

Despite this, there is some positive performance in the underlying assets which shows like-for-like revenue statement growth of 10%.

Secondly, the perceived mismanagement of the conflicts of interest, both in the recently failed sale of assets to Hipgnosis Songs Capital, a fund that is majority owned by Blackstone, at a material discount to fair value of those assets and in the terms of the Investment Advisory Agreement with Hipgnosis Song Management. This is harder to address, but we will seek to do so in the coming months.

## Board Appointments

There has been significant change on the Board. Andrew Sutch, Andrew Wilkinson and Paul Burger all resigned as directors either immediately before or as a result of the vote at the Annual General Meeting. I am delighted that Christopher Mills joined the Board on 15 December 2023.

All the Directors on the Board last month bought shares in the Company in order to show the alignment of the Board's interests with those of its Shareholders.

## Outlook

Further to the due diligence underway, we will be able to better assess the quality of the Company's assets and prospects from which to put forward proposals to shareholders for the future of the Company.

## Robert Naylor

Chair

20 December 2023

# Financial and Operational Highlights<sup>1</sup>

Six months ended 30 September 2023

As at 30 September 2023, the Company had raised a total of over **£1.3 billion** (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent placings in April 2019, August 2019, September 2020, February 2021 and July 2021, as well as C-Share raises in October 2019 (which converted in January 2020) and July 2020 (which converted in December 2020). Our Revolving Credit Facility stands at \$700 million, of which \$604 million is drawn.

As at 30 September 2023, the Company had deployed approximately **\$2.2 billion** in total since IPO on 146 Catalogues and 65,413 Songs.

## IFRS NAV

**\$1.33 billion**

(31 March 2023: \$1.43 billion)

## Operative NAV

**\$2.10 billion**

(31 March 2023: \$2.32 billion)

## IFRS NAV per Ordinary Share

**\$1.1012**

(31 March 2023: \$1.1863)

## Operative NAV per Ordinary Share (\$)

**\$1.7392**

(31 March 2023: \$1.9153)

## Total Assets

**\$2.05 billion**

(31 March 2023: \$2.12 billion)

## Operative NAV per Ordinary Share (p)<sup>2</sup>

**142.49p**

(31 March 2023: 154.91p)

## 6 Month Total NAV Return

**(8.33%)**

(30 September 2022: 0.70%)

## Total NAV Return since inception

**56.72%**

(31 March 2023: 69.01%)

<sup>1</sup> A number of Alternative Performance Measures are used within the Report and their calculation can be found on page 52.

<sup>2</sup> Based on the Sterling to Dollar exchange rate at 30 September 2023 of 1.22055.

**Net Revenue from continuing operations**

**\$54.0 million**

(30 September 2022: \$76.8 million)

**EBITDA from continuing operations**

**\$39.7 million**

(30 September 2022: \$62.3 million)

**Leveraged Free Cash Flow**

**\$30.3 million**

(30 September 2022: \$28.4 million)

**Share Price Discount<sup>3</sup>**

**43.7%**

(31 March 2023: 47.7%)

**Total dividends paid during the period (p)**

**2.625p**

(30 September 2022: 1.3125p)

**EPS from continuing operations (cents)**

**(5.27)¢**

(30 September 2022: (1.72)¢)

**Adjusted EPS from continuing operations (cents)**

**1.37¢**

(30 September 2022: 3.63¢)

**Ongoing charges figure (%)**

**1.19%**

(30 September 2022: 1.23%)

<sup>3</sup> Calculated using the middle market share price (SONG) of 80.20p on 30 September 2023 (31 March 2023: 81.00p).

# Investment Adviser's Report

The Company's Portfolio as at 30 September 2023 comprised of 146 Catalogues containing 65,413 song rights acquired, as set out below.

Catalogue Name	Acquisition Date	Number of Songs	Genre	Vintage	Rights purchased				
					Composition Rights		Sound Recording Rights		
					Publisher Share	Writer's Share	Masters	Producer	Neighbouring Rights
10cc	17 Oct 19	29	Rock	10+			X		
50 Cent	30 Oct 20	388	R&B	10+	X				
Al Jackson Jr	08 May 19	185	Soul	10+	X	X	X	X	X
Ammar Malik	05 Dec 19	90	R&B	3-10	X	X			
Andrew Watt	17 Feb 21	105	Pop	3-10	X	X			
Andy Marvel	23 Jul 19	740	R&B	10+		X			
Andy Wallace	31 Mar 21	1,242	Rock	10+				X	X
Ann Wilson	29 Jul 21	152	Rock	10+	X	X	X		X
Ari Levine	31 Mar 19	76	Pop	3-10	X	X			
Aristotricks*	30 Oct 20	152	Pop	10+	X				
Arthouse	15 Nov 19	44	Pop	3-10	X				
B-52's	30 Oct 20	96	Pop	10+	X				
Barry Manilow	16 Jul 20	917	Disco	10+			X		X
Benny Blanco	02 Aug 19	93	Pop	3-10	X				
Bernard Edwards	28 Nov 18	290	Disco	10+	X	X			
Blondie	30 Jul 20	197	Rock	10+		X			X
Bob Rock	04 Dec 20	43	Rock	10+				X	
Bonnie McKee	30 Oct 20	78	Pop	10+	X	X			
Brendan O'Brien	13 Dec 19	1,855	Rock	10+				X	X
Brian Higgins	22 Jan 20	362	Dance	10+	X	X			
Brian Kennedy	14 Jun 19	101	R&B	10+	X				
Brian Kennedy (Writer Share)	23 Dec 20	139	R&B	10+		X			
Brill Building*	30 Oct 20	234	Pop	3-10	X				
Carole Bayer Sager	17 Mar 21	983	Pop	10+	X	X			
Caroline Ailin	10 Dec 20	2	Dance	3-10	X	X			
Chris Cornell	10 Aug 20	241	Rock	10+	X	X	X		X
Chrissie Hynde	10 Sep 20	162	Rock	10+	X	X			
Christian Karlsson	02 Mar 21	255	Dance	10+	X	X			
Christina Perri	30 Oct 20	68	Pop	3-10	X				X
Christine McVie	21 Jul 21	115	Rock	10+	X	X			X
Closer (J King & I Slade)	27 Jul 20	2	Dance	3-10	X	X			
Dave Sitek	31 Mar 21	230	Rock	10+	X	X			
Dave Stewart	07 May 19	1,068	Dance	10+	X	X	X	X	X
Dierks Bentley	30 Oct 20	113	Country	3-10	X				
Ed Drewett	09 Dec 19	109	Dance	3-10	X				
Editors*	30 Oct 20	64	Rock	10+	X				
Eliot Kennedy	16 Jul 20	217	Rock	10+	X	X			
Elliot Lurie	24 Aug 21	70	Pop	10+		X			
Eman	30 Oct 20	97	Pop	3-10	X	X			
Emile Haynie	13 Dec 19	122	Pop	3-10	X	X		X	X
Enrique Iglesias	30 Oct 20	157	Latin	3-10	X	X			
Eric Bellinger	12 Jul 19	242	R&B	3-10		X	X		X
Eric Stewart	02 Dec 20	255	Disco	10+		X			X
Espionage	26 Mar 21	151	Pop	10+	X	X			
Evan Bogart	30 Oct 20	229	Pop	3-10	X				
Fraser T Smith	05 Dec 19	298	R&B	3-10		X			
George Benson	30 Sep 20	107	Jazz	10+	X				
George Thorogood	30 Sep 20	40	Country	10+	X				
Giorgio Tuinfort	21 Dec 18	182	Dance	3-10	X	X			
Good Soldier*	30 Sep 20	760	Pop	3-10	X				
Greg Wells	10 Feb 20	11	Pop	3-10				X	X
Happy Perez	31 Mar 21	192	R&B	3-10	X	X			

\* Catalogue included in Second Disposal \*\* Catalogue partially included in Second Disposal † Interest in Songs and/or recording rights. Ownership dependent on terms of acquisition



Catalogue Name	Acquisition Date	Number of Songs	Genre	Vintage	Rights purchased				
					Composition Rights		Sound Recording Rights		
					Publisher Share	Writer's Share	Masters	Producer	Neighbouring Rights
Holy Ghost	30 Sep 20	62	Dance	3-10	X				
Ian Kirkpatrick	29 Jul 20	137	Pop	3-10	X	X			
Itaal Shur	31 Jan 19	209	Latin	10+	X	X			X
Ivor Raymonde	13 Aug 20	505	Soul	10+	X	X			
J-Kash	30 Sep 20	90	Pop	3-10	X				
Jack Antonoff	05 Dec 19	188	Rock	3-10	X	X			
Jamie Scott	15 May 19	144	Pop	3-10	X	X			
Jaron Boyer	05 Nov 19	109	Country	3-10	X	X			
Jason Ingram	10 Jul 19	462	Christian	3-10	X	X			
Jeff Bhasker	11 Dec 19	436	Pop	3-10				X	X
Jimmy Iovine	24 Dec 20	259	Rock	10+				X	
Joel Little	24 Dec 20	178	Rock	3-10	X	X			
John Newman	05 Nov 19	47	Dance	3-10	X	X			
John Rich	30 Sep 20	7	Country	3-10	X				
Johnny McDaid	11 Dec 19	164	Rock	3-10	X	X			
Johnta Austin	22 Mar 19	249	R&B	3-10	X	X			
Jon Bellion	14 Jun 19	180	Pop	10+	X	X			
Jonathan Cain	28 Feb 20	216	Rock	10+	X	X			
Jonny Coffer	28 Feb 20	85	Pop	3-10	X	X			
Jordan Johnson	22 Jul 21	58	Pop	3-10	X	X			
Journey (Masters)	10 Jan 20	389	Rock	10+			X		
Journey (Publishing)	21 Oct 19	103	Rock	10+	X				
Julian Bunetta	16 Sep 20	188	Pop	3-10	X				
Kaiser Chiefs (Masters)	09 Dec 19	48	Rock	10+			X		
Kaiser Chiefs	15 Jul 21	136	Rock	10+		X			X
Kevin Godley	23 Sep 20	358	Rock	10+		X			X
Kojak	30 Sep 20	148	Pop	3-10	X	X			
LA Reid	30 Sep 20	162	R&B	10+	X	X			
Lateral**	30 Sep 20	248	Pop	3-10	X				
Lindsey Buckingham	24 Dec 20	161	Rock	10+	X	X			
Lindsey Buckingham (Kobalt)	30 Sep 20	174	Rock	10+	X				
LunchMoney Lewis	30 Sep 20	116	R&B	3-10	X	X			
Lyric Catalogue	17 Jun 19	571	R&B	10+	X			X	
Lyrical Anderson	30 Sep 20	96	R&B	3-10	X				
Madcon	30 Sep 20	173	R&B	3-10	X	X			
Mark Batson	30 Sep 20	210	R&B	10+	X				
Mark Ronson	14 Apr 20	315	Pop	3-10	X	X			
Martin Bresso	31 Mar 21	51	Pop	3-10	X	X			
Michael Knox	28 May 19	110	Country	3-10				X	X
Mobens*	30 Sep 20	1,034	Pop	3-10	X				
Nate Ruess	30 Sep 20	59	Pop	3-10	X				
Neal Schon	20 Jun 19	357	Rock	10+	X	X			
Neil Young	23 Dec 20	590	Rock	10+	X				
Nelly	15 Dec 20	240	R&B	10+		X			X
Nelly (Kobalt)	30 Oct 20	145	R&B	10+	X				
Nettwerk**	30 Sep 20	25,259	Pop	3-10	X				
Nikki Sixx	03 Sep 20	305	Rock	10+		X			X
NO I.D.	24 Jul 20	273	R&B	3-10	X	X			
Paul Barry	18 Mar 21	510	Pop	10+	X	X			
Poo Bear	21 Nov 18	214	Pop	3-10	X	X			
PRMD*	30 Sep 20	335	Dance	3-10	X		X		
Pusha T	24 Jul 20	238	Hip-Hop	3-10	X	X			X

\* Catalogue included in Second Disposal \*\* Catalogue partially included in Second Disposal † Interest in Songs and/or recording rights. Ownership dependent on terms of acquisition

Catalogue Name	Acquisition Date	Number of Songs	Genre	Vintage	Rights purchased				
					Composition Rights		Sound Recording Rights		
					Publisher Share	Writer's Share	Masters	Producer	Neighbouring Rights
Rainbow	15 Jan 19	15	Rock	10+			X		
Rebel One	10 Jan 20	157	Dance	3-10	X				
Red Hot Chili Peppers	14 Jul 21	220	Rock	10+	X	X			
RedOne	16 Jul 20	334	Pop	10+	X	X		X	X
Rhett Akins	23 Jul 21	564	Country	3-10	X	X			
Richie Sambora	04 Mar 20	186	Rock	10+	X	X			
Rick James	18 Sep 20	97	R&B	10+	X	X	X	X	X
Rico Love	26 Feb 19	245	R&B	3-10		X			
Rob Hatch	30 Sep 20	167	Country	3-10	X	X			
Robert Diggs "RZA"	12 Aug 20	814	R&B	10+	X	X			
Rock Mafia	30 Sep 20	393	Pop	10+	X				
Rodney Jerkins	16 Jul 20	982	R&B	10+	X	X			
Sacha Skarbek	20 Nov 20	303	Pop	10+	X	X			
Sam Hollander	31 Mar 19	499	Pop	3-10	X	X			
Savan Kotecha	18 Dec 19	49	R&B	3-10	X	X			
Savan Kotecha (Kobalt)	30 Sep 20	354	R&B	3-10	X	X			
Scott Cutler	24 Sep 20	111	Pop	10+	X	X			
Scott Harris	10 Jan 20	129	Dance	3-10	X				
Sean Garrett	21 Mar 19	588	R&B	3-10	X	X			
Shakira	24 Dec 20	145	Latin	3-10	X	X			
SK Music	30 Sep 20	23	Pop	3-10	X	X			
Skrillex	30 Sep 20	153	Dance	3-10	X				
Starrh	25 Apr 19	73	R&B	3-10	X	X			
Stefan Johnson	22 Jul 21	58	Pop	3-10	X	X			
Stereoscope*	30 Sep 20	456	Pop	3-10	X				
Steve Robson	17 Sep 20	1,034	Country	3-10		X		X	X
Steve Winwood	30 Sep 20	215	Pop	10+	X				
Teddy Geiger	12 Apr 19	6	Pop	3-10	X				
Tequila	30 Sep 20	1	Country	10+	X				
The Chainsmokers	22 Aug 19	42	Dance	3-10	X	X			
The-Dream	13 Jul 18	302	R&B	10+	X	X		X	
Third Day	30 Sep 20	212	Christian	3-10	X				
Timbaland	10 Oct 19	108	R&B	10+			X	X	X
Timeflies*	30 Sep 20	80	Dance	3-10			X		
TMS	17 Dec 18	121	Pop	3-10	X				
Tom DeLonge	23 Dec 19	157	Rock	10+	X	X			
Tricky Stewart	17 Dec 18	121	R&B	10+	X	X			
Tricky Stewart (Masters)	27 Nov 20	95	R&B	10+				X	X
Walter Afanasieff	30 Sep 20	213	Pop	10+	X				
Wayne Wilkins	30 Sep 20	113	Pop	10+	X	X			
Yaslina	30 Sep 20	73	Pop	10+	X	X			

\* Catalogue included in Second Disposal \*\* Catalogue partially included in Second Disposal † Interest in Songs and/or recording rights. Ownership dependent on terms of acquisition

## PFAR by Catalogue

The below table shows PFAR by Catalogue for the top 55 Catalogues, this represents 80% of total PFAR for the six months to 30 September 2023.

Catalogue Name	Genre	Vintage	Six months to 30 September 2021 \$'000	Six months to 31 March 2022 \$'000	Six months to 30 September 2022 \$'000	Six months to 31 March 2023 \$'000	Six months to 30 September 2023 \$'000
Red Hot Chili Peppers	Rock	10+	1,867.5	3,261.7	3,237.1	4,781.4	4,693.8
Nettwerk	Pop	3-10	2,888.9	3,300.3	2,783.7	4,066.8	4,273.4
RedOne	Pop	10+	1,305.3	1,854.5	1,985.2	2,624.3	2,867.9
Journey (Masters)	Rock	10+	1,758.6	1,877.1	1,634.9	1,832.2	1,654.2
Shakira	Latin	10+	1,387.3	1,130.1	1,407.2	1,349.8	1,639.8
50 Cent	R&B	10+	795.8	889.5	985.9	1,728.4	1,574.6
The Chainsmokers	Dance	3-10	1,173.7	1,324.4	1,280.8	1,555.3	1,245.5
Rick James	R&B	10+	558.3	617.7	716.7	838.4	1,222.4
Richie Sambora	Rock	10+	713.0	1,016.0	933.8	1,338.3	1,147.8
Neil Young	Rock	10+	297.6	769.7	1,015.8	1,223.6	1,136.7
Joel Little	Rock	3-10	1,290.5	1,320.1	1,308.4	1,477.1	1,124.8
Ari Levine	Pop	10+	755.0	841.5	1,062.9	1,099.9	1,104.5
Dave Stewart	Dance	10+	831.2	1,166.2	935.1	1,022.6	1,100.3
Christine McVie	Rock	10+	550.4	1,055.5	1,100.0	1,002.1	1,082.3
Johnny McDaid	Rock	3-10	874.2	883.7	894.3	1,582.0	1,040.7
Rodney Jerkins	R&B	10+	511.8	716.8	822.3	923.9	1,028.0
Chris Cornell	Rock	10+	932.2	1,102.6	1,166.4	796.4	948.2
The-Dream	R&B	10+	729.0	810.6	892.1	920.8	901.1
Lindsey Buckingham	Rock	10+	2,081.6	1,066.3	851.5	994.4	877.1
Mark Ronson	Pop	3-10	925.1	1,013.9	765.3	897.1	870.4
Steve Winwood	Pop	10+	560.4	574.7	630.5	839.6	858.2
Andrew Watt	Pop	3-10	1,230.2	1,255.1	904.8	915.0	834.5
Bernard Edwards	Disco	10+	514.1	569.4	782.1	608.4	811.5
Savan Kotecha	R&B	3-10	805.3	829.6	739.4	961.7	805.6
Jack Antonoff	Rock	3-10	748.3	798.7	839.9	936.3	798.0
Enrique Iglesias	Latin	3-10	490.6	590.7	636.3	901.0	797.4
Jonathan Cain	Rock	10+	696.1	899.0	888.0	929.4	773.2
Starrat	R&B	3-10	436.0	716.0	562.6	542.3	759.9
Tricky Stewart	R&B	10+	554.5	568.4	747.1	667.1	718.0
Brendan O'Brien	Rock	10+	574.4	740.2	638.1	606.0	717.2
Jeff Bhasker	Pop	3-10	642.9	624.4	669.2	578.7	649.1
Julian Bunetta	Pop	3-10	333.2	413.5	353.7	242.0	639.7
Tom DeLonge	Rock	10+	382.6	475.3	518.1	536.2	629.7
B-52's	Pop	10+	288.6	357.7	377.3	342.0	597.3
Giorgio Tuinfort	Dance	10+	394.7	509.0	623.3	516.2	587.2
Andy Wallace	Rock	10+	416.3	521.8	585.2	440.5	579.7
Benny Blanco	Pop	3-10	771.0	755.2	590.1	626.8	567.1
Good Soldier	Pop	3-10	410.0	639.6	456.7	555.7	565.9
Emile Haynie	Pop	3-10	441.8	782.0	619.5	571.9	564.0
Timbaland	R&B	10+	332.6	437.2	432.6	472.5	526.2
Neal Schon	Rock	10+	411.2	1,061.1	579.0	782.6	479.4
Happy Perez	R&B	10+	325.4	507.5	359.6	352.9	470.2
Nelly	R&B	10+	400.4	406.3	481.1	493.4	468.3
Ammar Malik	R&B	3-10	419.1	544.6	504.0	675.1	459.2
Jamie Scott	Pop	3-10	597.9	595.7	584.2	590.1	457.8
Christina Perri	Pop	10+	347.6	430.4	375.6	518.0	452.3
Skrillex	Dance	10+	389.9	475.9	402.4	893.4	443.0
Paul Barry	Pop	10+	107.8	0.2	486.5	479.8	439.1
Blondie	Rock	10+	281.7	381.7	409.3	513.4	437.6
Nikki Sixx	Rock	10+	328.5	346.5	370.2	426.1	431.5
Walter Afanasieff	Pop	10+	310.5	324.8	401.5	328.1	430.8
Lateral	Pop	3-10	255.3	308.5	326.8	325.6	412.5
Chrissie Hynde	Rock	10+	585.3	478.3	377.1	453.7	398.3
Rock Mafia	Pop	10+	333.7	314.0	327.5	467.7	389.2
Sam Hollander	Pop	3-10	514.6	821.3	486.9	619.8	368.5
Other Catalogues			13,920.1	15,396.0	14,186.7	14,995.8	13,061.5
<b>Total PFAR</b>			<b>52,780.0</b>	<b>61,468.5</b>	<b>59,032.5</b>	<b>67,759.4</b>	<b>64,912.2</b>

## 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 Catalogues of Songs are held at net book value (cost less accumulated amortisation and accumulated impairment), and an Operative NAV which adjusts the net book value of the Company's Catalogues to reflect their Fair Value, as determined by the Portfolio Independent Valuer. The IFRS Net Asset Value (NAV) per share as at 30 September 2023 was \$1.1012, which is a 7.2% decrease from \$1.1863 as at 31 March 2023.

The Board and the Investment Adviser consider that the most relevant NAV for Shareholders is the Operative NAV. The Operative NAV per share decreased by 9.2% to \$1.7392 at 30 September 2023 (31 March 2023: \$1.9153), driven primarily by a 6.4% decrease in the Fair Value of the Portfolio. This, together with the dividends, of 22.94p (29.55¢), takes Total NAV Return (\$) to Shareholders to 56.7% since the IPO on 11 July 2018.

### Operative NAV Bridge

From 1 April 2023 to 30 September 2023

	\$'m	Per share (\$)
<b>Opening Operative NAV</b>	<b>2,316.0</b>	<b>1.9153</b>
Loss for the period	(63.2)	(0.0523)
Amortisation and impairment during the period	69.1	0.0572
Dividends paid during the period	(39.8)	(0.0329)
Decrease in Fair Value of Catalogues	(179.1)	(0.1481)
<b>Closing Operative NAV</b>	<b>2,103.0</b>	<b>1.7392</b>

Based on the Sterling to Dollar exchange rate at 30 September 2023 of 1.221, the Operative NAV per share presented in Sterling is 142.49p per share (31 March 2023: 154.91p based on Sterling to Dollar exchange rate of 1.236). As at 19 December 2023, the Operative NAV per share presented in Sterling would be 136.53p per Share (GBP: USD 1.274).

### Fair Value of the Portfolio

The Fair Value is determined by the Portfolio Independent Valuer, Citrin Cooperman. The Fair Value of the Portfolio decreased by 6.4% to \$2.62 billion (31 March 2023: \$2.80 billion).

	\$'m
Fair Value of Portfolio at 31 March 2023	2,802.8
CRB III and CRB IV adjustments	(155.0)
Alternative platform licensing adjustment	(4.1)
FX rate adjustment	1.5
35-year rule reversions	(47.5)
Other	24.3
<b>Fair Value of Portfolio at 30 September 2023</b>	<b>2,622.0</b>

The main drivers of the change in the Fair Value of the Portfolio are:

- A \$155.0 million reduction as a result of the Portfolio Independent Valuer's lower estimate of CRB III retroactive payments (2018-2022) and future CRB IV (2023-2027) cash flows;
- A \$47.5 million reduction, reflecting potentially reduced future cash flows a result of the US "35-year rule", where artists can request reversion of their US creative copyrights (composition or sound recording) 35 years after a contractual grant of rights. This primarily impacts Catalogues bought as part of the Kobalt Fund 1 acquisition;
- A \$4.1 million impact due to reduced cash flow expectations from alternative platform licensing (licensing on social media, gaming and other emerging platforms including TikTok); and
- A \$24.3 million increase in value due to changes in subscription pricing of the DSPs, improved baselines and changes to applied future growth rates.

The Portfolio Independent Valuer applied an 8.5% discount rate (31 March 2023: 8.5%), based on a weighted average cost of capital using 50% equity; 50% debt capital structure; this models the cost of equity at 9.87% and the cost of debt at 7.13%. A sensitivity table is set out in Note 5 of the Financial Statements.

## Citrin Cooperman, the Portfolio Independent Valuer:

- One of the largest valuation providers in the music transactions marketplace;
- Conducts the valuations of many music publishing and recorded music assets on behalf of buyers, sellers and lenders;
- Conducts the annual valuations of most of the major public and private music funds;
- Values the Fair Value of Hipgnosis Songs Fund twice a year;

### Citrin Cooperman's Valuation Methodology

In determining the Fair Market value of the Portfolio, Citrin Cooperman ("CC"), adopts an income approach utilising a Discounted Cash Flow (DCF) method which determines the value of the Portfolio based on converting anticipated future economic benefits into a present single amount. It considers the expected growth and timing of the benefits, the risk profile of the benefits stream and the time value of money.

The key inputs to their DCF methodology include:

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

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

**Applying growth rates:** For Catalogues that contain significant new releases CC has developed lifecycle growth rates per major income stream that are applied on a per song basis for significant titles and are then weighted, based on each song's earnings contribution within each revenue stream. For Catalogues without significant new releases, referred to as "steady state" Catalogues by CC, growth rates from a low, mid or high tier are applied on a per income type, per catalogue basis that decline from an initial growth rate to a terminal growth rate over the period according to modelled growth curves. The selection of the growth tier applied to each Catalogue for each of its income types is determined by that Catalogue's historical earning trends.

Other considerations used by CC in developing their model for anticipated future cashflows include expectations from Alternative Platform Licensing (APL), such as TikTok, Facebook and Peloton, and adjustments required to earlier periods related to settlements, black box payments or other non-recurring payments.

**Discount Rate:** The other key assumption used by CC is the discount rate which it has maintained at 8.5% (31 March 2023: 8.5%). Citrin Cooperman has consistently taken a long-term view on interest rates. CC determine the discount rate using a modelled weighted average cost of capital (WACC) based on a 50:50 equity debt capital structure, with a derived cost of equity of 9.87% and a derived cost of debt of 7.13% utilizing third party data sources to support their calculation.

The Portfolio Independent Valuer reviews the discount rate regularly and will adjust the discount rate if it considers it appropriate. A 0.5% increase in the discount rate to 9.0% would result in a decrease to the Fair Value of the Catalogue of 7.8% (\$203.5 million). Sensitivities relating to the discount rate, applied growth rates and the terminal growth rate are set out further in Note 5 of the financial statements.

## Revenue

Total revenue from continuing operations decreased to \$63.2 million (six month period ended 30 September 2022: \$86.4 million) and Net revenue from continuing operations decreased to \$54.0 million (six month period ended 30 September 2022: \$76.8 million). The main driver for the revenue reduction is the de-recognition of part of the CRB accruals recognised in the prior year.

In the prior period, following the confirmation of the CRB III settlement for the Songwriters' mechanical portion of US Streaming income, a retroactive accrual for these payments was made totalling \$19.2 million. This accrual was increased to \$21.7 million as at 31 March 2023.

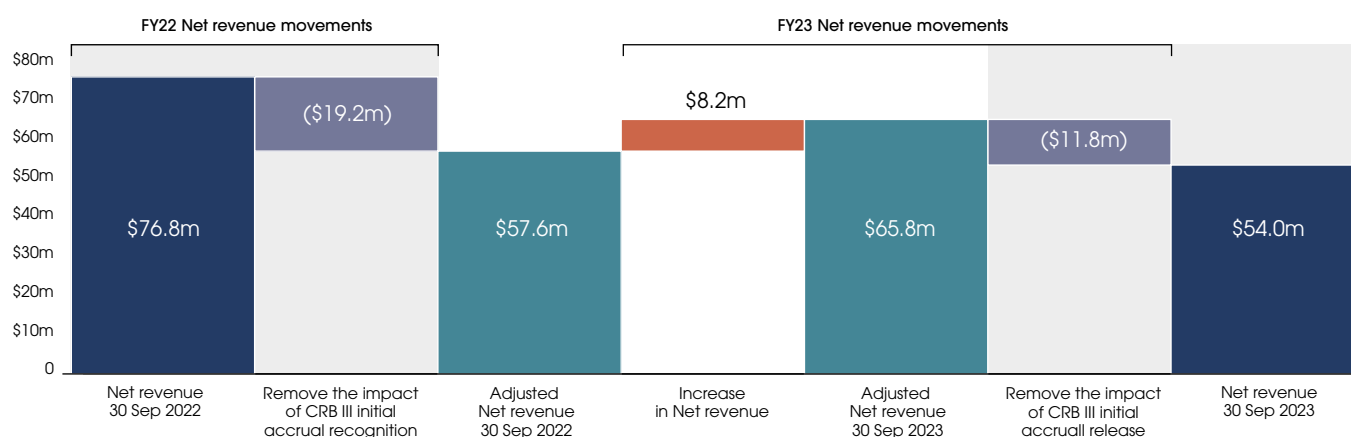
As a result of the Portfolio Independent Valuer materially reducing its previous expectations across the industry, the Company now expects to receive significantly lower retroactive payments in relation to CRB III and therefore reduced this retroactive accrual in the reporting period to \$9.9 million, decreasing Net revenue from continuing operations by \$11.8 million.

## Net Revenue

The chart below bridges the movements in IFRS Net Revenue from continuing operations between the reporting period and the prior period.

### Net Revenue Bridge (\$m)

30 September 2022 to 30 September 2023



Excluding these CRB III accruals, the Company saw an increase in IFRS adjusted Net revenue from continuing operations of \$8.2 million, 14.2% period-on-period. This increase is due to higher royalty statements received in the period which reflects an underlying increase in consumption of the Company's music.

## Accrued Income

Accrued income as at 30 September 2023 was \$121.5 million on a gross basis (31 March 2023: \$126.2 million). Within this balance is the CRB III retroactive accrual of \$9.9 million (31 March 2023: \$21.7 million). The Company is exploring refinements to the methodology adopted in the revenue accrual estimation process for the year end results with an aim to bring consistency to the description of IFRS revenue and the Pro Forma Annual Revenue measure through the use of granular data in the underlying calculations, to support an improved estimation process and enhanced disclosures.



### Hipgnosis Songs Group revenue

Hipgnosis Songs Group LLC (HSG) is an operating company within the Fund which carries out both administration and frontline publishing business activities. As such, a high proportion of its revenue is paid out to artists as royalty costs.

We set out Hipgnosis Songs Group LLC's (HSG) standalone Statement of Profit and Loss in Note 19; below we provide the revenue split by income stream. HSG's Net revenue has declined to \$2.8 million (six month period ended 30 September 2022: \$3.5 million) reflecting a lower margin revenue mix. A breakdown of Total revenue and Net revenue is presented below.

<b>HSG revenue split by income stream</b>	Six months to 30 September 2023 \$'m	Six months to 30 September 2022 \$'m	Variance %
Catalogues within the Portfolio reverted to administration at HSG	9.4	7.0	34.3
Third party administration income	6.1	7.0	(12.9)
Frontline publishing income	3.9	4.9	(20.4)
<b>HSG Total revenue</b>	<b>19.4</b>	<b>18.9</b>	<b>2.6</b>
Royalty cost	(16.6)	(15.4)	7.8
<b>HSG Net revenue</b>	<b>2.8</b>	<b>3.5</b>	<b>(20.0)</b>

### Pro Forma Annual Revenue (PFAR)

Given the multiple non-recurring elements captured within IFRS revenue, to provide Shareholders with an understanding of the like-for-like performance of the Company's revenue, the Company presents the Pro Forma Annual Revenue (PFAR) performance measure. This shows the gross royalty statements received or receivable within the reporting period 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 set out by income type for the six month period ended 30 September 2023 against the comparative period below. PFAR does not include any income from HSG (\$2.8 million in the reporting period) but does include PFAR relating to the Second Disposal of \$4.4 million (six month period ended 30 September 2022: \$3.1million).

<b>PFAR split by income type</b> <sup>1</sup>	<sup>1</sup> Six months to 30 September 2023 \$'m	<sup>1,2</sup> Six months to 30 September 2022 \$'m	Variance %
Streaming	26.6	23.2	14.7
Synchronisation	9.8	10.0	(2.0)
Performance	14.2	12.8	10.9
Mechanical	2.5	2.5	–
Digital downloads	1.2	1.3	(7.7)
Settlement and other	2.1	1.1	90.9
<b>Total Publishing Income</b>	<b>56.4</b>	<b>50.9</b>	<b>10.8</b>
Masters <sup>3</sup>	8.5	8.1	4.9
<b>Total PFAR</b> <sup>4</sup>	<b>64.9</b>	<b>59.0</b>	<b>10.0</b>

1 This shows the royalty statements received or receivable within the reporting period.

2 Restated to reflect actual statements received or receivable in the prior period.

3 Masters Income includes Artist Royalties, Producer Royalties and Neighbouring Rights.

4 PFAR for the 12 months to 30 September 2023 increased by 10.2% year-on-year to \$132.6 million (30 September 2022: \$120.3 million).

Streaming revenues increased by 14.7% period-on-period, comparing favourably with the +11% growth in US streaming revenue as reported by the RIAA. Synchronisation has seen a small decline in income by 2.0% in part reflective of the challenges created by the writers and actors strike which impacted licensing for part of this period. Performance income grew strongly with 10.9% period-on-period growth with mechanical income remaining consistent period-on-period. Digital downloads continued a downward trend as streaming dominates the user consumption market with a 7.7% decrease period-on-period.

Whilst the majority of our revenue is derived from our music composition rights, the Company also receives revenues from Sound Recording Rights, which includes both Masters and Producers. These combined revenues increased by 4.9% period-on-period, from \$8.1 million to \$8.5 million.

## Costs and EBITDA

### Operating expenses

Operating expenses from continuing operations increased 25.4% year-on-year to \$117.7 million for the six month period ended 30 September 2023 (six month period ended 30 September 2022: \$93.9 million).

The increase is driven by the recognition of a further Catalogue bonus provision of \$26.5 million, discussed below, and impairment of Catalogues of Songs of \$15.2 million as the application of the Company's asset impairment policy identified seven Catalogues that required impairment.

Exceptional transaction costs of \$5.7 million relating to legal and professional fees in relation to the proposed asset sales announced on 14 September 2023 were also incurred; these are materially lower than the \$13.9 million anticipated at the time the transaction was announced since a high proportion of the fees were contingent on shareholders approving the transaction.

HSG's operating costs increased to \$5.6 million (six month period ended 30 September 2022: \$5.5 million). See Note 19 for a standalone Statement of Profit and Loss for HSG.

Fees related to the payment of an aborted deal totalling \$1.0 million were paid in the reporting period in addition to further minor costs. Whilst the Company is not attempting any new acquisitions, no further aborted deal costs will be incurred.

The increase in operating expenses is offset by a \$19.7 million fair value gain recognised on the Company's held for trading derivative financial instruments.

Adjusted operating costs less interest expense (as defined in the Alternative Performance Measures on page 53) decreased by 1.9% to \$14.3 million (six month period ended 30 September 2022: \$14.5 million). This is primarily a result of the reduction to the Advisory fee of 20.1% year-on-year to \$5.4 million during the period (six month period ended 30 September 2022: \$6.8 million), which decreased due to the Company's lower share price during the period. Ongoing Charges as a percentage of the average Operative NAV decreased to 1.19% for the six month period ended 30 September 2023 (six month period ended 30 September 2022: 1.23%).

### Catalogue Bonus Provision

Catalogue bonuses are paid to Songwriters when

performance hurdles, defined in the catalogue acquisition agreements, are met. The decision of the Company to recognise a Catalogue bonus provision is based on the probability that expected future performance will achieve the defined performance hurdles (see Note 10).

During the six month period ended 30 September 2023, the Company has recognised a further \$26.5 million Catalogue bonus provision relating to six Catalogues. The Company also released Catalogue bonus provisions of \$3.3 million relating to two Catalogues where the performance hurdles were not achieved. The Company paid \$0.1 million of Catalogue bonus provision during the six months to 30 September 2023. This brings the total Catalogue bonus provision to \$68.1 million across 10 Catalogues.

The movement in the Catalogue bonus provision during the reporting period during the six months to 30 September 2023 is presented below:

	\$'m
At 1 April 2023	45.0
Increase in provision recognised	26.5
Payments during the period	(0.1)
Release of provision previously recognised	(3.3)
<b>At 30 September 2023</b>	<b>68.1</b>

In addition to the 10 Catalogues in its Portfolio that have a Catalogue bonus provision, there are a further 19 Catalogues that have an active Catalogue bonus clause which the Company considers are unlikely to meet their performance hurdles. These 19 Catalogues have theoretical bonus provisions totalling \$75.2 million (31 March 2023: nil) and are considered contingent liabilities; Note 10 provides associated sensitivity analysis.

### EBITDA

EBITDA from continuing operations for the six month period ended 30 September 2023 decreased by 36.2% to \$39.7 million (six month period ended 30 September 2022: \$62.3 million), primarily reflecting the reduction of the CRB III retroactive active accrual in net revenue.

### Leverage

Total debt, as defined within the Alternative Performance Measures, increased to \$674.0 million at 30 September 2023 (31 March 2023: \$648.2 million) as a result of an increase in Catalogue bonus provisions of \$23.1 million,



a drawdown from the RCF facility of \$4.0 million in July 2023, offset by a reduction in PRO advances of \$1.3 million.

Under the Investment Policy, total debt of the Company should not exceed 30% of the Operative NAV, equivalent to \$630.9 million as at 30 September 2023 (31 March 2023: \$694.8 million). During the period the Company exceeds this threshold, no further drawn downs can be made from the RCF. The current ratio of total debt to Operative NAV is 32.0% (31 March 2023: 28.0%).

In order to mitigate interest rate risk and provide certainty over interest payments, the Company holds interest rate swap agreements. 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).

Interest rate swap agreements hedged \$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. The Company received \$2.7 million income on the executed interest rate swaps which, when netted against our interest payments, results in net interest paid of \$18.3 million (six month period ended 30 September 2023: \$15.0 million). The increase in net interest paid over the period is due to an increase in the effective interest rate. There was a fair value gain recognised on the remaining interest rate swaps of \$21.1 million at 30 September 2023 as a result of their mark-to-market value at that date.

### Foreign Exchange Hedge

The Company holds 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 up to £50 million of forward contracts in place.

During the period, the Company realised a gain of \$3.2 million on the executed foreign exchange forward contracts. As at 30 September 2023, the Held for Trading derivative financial asset relating to the foreign exchange forward contract is \$0.2 million.

### Dividends

Dividends paid in the period of \$39.8 million related to the periods ended December 2022 (paid 28 April 2023) and March 2023 (paid 28 July 2023); this was covered 1.38x by available Distributable Revenues.

On 21 September 2023, the Company declared an interim dividend of 1.3125 pence per share for the period ended 30 June 2023. This dividend was subsequently withdrawn on 16 October 2023 to ensure on-going compliance with the RCF's Fixed Charge Coverage Ratio. This was due to the Portfolio Independent Valuer materially reducing expectations of the CRB III retroactive payments for the period covering 2018-2022 resulting in the Company partially reversing its CRB III retroactive active accrual to \$9.9 million from \$21.7 million as at 31 March 2023, thereby materially reducing its EBITDA for the reporting period. The Board has determined that it will not declare dividends before the new financial year.

### EPS

EPS from continuing operations for the six month period ended 30 September 2023 is (5.27¢) (six month period ended 30 September 2022: (1.72¢)); the reduction to EPS is set out in the below table:

<b>EPS Bridge</b>	Cents per share
Opening EPS from continuing operations at 1 October 2022	(1.73)
Reduction in Net Revenue	(1.89)
Reduction in Operating Expenses (excluding the below)	0.62
1. Exceptional transaction costs	(0.48)
2. Increase in Catalogue bonus provision	(1.62)
3. Increase in Impairment of Catalogues of Songs	(1.09)
4. Increase in loan interest	(0.71)
5. Fair value gain on held for trading derivative financial instruments	1.63
<b>Closing EPS from continuing operations at 30 September 2023</b>	<b>(5.27)</b>

As set out previously, the reduction in Net Revenue is primarily due to the reduction in the CRB III accrual held at 30 September 2023.

Adjusted EPS from continuing operations, as defined within the Alternative Performance Measures, which primarily removes the impact of Catalogue amortisation,

Catalogue bonus provision, impairment and the fair value gain on held for trading derivative financial instruments is 1.37 cents (six month period ended 30 September 2022: 3.63 cents).

**Sale of non-core assets**

On 14 September 2023, the Company announced the sale of a portfolio of non-core songs, subject to completion of legal documentation and the consent of the Company's lending banks, known as the Second Disposal. As this sale is not conditional on Shareholder approval and meets the requirements of IFRS 5, the Second Disposal is presented as a discontinued operation in the Condensed Consolidated Profit and Loss account for the six month period ended 30 September 2023 and a Held for Sale disposal group in the Condensed Consolidated Balance Sheet as at 30 September 2023.

The large majority of this transaction completed as set out in the announcement of 11 December 2023.

The profit for the period from discontinued operations is \$0.6 million (six month period ended 30 September 2022: \$0.8 million). See Note 20 for further detail on the Second Disposal.

**Merck Mercuriadis**

CEO, Hipgnosis Song Management Ltd.

20 December 2023

# Investment Objective and Policy

## Our Investment Objective

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

## Investment Policy

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

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

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

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

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

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

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

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

## Investment restrictions

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

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

### **Cash management**

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

### **Hedging and derivatives**

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

### **Leverage**

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

### **Amendments to and compliance with the Investment Objective and Policy**

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

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

# Principal Risks and Uncertainties

The following is a description of the principal risks and uncertainties for the remaining six months of the financial year, listed in alphabetical order.

## Counterparty and Interest Rate

### Description

The Company is exposed to changes in global interest rates in several ways. Predominantly, but not exclusively, the fiscal and monetary decisions of the US Government and its Central Bank will affect the interest rates of the Company's floating-rate RCF. The interest rate environment is unpredictable and consequently this could potentially affect the Company's ability to meet bank covenants and pay dividends. The risk is that the cost of the Company's bank debt exceeds the returns achieved by the assets acquired with the debt.

Fluctuations in interest rates may also impact the discount rate, which is used to evaluate the current and forecast value of Catalogues purchased, or already invested in. A potential increase in the discount rate would reduce the value of the NAV as determined by the Independent Valuer at 30 September 2023.

### Mitigation

The Company continues to monitor its interest rates exposure and interest swaps have been put in place, thereby fixing the majority of the debt for a tenor between circa 3 and 5 years. Sensitivity analysis is undertaken to identify the impact any changes in interest rates would have on the NAV and an updated valuation is undertaken every 6 months to reflect any material changes.

## Cyber security

### Description

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

### Mitigation

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

## Exchange rate

### Description

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

### Mitigation

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

## Failed Continuation Vote

### Description

Following the failure of the Continuation Vote at the Company's AGM, held on 26 October 2023, the Board is obliged to put forward proposals to Shareholders within six months for the reconstruction or reorganisation of the Company. The risk is that the Board's proposals are not approved by the requisite majority of Shareholders.

### Mitigation

The Company has entered into a period of strategic review to consider all options for the future of the Company, with the aim of maximising value for shareholders including, among other things, a review of the future management arrangements of the Company and the future of its operating company, HSG. Shot Tower Capital, LLC has been appointed as lead adviser to conduct due diligence on the Company's assets as part of this Strategic Review. The Board plans to continue its extensive engagement with Shareholders.

## Financial leverage

### Description

The Company uses leverage and may utilise borrowings for working capital and interest rate hedging purposes. In case of default under the relevant financing arrangement, the Company may face adverse action from its lenders leading to operating constraints and increased controls which may impact the medium-term dividend strategy.

### Mitigation

On 21 September 2023, the Company declared an interim dividend of 1.3125 pence per share for the period ended 30 June 2023. This dividend was subsequently withdrawn on 16 October 2023 to ensure on-going compliance with the RCF's Fixed Charge Coverage Ratio. The Board has determined that it will not declare dividends before the new financial year. The Board will only recommence returning capital to shareholders when it believes that it can sustainably meet its banking covenants and working capital requirements.

## Market risk

### Description

The Company's assets consist of music intellectual property rights which give rise to royalty income for the Company. The quality of earnings collection and the accuracy of projected future earnings represent a risk to the Company's investment strategy. For example, the Company is heavily reliant on streaming (or an equivalent technology) remaining popular with consumers. Any adverse change in streaming revenues would affect revenues. Performance income and a reduction in streaming subscriptions may be impacted by a major downturn in the global economies if this led to closure of venues. Conversely, technological advances could lead to a growth in royalties as consumers' access to music continues to improve.

### Mitigation

The Company has a well-diversified Portfolio around vintage, territory, genre and income type and will be heavily reliant on the continuing presence and popularity of DSPs in order to maximise access to the consumer market. The Company is continuously reviewing this risk and most recently took note of the latest report by the **RIAA**, the trade organization that monitors US recorded revenues, which showed that total revenues grew 9.3% year-on-year to an all-time high of \$8.4 billion for H1 2023. Paid subscriptions continued to be the strongest driver of revenue growth, increasing by more than \$550 million and averaging nearly 96 million subscriptions during the period. This supports data from IFPI, the organization that represents the recorded music industry worldwide which states there were 589 million users of paid subscription at the end of 2022, an increase of 13% over the year.

## Operational reliance on service providers

### Description

As a self-managed investment trust with a non-executive Board, the Company relies primarily on third-party service providers for its core operations including oversight of its subsidiaries under the terms of its Investment Advisory Agreement. Although the ultimate responsibility for the investment strategy lies with the Company, the Investment Adviser is responsible for sourcing potential opportunities and advising the Company on acquisitions and active management of Catalogues. The Company's dependence on service providers amplifies any transaction risks (such as tax structuring) due to the complexities of transactions, and the requirement to co-ordinate multiple service providers.

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

### Mitigation

Appropriate advice and support is sought as required and project plans are put in place and implemented. The Company continually reviews the performance of its service providers and will raise any concerns regarding performance or efficiency should the need arise. Governance and performance of service providers is monitored through the Management Engagement Committee of the Board.

## Royalty Rates and Distribution Policies

### Description

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

### Mitigation

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

## Emerging Risks

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

The principal risks and uncertainties of the Company were identified in further detail in the Annual Report and Financial Statements for the year ended 31 March 2023. The Company's principal risk factors are fully discussed in the Company's Prospectus, available on the Company's website ([www.hipgnosissongs.com](http://www.hipgnosissongs.com)) and should be reviewed by Shareholders.



# Directors' Responsibilities Statement

The Directors are responsible for preparing this Interim Report and Consolidated Financial Statements in accordance with applicable law and regulations. The Directors confirm that to the best of their knowledge:

The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting; and

The Chair's Statement and Investment Adviser's Report include a fair review of the information required by:

- i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first period of the financial year; their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties of the remaining six months of the year; and
- ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first period of the current financial year and that have materially affected the financial position or performance of the Company during that period.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Law. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law and regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website: <https://www.hipgnosissongs.com/song-investors/>.

The Company is a member of the Association of Investment Companies, complies with the AIC Code and is a constituent of the AIC's "Royalties" Specialist Investment Trusts sector classification. The Company's page on the AIC's website is at [www.theaic.co.uk/companydata/OP0001BL9D](http://www.theaic.co.uk/companydata/OP0001BL9D)

On behalf of the Board

**Robert Naylor**  
Chair

20 December 2023

# Condensed Consolidated Statement of Profit and Loss

For the six months ended 30 September 2023 (unaudited)

	Notes	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Income</b>			
Total revenue	12	63,200	86,392
Interest income		263	40
Royalty costs		(9,485)	(9,634)
<b>Net revenue from continuing operations</b>		<b>53,978</b>	<b>76,798</b>
<b>Expenses</b>			
Advisory and performance fees	15	(5,398)	(6,760)
Administration fees		(212)	(300)
Legal and professional fees		(1,711)	(1,728)
Audit fees		(571)	(189)
Brokers' fees		(115)	(94)
Directors' remuneration	15	(324)	(324)
Subscriptions and licences		(204)	(383)
Other operating expenses	13	(5,949)	(6,020)
Exceptional transaction costs	20	(5,747)	-
Movement in Catalogue bonus provision		(23,257)	(3,689)
Movement in ECL provision for HSG advances		(42)	375
Amortisation of Catalogues of Songs	5	(53,947)	(55,110)
Impairment of Catalogues of Songs	5	(15,194)	(2,007)
Amortisation of borrowing expenses	8	(620)	(1,001)
Fixed asset depreciation		(247)	(30)
Loan interest	8	(23,052)	(14,473)
Fair value gain on held for trading derivative financial instruments	18	19,652	-
Net loss from joint ventures		(446)	(48)
Foreign exchange losses		(280)	(2,083)
<b>Operating expenses</b>		<b>(117,664)</b>	<b>(93,864)</b>
<b>Operating loss for the period before taxation</b>		<b>(63,686)</b>	<b>(17,066)</b>
Taxation	4	(78)	(3,815)
<b>Loss for the period from continuing operations</b>		<b>(63,764)</b>	<b>(20,881)</b>
Profit for the period from discontinued operations	20	563	791
<b>Total loss for the period</b>		<b>(63,201)</b>	<b>(20,090)</b>
<b>From loss for the period from continuing operations</b>			
Basic Earnings per Share (cents)	16	(5.27)	(1.72)
Diluted Earnings per Share (cents)	16	(5.27)	(1.72)
<b>From total loss for the period</b>			
Basic Earnings per Share (cents)	16	(5.23)	(1.66)
Diluted Earnings per Share (cents)	16	(5.23)	(1.66)

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

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2023 (unaudited)

	Notes	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Loss for the period</b>		<b>(63,201)</b>	<b>(20,090)</b>
<b>Other comprehensive income:</b>			
Movement in foreign currency translation reserve		(3)	(307)
		<b>(3)</b>	<b>(307)</b>
<b>Total comprehensive income for the period</b>		<b>(63,204)</b>	<b>(20,397)</b>

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

# Condensed Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	30 September 2023 (Unaudited) \$'000	31 March 2023 (Audited) \$'000
<b>Assets</b>			
Catalogues of Songs	5	1,824,675	1,921,248
Other assets		684	917
Goodwill		272	272
Non-current receivables	6	9,900	13,210
<b>Non-current assets</b>		<b>1,835,531</b>	<b>1,935,647</b>
Trade and other receivables	6	132,430	139,999
Held for trading derivative financial asset	18	15,239	4,914
Assets of disposal group held for sale	20	32,156	-
Cash and cash equivalents	7	34,336	37,965
<b>Current assets</b>		<b>214,161</b>	<b>182,878</b>
<b>Total assets</b>		<b>2,049,692</b>	<b>2,118,525</b>
<b>Liabilities</b>			
Loans and borrowings	8	599,048	594,428
Catalogue bonus provision	10	39,604	33,080
<b>Non-current liabilities</b>		<b>638,652</b>	<b>627,508</b>
Held for trading derivative financial liability	18	-	3,395
Catalogue bonus provision	10	28,525	11,962
Liabilities of disposal group held for sale	20	125	-
Other payables and accrued expenses	9	50,861	41,126
<b>Current liabilities</b>		<b>79,511</b>	<b>56,483</b>
<b>Total liabilities</b>		<b>718,163</b>	<b>683,991</b>
<b>Net assets</b>		<b>1,331,529</b>	<b>1,434,534</b>
<b>Equity</b>			
Share capital	11	1,692,198	1,692,198
Foreign currency translation reserve		(2,244)	(2,241)
Treasury share reserve	11	(1,961)	(1,961)
Retained earnings		(356,464)	(253,462)
<b>Total equity attributable to the owners of the Company</b>		<b>1,331,529</b>	<b>1,434,534</b>
<b>Number of Ordinary Shares in issue at period end</b>		<b>1,209,214,286</b>	<b>1,209,214,286</b>
<b>IFRS Net Asset Value per Ordinary Share (cents)</b>	17	<b>110.12</b>	<b>118.63</b>
<b>Operative Net Asset Value per Ordinary Share (cents)</b>	17	<b>173.92</b>	<b>191.53</b>

Approved and authorised for issue by the Board of Directors on 20 December 2023 and signed on their behalf by:

**Robert Naylor** Chair

**Cindy Rampersaud** Director

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

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2023 (unaudited)

	Notes	Number of Ordinary Shares	Share capital \$'000	Foreign currency translation reserve \$'000	Treasury reserve \$'000	Retained earnings* \$'000	Total equity \$'000
<b>As at 1 April 2023</b>		1,209,214,286	1,692,198	(2,241)	(1,961)	(253,462)	<b>1,434,534</b>
Dividends paid	14	–	–	–	–	(39,801)	<b>(39,801)</b>
Loss for the year		–	–	–	–	(63,201)	<b>(63,201)</b>
Foreign currency translation reserve movement		–	–	(3)	–	–	<b>(3)</b>
<b>As at 30 September 2023</b>		<b>1,209,214,286</b>	<b>1,692,198</b>	<b>(2,244)</b>	<b>(1,961)</b>	<b>(356,464)</b>	<b>1,331,529</b>

\* Distributable Revenues (as defined in the Alternative Performance Measures on page 52) arising during the period were \$11.4 million which, taken together with the \$43.4 million of Distributable Revenue reserves carried forward from the previous financial year ended 31 March 2023 less dividends paid during the period, result in available Distributable Revenues of \$15.0 million as at 30 September 2023.

For the six months ended 30 September 2022 (unaudited)

	Notes	Number of Ordinary Shares	Share capital \$'000	Foreign currency translation reserve \$'000	Treasury reserve \$'000	Retained earnings (Restated*) \$'000	Total equity \$'000
<b>As at 1 April 2022</b>		1,211,214,286	1,692,198	(2,235)	–	(107,564)	<b>1,582,399</b>
Dividends paid	14	–	–	–	–	(19,312)	<b>(19,312)</b>
Loss for the year		–	–	–	–	(20,090)	<b>(20,090)</b>
Foreign currency translation reserve movement		–	–	(307)	–	–	<b>(307)</b>
<b>As at 30 September 2022</b>		<b>1,211,214,286</b>	<b>1,692,198</b>	<b>(2,542)</b>	<b>–</b>	<b>(146,966)</b>	<b>1,542,690</b>

\* Refer to Note 2(e) for further detail on the prior period restatement.

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

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2023 (unaudited)

	Notes	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Cash flows generated from operating activities</b>			
Operating loss for the period from continuing operations before taxation		(63,686)	(17,066)
Operating profit for the period from discontinuing operations before taxation	20	563	791
Adjustments for:			
Movement in trade and other receivables		4,819	(18,368)
Movement in other payables and accrued expenses		8,702	5,219
Movement in Catalogue bonus provision		23,257	-
Movement in ECL provision for HSG advances		42	-
Movement in HSG restructuring provision		504	-
Lease liability interest		158	(378)
Amortisation of Catalogues of Songs – Continued	5	53,947	55,110
Amortisation of Catalogues of Songs – Discontinued	20	872	761
Impairment of Catalogue of Songs	5	15,194	2,007
Amortisation of borrowing expenses		620	1,001
Fixed asset depreciation		247	30
Loan interest	8	23,052	14,473
Fair value gain on held for trading derivative financial instruments	18	(19,652)	-
Foreign exchange (gains)/losses		280	2,083
Taxation paid		43	(200)
<b>Net cash generated from operating activities</b>		<b>48,962</b>	<b>45,463</b>
<b>Cash flows used in investing activities</b>			
Disposal of Catalogues of Songs		788	-
Purchase of other assets		(14)	(48)
Writer advances paid		(1,742)	(1,915)
Catalogue bonuses paid		(170)	-
Deferred consideration paid		-	(2,500)
<b>Net cash used in investing activities</b>		<b>(1,138)</b>	<b>(4,463)</b>
<b>Cash flows generated from financing activities</b>			
Dividends paid	14	(39,801)	(19,312)
Lease interest paid		(349)	-
Interest paid		(21,030)	(14,973)
Gain on executed held for trading derivative financial instruments	18	5,932	-
Borrowing costs		-	(941)
Bank loan drawn down	8	4,000	1,771
<b>Net cash generated from financing activities</b>		<b>(51,248)</b>	<b>(33,455)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(3,424)</b>	<b>7,545</b>
Cash and cash equivalents at the start of the period		37,965	30,067
Effect of foreign exchange rate changes on cash and cash equivalents		(205)	(1,219)
<b>Cash and cash equivalents at the end of the period</b>		<b>34,336</b>	<b>36,393</b>

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023 (unaudited)

## 1. General information

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

The Company 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 Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property. The Company makes and manages its investments through its subsidiaries, which are registered in the UK and US as limited companies. The Condensed Consolidated Financial Statements present the results of the Group for the period ended 30 September 2023, rounded to the nearest US Dollar.

There has been a presentational change in the comparative period in the Condensed Consolidated Statement of Profit and Loss, as set out in Note 21.

## 2. Accounting policies

### a) Basis of preparation

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

The Condensed Consolidated Financial Statements do not include all the information and disclosures required in the Annual Report and should be read in conjunction with the Company's Annual Report for the year ended 31 March 2023, which are available on the Company's website ([www.hipgnosissongs.com](http://www.hipgnosissongs.com)). The Annual Report has been prepared in accordance with IFRS.

The same accounting policies and methods of computation have been followed for the preparation of these Condensed Consolidated Financial Statements as in the Annual Report for the year ended 31 March 2023. 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.

## 2. Accounting policies (continued)

### b) 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 <sup>1</sup>	UK	100	100	Full	GBP
Hipgnosis Songs Group LLC <sup>2</sup>	US	100	100	Full	USD
Hipgnosis Acquisition Corp <sup>2</sup>	US	100	100	Full	USD
Kennedy Publishing & Productions Limited <sup>1</sup>	UK	100	100	Full	GBP
Robot of the Century Music Publishing Company Inc	US	100	100	Full	USD
Deamon Limited <sup>1</sup>	UK	100	100	Full	GBP
PB Songs Ltd <sup>1</sup>	UK	100	100	Full	GBP

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

<sup>2</sup> 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.

### c) Going concern

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

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

As a result of Continuation Resolution not passing the Board will, in accordance with the Company's Prospectus, put forward proposals for the reconstruction, reorganisation or winding-up of the Company to Shareholders for their approval within six months following the AGM held on 26 October 2023. These proposals may or may not involve winding-up the Company or liquidating all or part of the Company's existing portfolio of investments. On that basis there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern in its current form and, therefore, that it may be unable to realise its assets and discharge its liabilities in line with the current normal course of business.

### d) Segmental reporting

The chief operating decision maker is the Board of Directors. All of the Company's income is global but received from sources within US, Europe 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, with an attractive and growing level of income, together with the potential for capital growth.



## 2. Accounting policies (continued)

### e) Restatement of prior period results

The Interim Report for the six months ended 30 September 2022 was reviewed by the FRC as part of its routine monitoring of corporate reporting. The review was based on the Interim Report and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into and therefore provide no assurance that the Interim Report is correct in all material respects. It was, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework.

In the Interim Report for the six months ended 30 September 2022 the Company recognised an interim dividend at the point when the Board declared the dividend. As a result of the FRC's review, going forward the Company will recognise interim dividends when paid because no legal binding liability is established prior to payment of the interim dividend. A prior year restatement is presented in the Condensed Consolidated Statement of Changes in Equity for the six months ended 30 September 2022 where the accrued dividend declared of \$19.3 million has been derecognised. There is no impact to the comparative period for the Condensed Consolidated Profit and Loss account, Condensed Consolidated Balance Sheet and the Condensed Consolidated Statement of Cashflows.

### f) Assets held for sale and discontinued operations

On 14 September 2023 the Company announced the sale of a portfolio of non-core songs, subject to completion of legal documentation and the consent of the Company's lending banks, known as the Second Disposal. In accordance with IFRS 5, the assets and liabilities of the Second Disposal are reclassified as held for sale and its results for the period are presented as discontinued operations. Prior period comparatives in the Condensed Consolidated Statement of Profit and Loss, Condensed Consolidated Statement of Cash Flows have been restated accordingly. These assets and liabilities are recognised as assets held for sale and liabilities associated with assets held for sale, without offset. The related assets recorded as assets held for sale are valued at the lower of their fair value and their carrying value (i.e. at their cost less accumulated depreciation and impairment losses), and they are no longer depreciated. Further details of this transaction and the implications for the Condensed Consolidated financial statements can be found in Note 20.

## 3. Significant accounting judgments, estimates and assumptions

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

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

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

Accrued income as at 30 September 2023 was \$121.5 million (31 March 2023: \$126.2 million), a breakdown of which is set out below:

- \$69.5 million for earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q4 2023 onwards. This includes international PRO reporting and HSG (31 March 2023: \$62.3 million).
- \$9.9 million CRB III accruals (31 March 2023: \$21.7 million).
- \$42.1 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. This represents on average three months of royalty reporting (31 March 2023: \$42.2 million).

### 3. Significant accounting judgments, estimates and assumptions (continued)

#### Critical estimates in applying the Group's accounting policies - revenue recognition and royalty costs (continued)

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 revenue also includes 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 six-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.

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

Revenue accrual	30 September 2023	Sensitivity +10%	Sensitivity -10%
Accruals due to the time lag in royalty reporting	\$69.5 million	\$7.0 million	(\$7.0) million
CRB III accruals*	\$9.9 million	\$1.0 million	(\$1.0) million
		One month increase	One month reduction
Usage accrual	\$42.1 million	\$14.0 million	(\$14.0) 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 30 September 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 6.

### 3. Significant accounting judgments, estimates and assumptions (continued)

#### Expected Credit Loss (ECL) in relation to HSG advances

Hipgnosis Songs Group LLC advances royalty payments to Songwriters. Management is 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 believes that either because of the writer's unknown potential or other factors, a large level of recoverability may not be achieved.

A sensitivity analysis on the expected credit loss provision of the HSG recoupable advances is performed in Note 6.

#### Assessment of impairment and the calculation of Operative NAV

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 Portfolio Independent 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 2023: 8.5%); and
- Terminal value at 16 years.

As 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 Portfolio Independent 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 Condensed 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 30 September 2023 concluded that an impairment of \$15.2 million (six month period ended 30 September 2022: \$2.0 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 5.

## 4. Taxation

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 incurred is through these UK entities. Therefore it is considered most appropriate to use the standard UK tax rate of 25% (31 March 2023: 19%).

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

The taxation charge of \$0.1 million (six months ended 30 September 2022: \$3.8 million) is based on adjustments in respect of the prior period.

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 during the period and so no such tax liabilities arose.

## 5. Catalogues of Songs

	Note	\$'000
<b>Cost</b>		
At 1 April 2023		2,237,284
Disposals		(788)
Transfer to Held for Sale Assets	20	(30,446)
<b>At 30 September 2023</b>		<b>2,206,050</b>
<b>Amortisation and impairment</b>		
At 1 April 2023		316,036
Amortisation		53,947
Impairment		15,194
Transfer to Held for Sale Assets	20	(3,802)
<b>At 30 September 2023</b>		<b>381,375</b>
<b>Net book value</b>		
At 1 April 2023		1,921,248
<b>At 30 September 2023</b>		<b>1,824,675</b>
<b>Fair value as at 30 September 2023</b>		<b>2,622,000</b>
<b>Cost</b>		
At 1 April 2022		2,237,284
Additions		–
<b>At 31 March 2023</b>		<b>2,237,284</b>
<b>Amortisation and impairment</b>		
At 1 April 2022		200,552
Amortisation		111,583
Impairment		3,901
<b>At 31 March 2023</b>		<b>316,036</b>
<b>Net book value</b>		
At 1 April 2022		2,036,732
<b>At 31 March 2023</b>		<b>1,921,248</b>
<b>Fair value as at 31 March 2023</b>		<b>2,802,762</b>

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. At 30 September 2023 accumulated amortisation for Catalogues of Songs is \$365.5 million (31 March 2023: \$310.6 million).

As disclosed on page 132 of the Company's Annual Report for the year ended 31 March 2023, Catalogues of Songs are subject to a bi-annual review to identify any indicators of impairment. For the six month ended 30 September 2023, the Company has recognised an impairment charge of \$15.2 million on 7 Catalogues of Songs as a result of this review. This brings accumulated impairment to 30 September 2023 to \$20.6 million (31 March 2023: \$5.4 million).

## 5. Catalogues of Songs (continued)

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 discount rate and the Value-In-Use calculation to the impairment charge is as follows:

	Discount Rate	Sensitivity to the reduction to the discount rate used in the Value-In-Use calculation		
		-0.50%	Current	+0.50%
<b>Impairment of Catalogues of Songs (\$'000)</b>	8.50%	6,532	15,194	23,738
	9.00%	15,194	23,738	30,942
	9.50%	23,738	30,942	37,096

The Board engaged Portfolio Independent Valuer, Citrin Cooperman Advisors LLC, to value the Catalogues as at 30 September 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:

<b>Discount Rate</b>	8.50%	9.00%	9.50%
Portfolio Value (\$'000)	2,622,000	2,418,533	2,243,899
Variance to Fair Value (\$'000)	–	(203,467)	(378,100)
Variance to Fair Value (%)	–	(7.8%)	(14.4%)

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

<b>Sensitivity to the Terminal Value Growth Rate</b>	Current Rate	Current Rate –1.00%	2.00% Rate	Current Rate +1.00%
Portfolio Value (\$'000)	2,622,000	2,476,587	2,537,198	2,826,184
Variance to Fair Value (\$'000)	–	(145,413)	(84,801)	204,185
Variance to Fair Value (%)	–	(5.5%)	(3.25%)	7.8%

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

<b>Sensitivity to the Growth Rate</b>	Current Rate	Current Rate –1.00%	Current Rate +1.00%
Portfolio Value (\$'000)	2,622,000	2,360,337	2,922,061
Variance to Fair Value (\$'000)	–	(261,663)	300,061
Variance to Fair Value (%)	–	(10.0%)	11.4%

## 6. Trade and other receivables

	30 September 2023 \$'000	31 March 2023 \$'000
<b>Non-current receivables</b>		
Accrued income	9,900	13,210
	<b>9,900</b>	<b>13,210</b>
<b>Current receivables</b>		
Accrued income	105,236	112,943
Royalties receivable	7,680	7,078
Net recoupable advances	16,280	16,436
Prepayments and other debtors	3,132	3,542
Corporation tax	102	–
	<b>132,430</b>	<b>139,999</b>

The material reduction to accrued income for the six months ended 30 September 2023 is due to the reduction of the CRB III retroactive accrual. As at 31 March 2023, \$21.7 million was accrued following the confirmation of the CRB III rate increase to 15.1% for the Songwriters' mechanical portion of US Streaming income. This accrual estimated 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. The Company's Portfolio Independent Valuer materially reduced its expectations of these industry-wide retroactive payments for its valuation of the Company's portfolio as at 30 September 2023. As a result, the Company now expects to receive significantly lower retroactive payments in relation to CRB III and therefore reduced its CRB III retroactive accrual to \$9.9 million.

### Credit Risk and Provision for Expected Credit Losses (ECL)

As disclosed in Note 3, the probability of future default against revenue receivable balances has been deemed close to nil. At 30 September 2023, an ECL provision is recognised against the recoupable advances as below:

At 30 September 2023	High Risk \$'000	Medium Risk \$'000	Low Risk \$'000	Total \$'000
<i>Expected loss rates</i>	100.0%	22.7%	0.0%	48.9%
Gross carrying amounts	13,295	10,053	8,506	31,853
Provision for expected credit losses	(13,295)	(2,278)	–	(15,573)
<b>Net carrying amounts</b>	<b>–</b>	<b>7,775</b>	<b>8,506</b>	<b>16,280</b>
At 31 March 2023	High Risk \$'000	Medium Risk \$'000	Low Risk \$'000	Total \$'000
<i>Expected loss rates</i>	100.0%	24.0%	0.0%	48.6%
Gross carrying amounts	13,000	10,520	8,436	31,956
Provision for expected credit losses	(13,000)	(2,520)	–	(15,520)
<b>Net carrying amounts</b>	<b>–</b>	<b>8,000</b>	<b>8,436</b>	<b>16,436</b>

Net recoupable advances relating to HSG amount to \$16.26 million (31 March 2023: \$16.35 million).

If the probability of future default against the royalties receivable balances were to be 5% higher, this would result in a \$0.4 million ECL provision on royalties receivable. If the probability of future default against the medium risk recoupable advances were to be 10% higher, this would result in a \$1.0 million increase to the ECL provision on recoupable advances.

## 7. Cash and cash equivalents

	30 September 2023 \$'000	31 March 2022 \$'000
Cash available on demand	34,336	37,965
	<b>34,336</b>	<b>37,965</b>

## 8. Loans and borrowings

During the period, the Company entered into an amendment relating to the calculation of the fixed charge coverage covenant. There are no other changes to the terms of the Company's RCF as disclosed on page 144 of the Company's Annual Report for the year ended 31 March 2023.

Key financial covenant	Description	30 September 2023 Actual	31 March 2023 Actual	Lender Covenants
i) Total debt to Catalogue value as determined by the lender	Represents total debt as a percentage of Catalogue value as determined by the lender.	33.0%	31.5%	Must not exceed 40%
ii) Total debt leverage	Represents the ratio of pro forma EBITDA to total debt.	6.6:1.0	5.5:1.0	Not greater than 7:1
iii) Fixed charge coverage	Represents the ratio of pro forma EBITDA to trailing tax, interest and dividend declaration and payments over the last 12 months.	1.1:1.0	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. Under the Investment Policy total debt of the Company should not exceed 30% of the Operative NAV which is \$630.9 million (31 March 2023: \$694.8 million); any excess to this threshold prevents the Company from drawing down further amounts from the RCF. The current ratio of total debt to Operative NAV is 32.0% (31 March 2023: 28.0%). Loans and borrowings are initially measured at Fair Value, net of transaction costs.

	30 September 2023 \$'000	31 March 2023 \$'000
Opening balance	600,000	600,000
Amounts drawn down during the period	4,000	607,000
Amounts repaid during the year – pre-existing RCF	–	(600,000)
Amounts repaid during the year – new RCF	–	(7,000)
<b>Total loan drawn down</b>	<b>604,000</b>	<b>600,000</b>
Cumulative borrowing costs	(4,952)	(5,572)
<b>Closing balance</b>	<b>599,048</b>	<b>594,428</b>



## 8. Loans and borrowings (continued)

The interest expense recognised in the Condensed Consolidated Profit and Loss account of \$23.0 million is calculated on an accruals basis (six month period ended 30 September 2022: \$14.5 million). As disclosed on page 154 of the Company's Annual Report for the year ended 31 March 2023, the Company has entered into interest rate swap arrangements to mitigate interest rate risk. An analysis of the interest paid and income on the interest swap arrangements during the period ended 30 September 2023 is detailed below:

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
Interest expense paid	21,030	14,973
Income on interest swap arrangements	(2,696)	–
<b>Total interest paid (net of swap arrangements)</b>	<b>18,334</b>	<b>14,973</b>

## 9. Liabilities and accrued expenses

	30 September 2023 \$'000	31 March 2023 \$'000
Amounts owed to Songwriters	22,507	18,799
Loan interest payable	11,913	9,891
Trade creditors and accruals	11,682	5,846
PRO advances	1,862	3,178
Corporation tax payable	–	67
VAT	1,365	1,789
Lease liability	545	735
Directors fees payable	44	27
Other creditors	943	794
	<b>50,861</b>	<b>41,126</b>

## 10. Catalogue bonus provision

	30 September 2023 \$'000	31 March 2023 \$'000
<b>Non-current liabilities</b>		
Catalogue bonus provision	39,604	33,080
	<b>39,604</b>	<b>33,080</b>
<b>Current liabilities</b>		
Catalogue bonus provision	28,525	11,962
	<b>28,525</b>	<b>11,962</b>

The Group has a number of Catalogue bonuses which are dependent on the individual Catalogues meeting performance hurdles defined in their respective acquisition agreements. There are 10 Catalogues (31 March 2023: 6 Catalogues) likely to meet the performance hurdles defined in their acquisition agreements triggering the recognition of Catalogue bonus provisions. The movement in the Catalogue bonus provision during the period is presented below:

	Number of Catalogues	\$'000
At 1 April 2023	6	45,042
Increase in provision recognised	6	26,537
Payments during the period	–	(100)
Release of provision recognised	(2)	(3,350)
<b>At 30 September 2023</b>	<b>10</b>	<b>68,129</b>

### Catalogue bonus contingent liabilities

There are a further 19 Catalogues with active bonus clauses totalling \$75.2 million (31 March 2023: \$Nil) which are unlikely to meet the performance hurdles defined in their acquisition agreements; the Company has disclosed these as contingent liabilities. Catalogues forming the remainder of the Portfolio either do not include Catalogue bonus clauses, or the Catalogue bonus clauses are no longer active as performance hurdles have not been achieved and bonus obligations no longer exist. The performance hurdles of the 19 Catalogues with active bonus clauses are calculated on three different bases:

#### 1. NAV basis

There are 3 Catalogues with performance hurdles based on achieving a contractually specified NAV target which trigger a Catalogue bonus obligation. Detailed below is the total current NAV valuation by the Portfolio Independent Valuer, alongside the aggregate target NAV required to trigger the Catalogue bonus obligations.

Number of Catalogues	Latest date required to meet performance hurdles	Total Catalogue bonus contingent liability \$'000	Portfolio Independent Valuer:	
			NAV at 30 September 2023 \$'000	Target NAV to achieve bonus \$'000
1	May 2024	5,000	53,352	71,600
1	November 2028	2,500	12,136	26,251
1	January 2029	1,000	8,875	11,200
		<b>8,500</b>		

## 10. Catalogue bonus provision (continued)

### 2. Defined cash income amount basis

There are 4 Catalogues with performance hurdles based on a contractually-specified cash amount received by the Company at a specified point in time, which triggers a Catalogue bonus obligation. Details of the number of performance hurdles, the Compound Annual Growth Rate (CAGR) required to achieve the performance hurdles, CAGR forecast by the Portfolio Independent Valuer and the associated contingent liabilities are detailed below.

Number of performance hurdles	Latest date required to meet performance hurdles	CAGR required to meet performance hurdles %	Total Catalogue bonus contingent liability \$'000	Portfolio Independent Valuer: Forecast range in CAGR %
–	–	0-60%	–	–
2	December 2027	61-100%	4,500	14.5-15.8%
1	December 2025	101-200%	2,000	20.2%
1	September 2024	201-300%	525	6.1%
2	April 2024	> 300%	4,275	(31.2)-39.4%
			<b>11,300</b>	

### 3. Cash income growth rate basis

There are 12 Catalogues with performance hurdles based on a calculated growth rate that must be achieved to trigger a Catalogue bonus. Details of the number of performance hurdles, CAGR required to achieve the performance hurdles, CAGR forecast by the Portfolio Independent Valuer, and the associated contingent liabilities are detailed below.

Number of performance hurdles	Latest date required to meet performance hurdles	CAGR required to meet performance hurdles %	Total Catalogue bonus contingent liability \$'000	Portfolio Independent Valuer: Forecast range in CAGR %
–	–	0-15%	–	–
1	March 2025	16-20%	1,400	9.0%
1	December 2024	21-25%	4,175	16.4%
5	December 2025	26-50%	15,075	5.8-20.7%
2	June 2025	51-100%	8,250	1.6-7.9%
3	October 2025	101-150%	9,344	3.0-37.4%
4	October 2024	151-200%	1,286	5.5-27.6%
7	July 2024	> 200%	15,913	2.6-25.7%
			<b>55,443</b>	

## 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 repurchase and held as Treasury Shares.

As at 30 September 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. 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.

### Ordinary Shares of no par value

	No. of Units outstanding	Share Capital \$'000	Treasury Reserve \$'000
<b>Issued and fully paid:</b>			
Shares as at 1 April 2023	1,209,214,286	1,692,198	(1,961)
<b>Shares as at 30 September 2023</b>	<b>1,209,214,286</b>	<b>1,692,198</b>	<b>(1,961)</b>

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

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

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

## 12. Revenue

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
Mechanical income	3,888	2,641
Performance income	6,343	4,209
Digital downloads income	1,224	2,282
Streaming income	14,170	46,923
Synchronization income	10,565	12,199
Publishing admin income	237	154
Masters income	3,749	1,424
Writer share income	15,622	12,839
Neighbouring rights income	974	663
Other income	1,266	(498)
Producer royalties	5,162	3,556
	<b>63,200</b>	<b>86,392</b>

There is an inherent time lag with royalties between the time a song is performed, and the revenue being received by the copyright owner. The revenue accruals are disclosed in Note 6 Trade and other receivables. There is a material reduction in streaming income as a result of the reduction in income arising from CRB III accruals (see note 6).

## 13. Other operating expenses

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
Aborted deal expenses	1,099	332
Debt financing fees	176	53
Public relations fees	181	136
Marketing & events	373	355
Listing fees	32	41
Bank charges	15	26
Record label costs	18	-
Charitable donations	20	28
Directors' and officers' insurance	31	42
Lease liability interest	158	378
HSG staff payroll and expenses	3,029	3,154
HSG office expenses	223	198
HSG restructuring provision	504	925
Travel, accommodation and entertainment expenses	-	23
HSG travel, accommodation and entertainment expenses	103	258
Sundry	(13)	71
	<b>5,949</b>	<b>6,020</b>

## 14. Dividends

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.

A summary of the dividends paid are set out below:

	Dividend per share Pence	Total Dividend \$'000
<b>1 April 2023 to 30 September 2023</b>		
Interim dividend in respect of quarter ended 31 December 2022	1.3125	20,177
Interim dividend in respect of quarter ended 31 March 2023	1.3125	19,624
	<b>2.6250</b>	<b>39,801</b>
<b>1 April 2022 to 30 September 2022</b>		
Interim dividend in respect of quarter ended 31 March 2022	1.3125	19,312
	<b>1.3125</b>	<b>19,312</b>

## 15. Related party transactions and Directors' remuneration

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

### Directors

All Directors are non-executive. The Directors' remuneration, excluding disbursements, for the period ended 30 September 2023 amounted to \$0.3 million with no outstanding fees due to the Directors at 30 September 2023 (six month period ended 30 September 2022: \$0.3 million, with no outstanding fees). 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.

### 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.

Investment Adviser fees for the six month period ended 30 September 2023 were \$5.4 million (six month period ended 30 September 2022: \$6.8 million) with \$0.4 million outstanding at 30 September 2023 (31 March 2023: \$0.4 million).

## 16. Earnings per share

	30 September 2023 Basic	30 September 2023 Diluted
Loss for the period from continuing operations (\$'000)	(63,764)	(63,764)
Total loss for the period (\$'000)	(63,201)	(63,201)
Weighted average number of Ordinary Shares outstanding	1,209,214,286	1,209,214,286
<b>Earnings per share (cents) from continuing operations</b>	<b>(5.27)</b>	<b>(5.27)</b>
<b>Earnings per share (cents) from total loss for the period</b>	<b>(5.23)</b>	<b>(5.23)</b>

	30 September 2022 Basic	30 September 2022 Diluted
Loss for the period from continuing operations (\$'000)	(20,881)	(20,881)
Total loss for the period (\$'000)	(20,090)	(20,090)
Weighted average number of Ordinary Shares outstanding	1,211,214,286	1,211,214,286
<b>Earnings per share (cents) from continuing operations</b>	<b>(1.72)</b>	<b>(1.72)</b>
<b>Earnings per share (cents) from total loss for the period</b>	<b>(1.66)</b>	<b>(1.66)</b>

The earnings per share is based on the loss of the Group from continuing operations for the period, the total loss of the Group for the period and on the weighted average number of Ordinary Shares outstanding for the period ended 30 September 2023. The Company holds 2 million Treasury Shares as at 30 September 2023; these shares are not included the EPS calculation.

## 17. Net Asset Value per share and Operative Net Asset Value per share

	30 September 2023	31 March 2023
Number of Ordinary Shares in issue	1,209,214,286	1,209,214,286
<b>IFRS NAV per share (cents)</b>	<b>110.12</b>	<b>118.63</b>
<b>Operative NAV per share (cents)</b>	<b>173.92</b>	<b>191.53</b>

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

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

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

### Reconciliation of IFRS NAV to Operative NAV

	30 September 2023 \$'000	31 March 2023 \$'000
<b>IFRS NAV</b>	<b>1,331,529</b>	<b>1,434,534</b>
Adjustments for revaluations of Catalogues of Songs to fair value	385,504	565,478
Reversal of accumulated amortisation and impairment	386,049	316,036
<b>Operative NAV</b>	<b>2,103,082</b>	<b>2,316,048</b>

## 17. Net Asset Value per share and Operative Net Asset Value per share (continued)

### Tax considerations

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 Catalogues, considered intangible fixed assets for UK corporation tax purposes, would not qualify for exemption in the same way.

A disposal of 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 \$215.6 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 30 September 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.

## 18. Held for trading derivative financial instruments

The Company has the following derivative financial instruments:

	30 September 2023 \$'000	31 March 2023 \$'000
<b>Held for trading derivative financial asset</b>		
Foreign exchange forward contracts	225	4,914
Interest rate swap arrangements	15,014	-
	<b>15,239</b>	<b>4,914</b>
<b>Held for trading derivative financial liability</b>		
Interest rate swap arrangements	-	(3,395)

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

The fair value gain on held for trading derivative financial instruments recognised in the Condensed Consolidated Statement of Profit and Loss relates to the following:

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
Foreign exchange forward contracts	(1,454)	-
Interest rate swap arrangements	21,106	-
	<b>19,652</b>	<b>-</b>



## 19. Hipgnosis Songs Group LLC

As disclosed in Note 2(d) 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. Hipgnosis Songs Group LLC is a US based subsidiary which undertakes publishing administration on behalf of the Group as well as third parties and its results are presented within the consolidated results of the Group.

The Statement of Profit and Loss of Hipgnosis Songs Group LLC for the six months ended 30 September 2023 are presented below, together with its comparative period.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Income</b>		
Total revenue	19,318	18,933
Royalty costs	(16,552)	(15,400)
<b>Net revenue</b>	<b>2,766</b>	<b>3,533</b>
<b>Expenses</b>		
Legal and professional fees	(506)	(507)
Audit fees	(128)	-
Subscriptions and licences	(140)	(119)
Travel, accommodation and entertainment expenses	(103)	(259)
Public relations fees	(30)	(54)
Marketing & events	(35)	-
HSG office expenses	(223)	(198)
HSG Staff payroll and expenses	(3,029)	(3,154)
Sundry	(52)	(54)
Bank charges	(1)	(4)
Lease liability interest	(158)	(378)
HSG restructuring provision	(504)	(925)
Movement in ECL provision for HSG advances	(42)	375
Amortisation of Catalogues of Songs	(5)	(143)
Fixed asset depreciation	(224)	(30)
Net loss from joint ventures	(446)	(48)
Foreign exchange losses	(1)	-
<b>Operating expenses</b>	<b>(5,627)</b>	<b>(5,498)</b>
<b>Operating loss for the period before taxation</b>	<b>(2,861)</b>	<b>(1,965)</b>
Taxation	(231)	(8)
<b>Loss for the period</b>	<b>(3,092)</b>	<b>(1,973)</b>

## 20. Assets held for sale

On 14 September 2023, the Company announced the sale of 29 Catalogues, known as the First Disposal. This was conditional upon the approval of the sale by Shareholders at the EGM and the approval by Shareholders of the Continuation Resolution at the Company's 2023 AGM, both held on 26 October 2023. As the sale was not approved by Shareholders by 30 September 2023, the First Disposal is presented as a continuing operation in the Consolidated Statement of Profit and Loss for the six months ended 30 September 2023.

Also, on 14 September 2023, the Company announced the sale of a portfolio of non-core songs, subject to completion of legal documentation and the consent of the Company's lending banks, known as the Second Disposal. As this sale is not conditional on Shareholder approval and meets the requirements of IFRS 5, the Second Disposal is presented as a discontinued operation in the Consolidated Profit and Loss account for the six months ended 30 September 2023 and a Held for Sale disposal group in the Consolidated Balance Sheet as at 30 September 2023.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Income</b>		
Total revenue	5,013	5,286
Royalty costs	(3,578)	(3,734)
<b>Net revenue</b>	<b>1,435</b>	<b>1,552</b>
<b>Expenses</b>		
Amortisation of Catalogues of Songs	(872)	(761)
<b>Operating expenses</b>	<b>(872)</b>	<b>(761)</b>
<b>Profit for the period from discontinued operations</b>	<b>563</b>	<b>791</b>

The assets and liabilities of the Second Disposal are below:

	30 September 2023 \$'000	31 March 2023 \$'000
Catalogues of Songs – Cost	30,446	–
Catalogues of Songs – Accumulated amortisation	(4,674)	–
Accrued income	6,532	–
Net recoupable advances	32	–
<b>Total held for sale assets</b>	<b>32,156</b>	<b>–</b>
	30 September 2023 \$'000	31 March 2023 \$'000
Trade creditors and accruals	125	–
<b>Total held for sale liabilities</b>	<b>125</b>	<b>–</b>
<b>Total held for sale assets and liabilities</b>	<b>32,031</b>	<b>–</b>

The Company has incurred exceptional transaction costs of \$5.7 million relating to legal and professional fees incurred in relation to First Disposal and Second Disposal.

## 21. Presentation changes

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

### Condensed Consolidated Statement of Profit and Loss

	As reported in 30 September 2022 Interim Report 1 April 2022 to 30 September 2022 \$'000	Presentation change \$'000	Discontinued operation \$'000	As reported in 30 September 2023 Interim Report 1 April 2022 to 30 September 2022 \$'000
<b>Income</b>				
Total revenue	91,678	-	(5,286)	86,392
Interest income	40	-	-	40
Royalty costs	(13,368)	-	3,734	(9,634)
<b>Net revenue</b>	<b>78,350</b>	<b>-</b>	<b>(1,552)</b>	<b>76,798</b>
<b>Expenses</b>				
Advisory and performance fees	(6,760)	-	-	(6,760)
Administration fees	(300)	-	-	(300)
Legal and professional fees	(1,728)	-	-	(1,728)
Audit fees	(189)	-	-	(189)
Brokers' fees	(147)	53	-	(94)
Directors' remuneration	(324)	-	-	(324)
Listing fees	(41)	41	-	-
Subscriptions and licences	(383)	-	-	(383)
Public relations fees	(326)	326	-	-
Other operating expenses	(4,847)	(1,173)	-	(6,020)
Exceptional transaction costs	-	-	-	-
Catalogue bonus provision	(3,689)	-	-	(3,689)
Movement in ECL provision for HSG advances	-	375	-	375
Amortisation of Catalogues of Songs	(55,871)	-	761	(55,110)
Impairment of Catalogues of Songs	(2,007)	-	-	(2,007)
Amortisation of borrowing expenses	(1,001)	-	-	(1,001)
Fixed asset depreciation	(30)	-	-	(30)
Loan interest	(14,473)	-	-	(14,473)
Finance charges for deferred consideration	(378)	378	-	-
Fair value gain on held for trading derivative financial instruments	-	-	-	-
Net loss from joint ventures	(48)	-	-	(48)
Foreign exchange losses	(2,083)	-	-	(2,083)
<b>Operating expenses</b>	<b>(94,625)</b>	<b>-</b>	<b>761</b>	<b>(93,864)</b>
<b>Operating loss for the year before taxation</b>	<b>(16,275)</b>	<b>-</b>	<b>(791)</b>	<b>(17,066)</b>
Taxation	(3,815)	-	-	(3,815)
<b>Loss for the period from continuing operations</b>	<b>(20,090)</b>	<b>-</b>	<b>(791)</b>	<b>(20,881)</b>
Profit for the period from discontinued operations				791
<b>Total loss for the period</b>	<b>(20,090)</b>	<b>-</b>	<b>791</b>	<b>(20,090)</b>

## 21. Presentation changes (continued)

### Other operating expenses

	1 April 2022 to 30 September 2022 \$'000	Presentation change \$'000	Discontinued operation \$'000	1 April 2022 to 30 September 2022 \$'000
Aborted deal expenses	332	–	–	332
Debt financing fees	–	53	–	53
Public relations fees	–	136	–	136
Marketing & events	–	355	–	355
Listing fees	–	41	–	41
Bank charges	26	–	–	26
Charitable donations	28	–	–	28
Directors' and officers' insurance	160	(118)	–	42
Lease liability interest	–	378	–	378
HSG staff payroll and expenses	3,154	–	–	3,154
HSG office expenses	79	119	–	198
HSG restructuring provision	925	–	–	925
Movement in ECL provision for HSG advances	(375)	375	–	–
Travel, accommodation and entertainment expenses	187	(164)	–	23
HSG travel, accommodation and entertainment expenses	258	–	–	258
Sundry	73	(2)	–	71
<b>Operating expenses</b>	<b>4,847</b>	<b>1,173</b>	<b>–</b>	<b>6,020</b>

## 22. Litigations and claims

The Company is a defendant in a case brought against it, Merck Mercuriadis and Hipgnosis Songs Management Limited, alleging a diversion and unlawful assistance in the diversion of a business opportunity from Hipgnosis Music Limited to the Hipgnosis Songs Fund Limited. Proceedings are at a preliminary stage, and it is not possible for the Hipgnosis Songs Fund Limited to determine the likelihood or costs associated with this claim.

Furthermore, in the normal course of its business, the Company is subject to various lawsuits, arbitrations and governmental, administrative or other proceedings. However, based on the information currently available, it believes that the outcome from these legal proceedings will not have a material impact on its consolidated results of operations and financial position.

## 23. Subsequent Events

On 13 October 2023, the Portfolio Independent Valuer materially reduced its expectations of the CRB III retroactive payments for the period covering 2018-2022 and as a result, the Company reduced its CRB III retroactive accrual to \$9.9 million, from \$21.7 million as at 31 March 2023. In consequence of this unwinding, on 16 October 2023, the Board withdrew the proposed interim dividend of 1.3125 pence per share announced on 21 September 2023 with a payment date of 27 October 2023. As disclosed in Note 8, an amendment to the RCF was agreed to return the Company to compliance with the Fixed Charge Coverage covenant.

On 19 October 2023, the Board initiated a Strategic Review. The Strategic Review will look at all options to be considered for the future of the Company with the aim of maximising value for Shareholders including, among other things, a review of the future management arrangements of the Company.

On 24 October 2023, the result of the Go-Shop period in relation to the First Disposal was announced: no Superior Offer was received by the Company. At the EGM held on 26 October 2023, Shareholders voted against the First Disposal.

On 25 October 2023, the Company announced that Andrew Wilkinson and Paul Burger resigned as Non-Executive Directors of the Company.

On 26 October 2023, at the Company's AGM, Shareholders voted against the Continuation Resolution. The Board will, in accordance with the Company's Prospectus, put forward proposals for the reconstruction, reorganisation or winding-up of the Company to Shareholders for their approval within six months following the date of the AGM.

On 26 October 2023, Andrew Sutch was not re-elected as a Director of the Company and therefore ceased being a Director and Chair of the Board from the conclusion of the AGM.

On 6 November 2023, as a result of undertaking a review of the Company's financial position, the Board has determined that it would not declare dividends before the new financial year.

On 7 November 2023, the Company announced the appointment of Robert Naylor as Chairman of the Board and Non-Executive Director and Francis Keeling as Non-Executive Director, with immediate effect.

On 11 December 2023, the Company announced the completion of the sale of a portfolio of non-core songs. This portfolio represents the majority of the Held for Sale disposal group recognised at 30 September 2023.

On 11 December 2023, the Company announced the appointment of Singer Capital Markets as sole corporate broker and financial adviser and Shot Tower Capital, LLC as lead adviser to conduct due diligence on the Company's assets as part of its strategic review.

On 15 December 2023, the Company announced the appointment of Christopher Mills as Non-Executive Director, with immediate effect.

On 20 December 2023 the Company announced the appointment of KPMG Channel Islands Limited, Guernsey (KPMG CI) as its auditor with immediate effect for the financial year ended 31 March 2024. KPMG CI succeed PricewaterhouseCoopers CI LLP, Guernsey (PWC CI), who were the previous auditors. The re-appointment of KPMG CI as auditor will be subject to approval by the Company's shareholders at General Meeting of the Company to be convened in due course.

Post period end the Company will be acquiring the remaining rights to an existing Catalogue within the Company's portfolio. This acquisition arises due to an exercisable option in the existing Catalogue acquisition contract.

# Alternative Performance Measures

For the six months ended 30 September 2023 (unaudited)

## Adjusted EPS from continuing operations

### Definition

Loss for the period from continuing operations 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 from continuing operations is a strong indicator of Company performance and profitability after adjusting for non cash and financing items.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022* \$'000
<b>Calculation</b>		
Loss after tax from continuing operations	(63,764)	(20,881)
Total Amortisation	54,567	56,111
Impairment of Catalogues of Songs	15,194	2,007
Fixed asset depreciation	247	30
Lease liability interest	158	378
Exceptional transaction costs	5,747	–
Movement in Catalogue bonus provision	23,257	3,689
HSG restructuring costs	504	925
Foreign exchange losses	280	2,083
Fair value gain on held for trading derivative financial instruments	(19,652)	–
Movement in ECL provision for HSG advances	42	(375)
<b>Adjusted earnings</b>	<b>16,580</b>	<b>43,967</b>
Weighted Average number of Ordinary Shares outstanding (number)	1,209,214,286	1,211,214,286
<b>Adjusted Earnings per Share (cents)</b>	<b>1.37</b>	<b>3.63</b>

\* Definition changed since the prior period, refer to page 170 of the Company's Annual Report for the year ended 31 March 2023.

† Tax arising on above adjusting items amounts to \$18.3 million (six month period ended 30 September 2022: \$11.7 million). This figure is the sum of the tax effects of individual adjusting items other than permanent differences, calculated using the prevailing 25% 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 excluding 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.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Calculation</b>		
Advisory and performance fees	5,398	6,760
Administration fees	212	300
Legal and professional fees	1,711	1,728
Audit fees	571	189
Brokers' fees	115	94
Directors' remuneration	324	324
Subscriptions and licences	204	383
Aborted deal expenses	1,099	332
Debt financing fees	176	53
Public relations fees	181	136
Marketing & events	373	355
Listing fees	32	41
Bank charges	15	26
Record label costs	18	–
Charitable donations	20	28
Directors' and officers' insurance	31	42
HSG staff payroll and expenses	3,029	3,154
HSG office expenses	223	198
Travel, accommodation and entertainment expenses	–	23
HSG travel, accommodation and entertainment expenses	103	258
Sundry	(13)	71
Net loss from joint ventures	446	48
	<b>14,268</b>	<b>14,543</b>

## Annualised Ongoing Charges

### Definition

Adjusted Operating Costs less Interest Expense and non-recurring administrative expenses annualised 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.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Calculation</b>		
Adjusted operating costs less interest expense	14,268	14,543
Non recurring operating expenses	(1,153)	(854)
<b>Total ongoing charges over a six-month period</b>	<b>13,115</b>	<b>13,689</b>
<b>Annualised ongoing charges over a 12-month period</b>	<b>26,230</b>	<b>27,378</b>

## Distributable Revenues

### Definition

Distributable Revenue is the total loss for the period excluding Total Amortisation, impairment, depreciation, Catalogue bonus provision, restructuring costs, foreign exchange losses and provision for HSG advances.

### Reason for Use

Distributable Revenues are profits, after adjusting for non-cash and financing items, attributable to the Company's revenue activities and are an indicator of the Company's ongoing ability to pay its dividends.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Calculation</b>		
Total loss for the period	(63,201)	(20,090)
Total Amortisation	54,567	56,111
Impairment of Catalogues of Songs	15,194	2,007
Fixed asset depreciation	247	30
Lease liability interest	158	378
Catalogue bonus provision	23,257	3,689
HSG restructuring provision	504	925
Foreign exchange losses	280	2,083
Fair value gain on held for trading derivative financial instruments	(19,652)	-
Movement in ECL provision for HSG advances	42	(375)
	<b>11,396</b>	<b>44,758</b>



## Dividend Cover

### Definition

Distributable Revenues generated during the period divided by the dividend paid during the period.

### Reason for Use

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

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Calculation</b>		
Distributable Revenues	11,396	44,758
Dividend Paid	39,801	19,312
	<b>0.29</b>	<b>2.32</b>

## EBITDA

### Definition

The Operating loss for the period before taxation from continuing operations 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.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022* \$'000
<b>Calculation</b>		
Operating loss for the period before taxation from continuing operations	(63,686)	(17,066)
Total Amortisation	54,567	56,111
Impairment of Catalogues of Songs	15,194	2,007
Fixed asset depreciation	247	30
Lease liability interest	158	378
Exceptional transaction costs	5,747	–
Catalogue bonus provision	23,257	3,689
HSG restructuring provision	504	925
Foreign exchange losses	280	2,083
Fair value gain on held for trading derivative financial instruments	(19,652)	–
Movement in ECL provision for HSG advances	42	(375)
Interest expense	23,052	14,473
	<b>39,710</b>	<b>62,255</b>

\* Definition changed since the prior period, refer to page 170 of the Company's Annual Report for the year ended 31 March 2023.

## Leveraged Free Cash Flow

### Definition

Net cash generated 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.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022* \$'000
<b>Calculation</b>		
Net cash generated from operating activities	48,962	45,463
Foreign exchange losses	(280)	(2,083)
Interest paid (net of swap arrangements)	(18,334)	(14,973)
	<b>30,348</b>	<b>28,407</b>

\* Definition changed since the prior period, refer to page 170 of the Company's Annual Report for the year ended 31 March 2023.

## NAV Total Return

### Definition

Operative NAV per share plus cumulative dividends paid up to the period 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.

	As at 30 September 2023 \$'000	As at 31 March 2023 \$'000
<b>Calculation</b>		
Operative NAV per share	1.7392	1.9153
Cumulative dividends paid to year end	0.2955	0.2789
Operative NAV at IPO	(1.2983)	(1.2983)
	0.7364	0.8959
Operative NAV at IPO	1.2983	1.2983
	<b>56.72%</b>	<b>69.01%</b>

## Non recurring operating expenses

### Definition

Non recurring expenditure included within operating expenses.

### Reason for Use

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

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Calculation</b>		
Non recurring expenses included within:		
Legal and professional fees	39	116
Subscriptions and licences	–	8
Listing fees	–	4
Aborted deal expenses	1,099	332
Debt financing fees	–	53
Marketing and events	–	266
Travel, accommodation and entertainment expenses	–	23
Charitable donations	–	42
Public relations fees	15	10
	<b>1,153</b>	<b>854</b>

## 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.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Calculation</b>		
Annualised Ongoing Charges	26,230	27,378
Average Operative NAV	2,209,564	2,228,806
	<b>1.19%</b>	<b>1.23%</b>

## 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.

	As at 30 September 2023 \$'000	As at 31 March 2023 \$'000
<b>Calculation</b>		
<b>IFRS NAV</b>	<b>1,331,529</b>	<b>1,434,534</b>
Adjustments for revaluations of Catalogues of Songs to fair value	385,504	565,478
Reversal of accumulated amortisation and impairment	386,049	316,036
<b>Operative NAV</b>	<b>2,103,082</b>	<b>2,316,048</b>

## Total Amortisation

### Definition

Amortisation of Catalogues of Songs plus amortisation of capitalised borrowing costs.

### 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.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Calculation</b>		
Amortisation of Catalogues of Songs	53,947	55,110
Amortisation of borrowing expenses	620	1,001
	<b>54,567</b>	<b>56,111</b>

## Total Debt

### Definition

Total gross indebtedness of the Company including the drawdown RCF balance, PRO advances and Catalogue bonus provision.

### Reason for Use

Total debt is used as a measure in the Company's covenant compliance reporting and in the Company's Investment Policy.

	As at 30 September 2023 \$'000	As at 31 March 2023 \$'000
<b>Calculation</b>		
Loans and borrowings	604,000	600,000
PRO advances	1,862	3,178
Catalogue bonus provision	68,129	45,042
	<b>673,991</b>	<b>648,220</b>

## 6 Month NAV Total Return

### Definition

Operative NAV per share as at year end plus dividend paid during the six-month to 30 September 2023 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 six months to Shareholders.

	1 April 2023 to 30 September 2023 \$'000	1 April 2022 to 30 September 2022 \$'000
<b>Calculation</b>		
Operative NAV per share at year end	1.7392	1.8312
Dividend paid during the six-month period to 30 September 2023	0.0166	0.0308
	1.7558	1.8620
Operative NAV per share at beginning of year	1.9153	1.8491
	<b>(8.33%)</b>	<b>0.70%</b>

# Glossary of Capitalised Defined Terms

**"35-year rule reversions"** means the process, under Section 203 of the US Copyright Act, by which an artist or songwriter can request reversion of their US creative copyrights (composition or sound recording) 35 years after a contractual grant of rights;

**"Administrator"** means Ocorian Administration (Guernsey) Limited;

**"Admission"** means admission, on 11 July 2018, to trading on the SFS of the London Stock Exchange, of the Ordinary Shares becoming effective in accordance with the Listing Rules and/or the LSE Admission Standards and on 25 September 2019 to a Premium Listing on the Main Market;

**"AEOI"** means Automatic Exchange of Information;

**"AIC"** means the Association of Investment Companies;

**"AIC Code"** means the AIC Corporate Governance Code 2019;

**"Annual General Meeting"** or **"AGM"** means the annual general meeting of the Company;

**"Annual Report"** or **"Annual Report and Consolidated Financial Statements"** means the annual publication of the Company provided to the Shareholders to describe their operations and financial conditions, together with their Consolidated Financial Statements;

**"Apple Music"** means the music and video Streaming service developed by Apple Inc.;

**"Articles of Incorporation"** or **"Articles"** means the articles of incorporation of the Company;

**"ASCAP"** means the American Society of Composers, Authors and Publishers;

**"Average Market Capitalisation"** means, in relation to each month where the advisory fee is payable, ("A" multiplied by "B") plus ("C" multiplied by "D"), where: "A" is the average of the middle market quotations of the Ordinary Shares for the five day period ending on the last business day of that month (adjusted as appropriate to exclude any dividend where the Ordinary Shares are quoted ex such dividend at any time during that five day period);

"B" is weighted average of the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the end of each day during that month;

"C" is the average of the middle market quotations of a class of C Shares in issue for the five day period ending on the last business day of that month (adjusted as appropriate to exclude any dividend where the C Shares of that class are quoted ex such dividend at any time during that five day period); and

"D" is weighted average of the number of that class of C Shares in issue (excluding any Shares held in treasury) at the end of each day during that month;

**"Board"** or **"Directors"** means the directors of the Company whose names are set out on page 63;

**"BMI"** means Broadcast Music, Inc.;

**"BPI"** means the British Phonographic Institute;

**"C Shares"** means a temporary and separate class of shares which are issued at a fixed price determined by the Company;

**"Catalogue"** means one or more Songs acquired from a single Songwriter, artist or company;

**"CBS"** means the US commercial broadcast television and radio network;

**"CD"** means compact disc;

**"Citrin Cooperman"** means Citrin Cooperman Advisors LLC;

**"Closing Market Capitalisation"** means, in relation to each Accounting Period, "E" multiplied by "F", where: "E" is the Performance Share Price; and "F" is the weighted average of the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the end of each day during the Accounting Period;

**"CMO"** means Collection Management Organisation. A CMO is appointed by copyright holders to manage both the mechanical and performance rights in their copyright works;

**"Companies Law"** means the Companies (Guernsey) Law, 2008;

**"Company"** means Hipgnosis Songs Fund Limited, an investment company limited by shares incorporated under the laws of Guernsey with registered number 65158. References to the Company are also considered to be references to the Group, where applicable;

**"Company Secretary"** means Ocorian Administration (Guernsey) Limited;

**"Consolidated Financial Statements"** means the audited financial statements of the Company, including the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and associated notes;

**"Continuation Vote"** means the ordinary resolution that the Company continues its business as a closed-end investment company;

**"Continuation Resolution"** means one of the ordinary resolutions set out in the notice of 2023 Annual General Meeting, pursuant to which Shareholders were asked to approve the continuation by the Company of its business as a closed-ended investment company;

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

**"Copyright Royalty Board"** or **"CRB"** means the US Copyright Royalty Board;

**"Corporate Brokers"** means the brokers whose names are set out on page 63;

**"Covid-19"** means the global coronavirus pandemic;

**"CRB III"** means the mechanical royalty element or the amount paid to the publishing copyright owner to reproduce and distribute phonorecords in respect of on-demand streaming in the US, set by a federal regulatory body called the Copyright Royalty Board, for the Phonorecord III period, 2018-2022. The headline rates

of the percentage of service provider revenue agreed by the CRB per royalty year were: 11.4% (2018), 12.3% (2019), 13.3% (2020), 14.2% (2021) and 15.1% (2022); **"CRB IV"** means the mechanical royalty element or the amount paid to the publishing copyright owner to reproduce and distribute phonorecords in respect of on-demand streaming in the US, set by a federal regulatory body called the Copyright Royalty Board, for the Phonorecord IV period, 2023-2027. The headline rates of the percentage of service provider revenue agreed by the CRB per royalty year are: 15.1% (2023), 15.2% (2024), 15.25% (2025), 15.3% (2026) and 15.35% (2027);

**"DCF"** means discounted cash flow;

**"Disclosure Guidance and Transparency Rules"** or **"DTRs"** mean the disclosure guidance published by the FCA and the transparency rules made by the FCA under section 73A of FSMA;

**"Distributable Revenues"** means profit after tax attributable to the Company's revenue activities;

**"Downloads"** means royalties for the permanent digital mechanical transfer of music;

**"DSPs"** means digital service providers;

**"Earnings per Share"** or **"EPS"** means the Earnings per Ordinary Share and is expressed in pounds Sterling;

**"Extraordinary General Meeting"** or **"EGM"** means a meeting held on 26 October 2023 to vote on the First Disposal;

**"EU"** means European Union;

**"Fair Value"** means the fair value as calculated by the Portfolio Independent Valuer;

**"FCA"** means the UK Financial Conduct Authority (or its successor bodies);

**"First Disposal"** means the proposed disposal of the 29 Catalogues to Hipgnosis SC IV (Delaware) L.P., a Delaware limited partnership with its registered address at c/o Intertrust Corporate Services Delaware Ltd, 200 Bellevue Parkway, Suite 220, Wilmington, Delaware 19809, United States of America for aggregate cash consideration of \$440 million pursuant to the terms of the relevant asset sale agreement;

**"FRC"** means the UK Financial Reporting Council;

**"FSMA"** means the UK Financial Services and Markets Act 2000;

**"Go-Shop period"** means the 40 calendar day period that ended on 23 October 2023 during which the Company and its advisers could seek alternative offers for the assets parts of the First Disposal (or a subset thereof);

**"GFSC"** means the Guernsey Financial Services Commission;

**"Grammy"** means an award presented by the Recording Academy to recognise achievements in the music industry;

**"Group"** means Hipgnosis Songs Fund Limited and its subsidiaries and "member of the Group" shall be construed accordingly;

**"HSG"** or **"Hipgnosis Songs Group"**, means Hipgnosis Songs Group LLC, which was rebranded from Big Deal Music Group (BDM) on acquisition;

**"IAS"** means international accounting standards as issued by the Board of the International Accounting Standards Committee;

**"IFPI"** means International Federation of the Phonographic Industry which measure global recorded market revenues;

**"IFRS"** means the International Financial Reporting Standards, being the principles-based accounting standards, interpretations and the framework by that name issued by the International Accounting Standards Board;

**"IFRS NAV"** means the value of the Gross Assets of the Company less its liabilities (including accrued but unpaid fees) in accordance with the accounting policies adopted by the Directors;

**"Interim Report"** means the Company's half yearly report and unaudited condensed consolidated financial statements for the period ended 30 September;

**"Investment Adviser"** or **"HSM"** means Hipgnosis Song Management Ltd, formerly The Family (Music) Limited;

**"Investment Advisory Agreement"** means the investment advisory agreement dated 27 June 2018, between the Company, certain subsidiaries of the Company and the Investment Adviser, as amended from time to time;

**"Investment Entity"** means an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both;

**"IPO"** means the initial public offering of shares by a private company to the public;

**"ISAE 3402"** means International Standard on Assurance Engagements 3402, "Assurance Reports on Controls at a Service Organisation";

**"ISIN"** means an International Securities Identification Number;

**"ISWC"** means International Standard Musical Work Code. It is a unique, permanent and internationally recognised reference number for the identification of musical works;

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

**"Kobalt Fund 1"** means a portfolio of 42 Catalogues acquired in September 2020, from Kobalt Music Copyrights S.à.r.l., an investment fund advised by Kobalt Capital Limited;

**"Letter of Direction"** means a document sent by the current copyright owner or the recipient of music royalties to the Publisher, Record company or Collection Society requesting a re-direction of royalties to be paid. It is sent from the current owner/recipient who is selling the assets, directing that all future payments should go to the buyer of the assets;

**"LIBOR"** means the London Interbank Offered Rate the basic rate of interest used in lending between banks on the London interbank market and also used as a reference for setting the interest rate on other loans;

**“Listing Rules”** means the Listing Rules published by the FCA in accordance with section 73A(2) of FSMA;

**“Live”** means publishing revenue derived from the live performance of music copyrights at concerts;

**“London Stock Exchange”** or **“LSE”** means London Stock Exchange plc;

**“MAR”** means EU regulation 596/2014 on market abuse;

**“Master Recording royalties”** aka **“Recording Royalties”** or **“Sound Recording Rights”** mean royalties that are generated on behalf of a sound/master recording. This is the most basic royalty performing artists and labels earn when their master recording is downloaded, physically bought, or streamed;

**“Mechanical”** means royalties for reproducing music, for example CD, vinyl, etc. (excluding mechanical downloads and mechanical Streaming);

**“NAV per Share”** means the Net Asset Value attributable to the Ordinary Shares in issue divided by the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the relevant time and expressed in Dollars;

**“Neighbouring Rights Income”** is the payment to the recording artist or performer for the public performance usage related to the Master Recording;

**“Net Asset Value”** or **“NAV”** means the value of the assets of the Company less its liabilities as calculated in accordance with the Company’s valuation policy and expressed in Dollars;

**“Net revenue”** or **“NPS”** means Net Publisher Share and refers to revenue collected by Publishers from PROs, net of contractual royalties due to writers i.e. deductions for administration and publishing fees;

**“Operative NAV”** means NAV as adjusted for the fair value of Catalogues of Songs;

**“Ordinary Shares”** means redeemable Ordinary Shares of no par value in the capital of the Company issued and designated as “Ordinary Shares” and having the rights, restrictions and entitlements set out in the Articles;

**“Other income”** means any income not covered by the other income types, for example sheet income and lyric exploitation;

**“Performance”** means royalties for playing music in public, for example TV/radio broadcasts, live performance, etc. and paid through to the publisher;

**“Performance Fee Shares”** means Ordinary Shares issued to the order of the Investment Adviser in accordance with the performance fee arrangements in the Investment Advisory Agreement;

**“Performance Rights Organisation”** or **“PRO”** means a performing rights organisation, such as PRS or BMI, which represents and collects Performance royalties for and on behalf of each of its members;

**“Performance Share Price”** means in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the one month period ending on the last business day of that accounting period;

**“Portfolio”** means the portfolio of Songs (whether organised into Catalogues or otherwise) held by the Company directly or indirectly from time to time;

**“Portfolio Independent Valuer”** means Citrin Cooperman Advisors LLC, formerly Massarsky Consulting, Inc., appointed by the Board to independently value the Company’s Catalogues within the Portfolio;

**“Portfolio Administrator(s)”** means portfolio administrators appointed by the Company in order to assist with the administration of the Portfolio;

**“Premium Listing”** means a Premium Listing on the Main Market of the London Stock Exchange;

**“Premium/Discount to Operative NAV”** means the situation where the Ordinary Shares of the Company are trading at a price higher/lower than the Company’s Operative NAV;

**“Prospectus”** means the most recent prospectus issued by the Company unless the context refers to a version of the prospectus published at an earlier date;

**“Pro Forma Annual Revenue”** or **“PFAR”** – Pro Forma Annual Revenue (PFAR) is a non IFRS measure and shows the royalty statements received or receivable within the reporting period. This is unlike IFRS 15 revenue which is accounted for from acquisition date and PFAR doesn’t include any revenue accruals as these are accounted for under IFRS;

**“Public Performance”** means revenue generated from licenses for the right to play music publicly in a commercial environment e.g. shops, bars, restaurants and shopping malls;

**“Publishing Share”** means the share of the rights in a music composition (lyrics and/or music) which generate Mechanical and Performance royalties. In the UK, “blanket licences” are issued to organisations including radio and TV;

**“RCF”** means the Revolving Credit Facility arranged from City National Bank, as Lead Arranger;

**“RCIS Rules”** means the Registered Collective Investment Scheme Rules 2015;

**“Record Labels”** means a company that owns, distributes and promotes musical recordings;

**“Recording Academy”** means a US academy of musicians, producers, recording engineers and other musical professionals;

**“Registrar”** means Computershare Investor Services (Guernsey) Limited;

**“Revenue activities”** means all revenues generated from the Company’s principal activities which is investing in and managing music copyrights and associated musical intellectual property;

**“RIAA”** means Recording Industry Association of America, the trade organization that represents the US recorded music industry. One of its activities is to collect data on US recorded revenues;

**“Right To Income”** or **“RTI”** means a right to income recognised as part of the Catalogue acquisition, which



is typically dependent on the timing of the negotiations and relates to royalty income paid over to the Company on closing of the acquisition and the accrued receivables.

**“Sacem”** means Société des auteurs, compositeurs et éditeurs de musique, the French Collection Society;

**“Second Disposal”** means the portfolio of non-core songs identified for sale on 14 September 2023, subject to completion of legal documentation and the consent of the Company’s lending banks under the Credit Agreement. The proposed sale of the Second Disposal Assets was for an initial aggregate consideration of approximately \$25 million. The Second Disposal is presented as a discontinued operation in the Consolidated Profit and Loss account for the six months ended 30 September 2023 and a Held for Sale disposal group in the Consolidated Balance Sheet as at 30 September 2023. On 11 December 2023, the Company announced that the disposal of a subset of these Songs had completed for a gross consideration of \$23.1 million;

**“SFS”** means London Stock Exchange’s specialist fund segment of the Main Market for listed securities;

**“Shareholder”** means the holder of one or more Ordinary Shares;

**“SOFR”** means the Secured Overnight Financing Rate, a benchmark interest rate for dollar-denominated derivatives and loans;

**“Song(s)”** means a songwriter’s and/or publisher’s interest in a musical composition (including any literary works) and/or an artist’s or label’s interest in a sound recording and including where the context permits any associated or related rights including so-called neighbouring rights and/or the right to equitable remuneration;

**“Song Management”** Active Management of the placing of songs in Films, TV Adverts, TV Programs, Video Games and Streaming playlists also including promoting the Interpolation of our songs by new Songwriters and Covers of our songs by new artists;

**“Strategic Review”** means the process started by the Company to consider all options for the reconstruction, reorganisation or winding-up of the Company;

**“Streaming”** means performance and Mechanical royalties for digitally playing music in real-time, for example through Spotify;

**“Synchronisation”** or **“Synch”** means royalties for playing music in connection with visual media (for example Film, TV, advertisements);

**“The MLC”** is a collection society designated by the U.S. Copyright Office, that since January 2021 has begun administering blanket mechanical licenses to digital service providers in the United States, and then paying out the royalties collected;

**“TV”** means television;

**“UK”** or **“United Kingdom”** means the United Kingdom of Great Britain and Northern Ireland;

**“UK Code”** means The UK Corporate Governance Code 2019 as published by the Financial Reporting Council;

**“UKLA”** means UK Listing Authority;

**“US”** or **“United States”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

**“Usage Accrual”** the Usage Accrual is an element of the revenue accrual to recognise the estimated revenue at the point at which usage is expected to occur;

**“Writer’s Share”** means Performance royalties collected by a Performance Rights Organisation and paid through directly to the Songwriter as opposed to the Publisher Share of performance;

**“YouTube”** means the US video-sharing website;

**“£”** or **“Pounds Sterling”** or **“Sterling”** or **“GBP”** means British pounds sterling and **“p”** or **“pence”** means British pence;

**“\$”** or **“USD”** or **“Dollar”** or **“Dollars”** means United States dollars and **“cents”** means United States cents; and

**“€”** or **“EUR”** is the currency of the majority of member states of the EU.



# Directors and General Information

Company Registration Number: 65158

## Board of Directors

Robert Naylor<sup>1</sup>, Chair  
Sylvia Coleman<sup>2</sup>, Senior Independent Director  
Simon Holden  
Francis Keeling<sup>1</sup>  
Christopher Mills<sup>3</sup>  
Cindy Rampersaud<sup>4</sup>  
Andrew Sutch, Chair<sup>5</sup>  
Paul Burger<sup>6</sup>, Senior Independent Director  
Andrew Wilkinson<sup>6</sup>

<sup>1</sup> Appointed 7 November 2023

<sup>2</sup> Appointed Senior Independent Director 26 October 2023

<sup>3</sup> Announced 15 December 2023

<sup>4</sup> Appointed 1 August 2023; appointed Chair of the Audit and Risk Management Committee on 26 October 2023

<sup>5</sup> To 26 October 2023

<sup>6</sup> Resigned 24 October 2023

## Investment Adviser

Hipgnosis Song Management  
Merck Mercuriadis, Chief Executive Officer  
Ben Katovsky, President & Chief Operating Officer  
Dan Pounder, Chief Financial Officer

United House  
9 Pembroke Road  
Notting Hill  
London W11 3JY  
www.hipgnosissongs.com

## Registered Office

PO Box 286  
Floor 2  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey GY1 4LY

## Administrator and Company Secretary

Ocorian Administration (Guernsey) Limited  
PO Box 286  
Floor 2  
Trafalgar Court  
Les Banques  
St Peter Port  
Guernsey GY1 4LY

## Corporate Brokers

Singer Capital Markets Advisory LLP  
1 Bartholomew Lane  
London EC2N 2AX

J.P. Morgan Securities plc<sup>1</sup>  
25 Bank Street  
London E14 5JP

RBC Europe Limited<sup>1</sup>  
100 Bishopsgate  
London EC2N 4AA  
<sup>1</sup> To 7 December 2023

## Independent Auditor

PricewaterhouseCoopers CI LLP<sup>1</sup>  
Royal Bank Place  
1 Glatigny Esplanade  
St Peter Port  
Guernsey GY1 4ND  
<sup>1</sup> Resigned 23 November 2023

KPMG Channel Islands Limited<sup>2</sup>  
Glatigny Court  
Glatigny Esplanade  
St Peter Port  
Guernsey GY1 1WR  
<sup>2</sup> Appointed 18 December 2023

## Music Specialist Legal Counsel

Bill Leibowitz  
271 Madison Avenue  
20th Floor  
New York  
New York 10016

## Legal Advisers to the Company

Herbert Smith Freehills LLP  
Exchange House  
Primrose Street  
London EC2A 2EG

## Legal Advisers to the Company as to Guernsey Law

Ogier (Guernsey) LLP  
Redwood House  
St Julian's Avenue  
St Peter Port  
Guernsey GY1 1WA

## Principal Banker

Barclays Bank PLC  
PO Box 41  
Le Marchant House  
St Peter Port  
Guernsey GY1 3BE

## Registrar

Computershare Investor Services (Guernsey) Limited  
1st Floor  
Tudor House  
Le Bordage  
St Peter Port  
Guernsey GY1 1DB

## Identifiers

ISIN: GG00BFYT9H72

Ticker: SONG

SEDOL: BFYT9H7

Website: <https://www.hipgnosissongs.com/song-investors/>

LEI: 213800XJIPNDVKXMOC11

GIIN: 5XGPC8.99999.SL.831

## Managing your account online

The Company's registrar, Computershare Investor Services (Guernsey) Limited, allows you to manage your shareholding online. If you are a direct investor you can view your shareholding, change the way the Registrar communicates with you and buy and sell shares. If you haven't used this service before, all you need to do is enter the name of the Company and register your account at:

[www-uk.computershare.com/investor](http://www-uk.computershare.com/investor)

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

# Advice to Shareholders

In recent years investment related scams have become increasingly sophisticated and difficult to spot. We are therefore warning all our Shareholders to be cautious so that they can protect themselves and spot the warning signs.

Fraudsters will often:

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they are only making the offer available to you
- ask you to not tell anyone else about it.

You can avoid investment scams by:

- **Rejecting unexpected offers** – Scammers usually cold call but contact can also come by email, post, word of mouth or at a seminar. If you have been offered an investment out of the blue, chances are it's a high-risk investment or a scam.
- **Checking the FCA Warning List** – Use the FCA Warning List to check the risks of a potential investment. You can also search to see if the firm is known to be operating without proper FCA authorisation.
- **Getting impartial advice** – Before investing get impartial advice and don't use an adviser from the firm that contacted you. If you are suspicious, report it.
- You can report the firm or scam to the FCA by contacting their Consumer Helpline on **0800 111 6768** or using their online reporting form.
- If you have lost money in a scam, contact Action Fraud on 0300 123 2040 or [www.actionfraud.police.uk](http://www.actionfraud.police.uk).

For further helpful information about investment scams and how to avoid them please visit [www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart).

## Cautionary Statement

The Chair's Statement, the Investment Adviser's Report and the Report of the Directors have been prepared solely to provide additional information for Shareholders to assess the Company's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Chair's Statement, Investment Adviser's Report and the Report of the Directors may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Adviser, concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

Subject to their legal and regulatory obligations, the Directors and the Investment Adviser expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

## Hipgnosis Songs Fund Limited

PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 4LY

Further information available online: [www.hipgnosissongs.com](http://www.hipgnosissongs.com)



• **Payphone** • Yeah! • **Around The World** • Call Me • **Ohio** • Many Men (Wish Death) • **Ride Wit Me** •  
 The Lazy Song • **Roam** • Copacabana (At The Copa) 2005 • **Fell On Black Days** • Don't Let Go  
 • **Barcelona** • 21 Questions • **Honest** • I Lived It • **Me, Myself & I** • It Will Rain • **I'm Your Baby Tonight** •  
 Blue Jeans • **Queen Of The Night** • Don't Give Up On Me • **Maps** • They Don't Know • **Would I Lie To You?**  
 • Mandy • **Addicted To You** • Country Grammar • **Flatliner** • New Year's Day • **Hunger Strike** •  
 Dilemma • **Perfect Places** • Sisters Are Doin' It For Themselves • **Xo** • Good Times • **Freaky Friday**  
 • The Zephyr Song • **Alejandro** • Dress • **You're Beautiful** • Runnin' (Lose It All) •  
**Do You Remember** • Home Sweet Home • **Just A Lil Bit** • Underneath Your Clothes  
 • **Changing** • Diva • **Every Little Step** • Classic • **Say You Love Me** • Good To Be Alive (Hallelujah) •  
**The Prayer** • Somebody • **Harvest Moon** • Heartless • **One Last Time** • Clandestino  
 • **Waterfalls** • Sugar • **Liability** • Dumb Disco Ideas • **Soul On Fire** • Say My Name • **Prayed For You** •  
 I Get Money • **I'll Be There For You** • This Is Why We Can't Have Nice Things • **Out Of The Woods**  
 • Burial • **El Perdedor** • Best Song Ever • **Somewhere On A Beach** • One Way Or Another •  
**I'm Not In Love** • Dare (La La La) • **Nada** • Count On Me • **Swalla** • Don't Be So Hard On Yourself  
 • **Goodbye Angels** • Look What God Gave Her • **Kiss And Make Up** • Carry On • **Girls, Girls, Girls** •  
**When You're Gone** • Tennis Court • **Turn Down For What** • Liar • **Fresh Eyes** • Nervous  
 • **Someone To You** • Dynamite • **Rusty Cage** • Sign Of The Times • **Supercut** • Even So,  
 Come (Come, Lord Jesus) • **Soundtrack 2 My Life** • Cuando Me Enamoro • **Unknown (To You)**  
 • Easier • **I Miss You** • Run The World (Girls) • **All Of The Lights** • Cinnamon Girl •  
**Southern Man** • Middle Of The Road • **You Make It Easy** • Bad Medicine • **Love On Top**  
 • Cheating • **Fallin' All In You** • As You Are • **Scary Monsters And Nice Sprites** •  
 Don't Come Around Here No More • **Young** • Dance For You • **Thorn In My Side Remastered V**  
 • Lay Your Hands On Me • **It Won't**  
**Kill Ya** • Where Are U Now • **Tell**  
**Me Baby** • Fake Love • **Bailamos**  
 • Who Says • **Something Big** •  
 Hunger • **Sixteen** • Crying In The  
 Club • **Human** • Ain't Your Mama  
 • **Bad Liar** • Love • **Same Power** •  
 Eastside • **E.I.** • Work It • **The**  
**Adventures Of Rain Dance Maggie**  
 • Open Up The Heavens • **Birthday**  
**Cake** • Can't Find My Way Home  
 (Winwood Greatest Hits Live) •  
**Arrow** • Jar of Hearts • **Head Held High** • Born To Be My Baby • **Answerphone** • Company  
 • **Obsessed** • Monday Morning • **We Weren't Born to Follow** • A Different Way • **You Owe Me** •  
 Over Now • **How Do You Sleep?** • Teenage Dream • **One Thing** • Break Your Heart • **Call You Mine**  
 • Hard • **What's My Age Again?** • The One • **This Town** • Escape • **Give Me Your Love** •  
 Slow Hands • **Strong Enough** • Motivation • **Runaway** • Naked • **Rock Lobster** • Girl On Fire  
 • **Le Freak** • 7 Things I Hate About You • **Underneath It All** • Parallel Line • **After The Gold Rush** •  
 Helpless • **Hey Hey, My My** • Drunk On A Plane • **King Is Born** • If I Can't Have You • **Keep The Faith**  
 • Inside Out • **The Rest Of Our Life** • Monster • **Nice To Meet Ya** • She Wolf • **The Getaway** •  
 Wild Horses • **Objection** • Mr. Rager • **Small Town Boy Like Me** • Glad You Came • **Fuck You**  
 • Say Amen (Saturday Night) • **Young Girls** • Listen • **That's What Friends Are For** • Polaroid •  
**Peanut Butter Jelly** • Touch My Body • **Been You** • Bloodline • **Irreplaceable** • Miracle Of Love  
 • **Would You Ever** • Yo • Soy Yo • **On My Own** • Parallel Universe • **Dirt On My Boots** • Road Trippin' •  
**Mariners Apartment Complex** • I'm Coming Out • **You And I** • We Can Do Better • **Is That For Me**  
 • Because He Lives (Amen) • **Die A Happy Man** • Boys Round Here • **Me And My Broken Heart** •  
 Therapy • **Deja Vu** • Wasted Times • **Feeling Whitney** • Be Without You • **A Groovy Kind Of Love**  
 • 5 More Hours • **Chains** • The Lord Our God • **Haven't Met You Yet** • Beautiful Pain •  
**Dreams Of A Samurai** • Ciega, Sordomuda • **Girl Like You** • Lie To Me • **Nothing Else Matters**  
 • Nothin' On You • **Follow Your Fire** • Free • **All Loved Up** • Empress • **Better Life** • Flames •  
**Not In That Way** • Shed A Light • **Nobody Does It Better** • Dreadlock Holiday • **50 Ways To Say Goodbye**  
 • Get Ur Freak On • **Million Reasons** • The Longest Wave • **End Of Time** • The Things We Do For Love •



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