

LEI: 213800XJIPNDVKXMOC11

18 March 2024

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

Amendment to Operative Net Asset Value

The Board of Hipgnosis Songs Fund is providing an amendment to its Operative Net Asset Value ("**Operative NAV**") following identification of an error due to the double counting of accrued revenue in the calculation of Operative NAV by Hipgnosis Song Management Limited (the "**Investment Adviser**"). This error results in a 7.6% reduction in the pro forma Operative NAV per Ordinary Share from \$1.1657 (92.08 pence) as stated on 4 March 2024 to \$1.0765 (85.03 pence).

The Board, as part of the strategic review, have been focused on the impact of Shot Tower's preliminary valuation, as announced on 4 March 2024. As part of this work the Board raised concerns with the Investment Adviser on the double counting of accrued revenue in the calculation of the Operative NAV, which results in an overstatement of the Operative NAV. This issue has been raised previously. The Investment Adviser has now notified the Board that they agree with the Board's view, contrary to previous advice.

Since flotation in July 2018, the Company has reported both an Operative NAV and an IFRS NAV for each accounting period. The Operative NAV is defined as the NAV as adjusted for the fair value of the Catalogues of Songs. The valuation methodology used by the Company's valuers assumes the transfer of rights to all future cash receipts including any income accrued at the date of sale. The Operative NAV should therefore deduct accrued income to avoid double counting. The error relates to the adjustment made to the IFRS NAV to produce the Operative NAV, which is prepared by the Investment Adviser, and does not relate to the valuation methodology used by the Company's valuer.

The impact of this double counting is a c.7.6% reduction of the Pro Forma Operative NAV as at 30 September 2023, using the midpoint NAV in Shot Tower's preliminary valuation report as announced on 4 March 2024, where the Pro-Forma Operative NAV would be \$1.0765 per Ordinary Share (vs. \$1.1657 per Ordinary Share) and 85.03 pence per Ordinary Share (vs. 92.08 pence per Ordinary Share) based on the Dollar to Sterling exchange rate of 1.266.

The equivalent impact using the Operative NAV disclosed in the Interim Results as at 30 September 2023 is a c. 5.1% reduction to \$1.6500 per Ordinary Share (vs. \$1.7392 per Ordinary Share) and to 135.19 pence per Ordinary Share (vs. 142.49 pence per Ordinary Share) based on the Dollar to Sterling exchange rate of 1.22055. The full change and amendments to the Operative NAV calculation are set out in the tables below.

Operative NAV	Interim Report	
	30 September 2023 (as amended)	30 September 2023 (as presented)
	\$'000	\$'000
IFRS NAV	1,331,529	1,331,529
Reverse Net Book Value of Catalogues of Songs	(1,850,447)	(1,850,447)
Reverse Accrued Income balance	(109,581)	-
Reverse Royalty Accruals on Accrued Income	1,754	-
Add fair value of Catalogues of Songs ¹	2,622,000	2,622,000
Operative NAV	1,995,255	2,103,082
No. shares in issue	1,209,214,286	1,209,214,286

Operative NAV per share (\$)	1.6500	1.7392
Operative NAV per share (£)²	1.3519	1.4249

¹Based on the valuation report for 30 September 2023 by Citrin Cooperman Advisors LLC

²Based on the Dollar to Sterling exchange rate of 1.22055 as at 30 September 2023

Shot Tower's preliminary valuation report – RNS announcement on 4 March 2024		
Pro Forma Operative NAV	30 September 2023 (RNS as amended)	30 September 2023 (RNS)
	\$'000	\$'000
IFRS NAV	1,331,529	1,331,529
Reverse Net Book Value of Catalogues of Songs	(1,850,447)	(1,850,447)
Reverse Accrued Income balance	(109,581)	-
Reverse Royalty Accruals on Accrued Income	1,754	-
Add fair value of Catalogues of Songs ^{3,4}	1,928,500	1,928,500
		1,409,582
Pro Forma Operative NAV	1,301,755	
No. shares in issue	1,209,214,286	1,209,214,286
Pro Forma Operative NAV per share (\$)	1.0765	1.1657
Pro Forma Operative NAV per share (£)⁵	0.8503	0.9208

³Based on the preliminary valuation report for 28 February 2024 prepared by Shot Tower Capital, LLC

⁴Does not include c.20,000 songs sold post period end for \$23.1 million, which had a fair value of \$26.9m at 30 September 2023

⁵Based on the Dollar to Sterling exchange rate of 1.266 on 1 March 2024, being the last business day prior to the publication of the announcement of Shot Tower's preliminary valuation report

The Board has also sought confirmation from Shot Tower, who agrees that such adjustments previously made to produce the Operative NAV by the Investment Adviser are incorrect. None of the Company's banking covenants are impacted by the Operative NAV and therefore this amendment.

As the Operative NAV is a key valuation metric in defining the market capitalisation of the Company, the Company has almost certainly been overcharged investment advisory fees by the Investment Adviser. The Board has reserved all the Company's rights against the Investment Adviser.

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