

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)** - **Remastered** • Whatever It Takes • **New Rules** • 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** • 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** • 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** • Roses • **Shallow** • Whenever, Wherever • **Young Dumb & Broke** • Sick Boy • **Let It Go** • Love Me Again • **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 • **A Thousand Years** • Set Fire To The Rain • **Super Freak** • Skin • **Bangarang** • Chantaje • **Holiday Road** • U Can't Touch This • **Close To Me** • Green Light • **Galway Girl** • 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** • The Chain • **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** • Don't Get Me Wrong - 2007 Remaster • **HandClap** • Great Are You Lord •

When I Was Your Man • Shakira - Waka Waka (This Time for Africa) • **Eraser** • Me! • **Bailando** • Dive • **Cold Water** • 2002 • **Symphony** • Issues • **Moves Like Jagger** • Nothing Breaks Like A Heart • **Perro Fiel** • Open Arms • **Believe** • I'll Stand by You • **Let Me Love You** • Drag Me Down • **SUBEME LA RADIO** • New Man • **Trumpets** • Back To Black • **Know No Better Rise** • 2U • **DUELE EL CORAZON** • What Do You Mean? • **Mama** • Beautiful Now

• Wheel in the Sky • **The Middle** • Hearts Don't Break Around Here • **Despacito - Remix** • Stitches • **Brass In Pocket** • We Are Family • **2000 Miles** • P.I.M.P. • **Give It To Me Baby** • Hurt Somebody • **Message Of Love** • Suga Suga • **We Are Young** • Wrecking Ball • **Look What God Gave Her** • La Tortura • **Naked** • Just Give Me A Reason • **Anywhere** • Team • **Old Man** • Heart Of Gold • **Needed Me** • Bad To The Bone • **Blame** • Love My Life • **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 • **Hot In Herre** • Drive By • **Second Hand News** • 8 Mile • **Impossible** • Toxic • **Call It What You Want** • Who's Crying Now • **What Happens In A Small Town** • There Must Be An Angel • **I'm The One** • Nancy Mulligan • **Don't You Worry Child** • Back On The Chain Gang • **Tusk** • 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** • History • **Stand By You** • Sofia • **Sky Walker** • Fire Bird - Japanese Version Rearview Town • **Runaway Baby** • Scared to Be Lonely • **Bailando (English Version)** • All The Small Things • **Electricity** • Come And Get It • **8TEEN** • I Predict a Riot • **Disturbia** • Not Giving In • **Mercy** • Getaway Car • **Some Nights** • Bed • **Stay** • First Of The Year (Equinox) • **Grenade** • Spoonman • **All of the Stars** • When I Need You • **Payphone** • Yeah! • **Call Me** • Ohio • **Many Men (Wish Death)** • Ride Wit Me • **The Lazy Song** • Roam • **Copacabana (At The Copa)** • Fell on Black Days • **Don't Let Go Love** • Barcelona



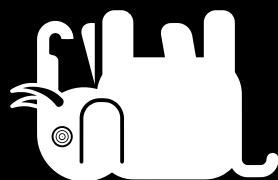
HIPGNOSIS SONGS FUND

Hipgnosis Songs Fund Limited
Annual Report 2021

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







HIPGNOSIS SONGS FUND

Hipgnosis Songs Fund is the first 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.

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Introduction from Merck Mercuriadis

When I started Hipgnosis only 3 years ago the benchmark for extraordinary success in the music business was the Platinum album or single. In the United States that is equivalent to 1 million sales in a country that has almost 360 million people in it. 1 in 360, that ratio immediately tells you that while people might love music, they did not love it enough to pay for it. During this time, the growth in paid subscribers to music streaming services has been exponential – from 30 million in the US to the current 450 million globally. There are now over 100 million homes in the United States alone that are paying for a premium music streaming service!

Music has gone from being a discretionary or luxury purchase to very much being a utility. This is a result of the convenience and access afforded by streaming. You can listen to everything from Bach to The Beatles and Chopin to Chic in one place, it doesn't take up

space on your phone or computer and you have access in your home, car, the office, the beach etc. for only \$10 per month or \$120 per year. By the time we get to the end of the decade it is predicted we will have 2 billion paid subscribers worldwide.

Timing is everything and this is the context in which we have established Songs as an asset class. We have given our loyal investors access to some of the most extraordinarily successful and culturally important songs of all time at a point when almost all consumption is now paid for in an industry that was previously littered with piracy and illegal consumption. If you add in the explosive growth of TikTok, Peloton, Triller, NFTs and other new uses of music that are not part of the data on which we buy Catalogues, the investment case becomes stronger with each passing day. The same goes for emerging markets such as India, Africa and China, whose nascent growth in revenues are not in the data on which we buy Catalogues. Songs are very much an asset class with an incredible future.

This year alone our Shareholders' support has allowed us to acquire the Catalogues of Rock And Roll Hall Of Fame inductees Neil Young, Lindsey Buckingham/Fleetwood Mac, Steve Winwood, Debbie Harry & Chris Stein/Blondie, and Chrissie Hynde/The Pretenders as well as Songwriters Hall Of Fame members Barry Manilow and Carole Bayer Sager and iconic artists, Songwriters and producers Shakira, Rick James, Enrique Iglesias, B-52's, Jimmy Iovine, The RZA/Wu Tang Clan, Chris Cornell/Soundgarden, 50 Cent, George Benson, Nikki Sixx/Mötley Crüe, Rodney Jerkins, Kevin Godley & Eric Stewart/10cc, Skrillex, Walter Afanasieff, and many others including the recently crowned 2021 Grammy Awards Producer Of The Year Andrew Watt.



These are Catalogues that I believe are going to significantly appreciate in consumption, revenue and value for a long time to come, not only from the growth in streaming and the narrowing of the discount rate as a result of the certainty of earnings that it affords, but also from our Song Management and the efficiencies we bring to collections.

Furthermore, the legislative efforts – influenced by our advocacy – that are taking place all over the world to lobby on behalf of the Songwriter to receive a greater share of the income combined with our effectively unique proposition has made us the preferred choice for the Songwriting community and allows us to “buy well” as there is complete alignment between our Shareholders and the Songwriters. You will read about all of this and more throughout this report.

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

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

Having given our Shareholders a 41% Total NAV Return since inception, grown our Operative NAV by more than 11% across this fiscal year, having advocated

for Songwriters at the highest level including the DCMS hearings taking place in UK Parliament and having increased our synch income through Active Management, as a percentage of total revenue, from 9% to 15% this fiscal year, I’m delighted to say our ambitions are turning into reality and we are well on our way to Hipgnosis achieving them all.

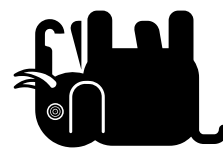
It remains only for me to thank our incredible Shareholders, our Independent Non-executive Board, the team at The Family (Music) Limited and its Advisory Board and most importantly the great Songwriters that have entrusted us with their incomparable songs.

Best wishes,

Merck Mercuriadis

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

4 July 2021



HIPGNOSIS SONGS FUND



Spotify's Billions Club

Hipgnosis has 36 out of the 156 Songs



5SOS • <i>Youngblood</i> • Andrew Watt
Ariana Grande • <i>No Tears Left To Cry</i> • Savan Kotecha
Benny Blanco • <i>Eastside (with Halsey & Khalid)</i> • Nathan (Happy) Perez
Bruno Mars • <i>Just The Way You Are</i> • Ari Levine
Camila Cabello • <i>Havana (ft. Young Thug)</i> • Andrew Watt/Starrh
Clean Bandit • <i>Rockabye (ft. Sean Paul & Anne-Marie)</i> • Ammar Malik
Clean Bandit • <i>Symphony (ft. Zara Larsson)</i> • Ammar Malik
DJ Snake • <i>Let Me Love You (ft. Justin Bieber)</i> • Andrew Watt
Dua Lipa • <i>New Rules</i> • Caroline Ailin/Ian Kirkpatrick
Ed Sheeran • <i>Photograph</i> • Johnny McDaid
Ed Sheeran • <i>Shape Of You</i> • Johnny McDaid *
Journey • <i>Don't Stop Believin'</i> • Jonathan Cain/Neal Schon
Justin Bieber • <i>Sorry</i> • Julia Michaels/Skrillex
Justin Bieber • <i>What Do YOU Mean?</i> • Poo Bear
Khalid • <i>Young Dumb & Broke</i> • Joel Little
Kygo • <i>It Ain't Me (ft. Selena Gomez)</i> • Andrew Watt
Lady Gaga, Bradley Cooper • <i>Shallow</i> • Mark Ronson
Logic • <i>1-800-273-8255</i> • Andrew Taggart
Luis Fonsi, Daddy Yankee, Justin Bieber • <i>Despacito - Remix</i> • Poo Bear
Major Lazer • <i>Cold Water</i> • Benny Blanco
Major Lazer, MØ, DJ Snake • <i>Lean On (ft. DJ Snake & MO)</i> • Martin Bresso
Mark Ronson • <i>Uptown Funk (ft. Bruno Mars)</i> • Mark Ronson/Jeff Bhasker
Maroon 5 • <i>Girls Like You</i> • Starrh
Maroon 5 • <i>Memories</i> • Stephan Johnson
Maroon 5 • <i>Sugar</i> • Jacob Kasher Hindlin
Martin Garrix, Bebe Rexha • <i>In The Name Of Love</i> • Ilsey Juber
Panic! At The Disco • <i>High Hopes</i> • Sam Hollander
Shawn Mendes, Camila Cabello • <i>Señorita</i> • Andrew Watt
Shawn Mendes • <i>Stitches</i> • Teddy Geiger
Shawn Mendes • <i>There's Nothing Holdin' Me Back</i> • Teddy Geiger/Scott Harris
Shawn Mendes • <i>Treat You Better</i> • Teddy Geiger/Scott Harris
The Chainsmokers • <i>Closer (ft. Halsey)</i> • Andrew Taggart *
The Chainsmokers • <i>Don't Let Me Down (ft. Daya)</i> • Andrew Taggart/Scott Harris
The Chainsmokers, Coldplay • <i>Something Just Like This</i> • Andrew Taggart
ZYAN, Taylor Swift • <i>I Don't Wanna Live Forever (50 Shades)</i> • Jack Antonoff
Zedd, Maren Morris, Grey • <i>The Middle</i> • Stefan Johnson

Source: Every Song on Spotify with over 1 billion streams (as at 23 June 2021)

* Over 2 billion streams

Financial and Operational Highlights

As at 31 March 2021, the Company had raised a total of over **£1.1 billion** (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent placings in April 2019, August 2019, September 2020, and February 2021 as well as C-Share raises in October 2019 (which converted in January 2020) and July 2020 (which converted in December 2020). Our revolving credit facility has now been raised from \$150 million to **\$600 million**.

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

Catalogue	Acquisition Date	Interest Ownership	Total Songs
Rodney Jerkins	16 Jul 2020	100%	982
Barry Manilow	16 Jul 2020	100%	917
RedOne	16 Jul 2020	100%	334
Eliot Kennedy	16 Jul 2020	100%	217
Closer (J King & I Slade)	27 Jul 2020	100%	2
NO I.D.	24 Jul 2020	100%	273
Pusha T	24 Jul 2020	100%	238
Ian Kirkpatrick	29 Jul 2020	100%	137
Blondie	30 Jul 2020	100%	197
Chris Cornell	10 Aug 2020	100%	241
Robert Diggs "RZA"	12 Aug 2020	50%	814
Ivor Raymonde	13 Aug 2020	100%	505
Nikki Sixx	3 Sep 2020	100%	305
Big Deal Music "BDM"	10 Sep 2020	100%	4,400
Chrissie Hynde	10 Sep 2020	100%	162
Steve Robson	17 Sep 2020	100%	1,034
Rick James	18 Sep 2020	50%	97
Kevin Godley	23 Sep 2020	100%	358
Scott Cutler	24 Sep 2020	100%	111
Nate Ruess	30 Sep 2020	100%	59
LA Reid	30 Sep 2020	100%	162
50 Cent	30 Sep 2020	100%	388
Aristotricks	30 Sep 2020	100%	152
B-52's	30 Sep 2020	100%	96
Bonnie McKee	30 Sep 2020	100%	78
Brill Building	30 Sep 2020	100%	234
Christina Perri	30 Sep 2020	100%	68
Dierks Bentley	30 Sep 2020	100%	113
Editors	30 Sep 2020	100%	64
Eman	30 Sep 2020	100%	97
Enrique Iglesias	30 Sep 2020	100%	157
Evan Bogart	30 Sep 2020	100%	229
George Benson	30 Sep 2020	100%	107
George Thorogood	30 Sep 2020	100%	40
Good Soldier	30 Sep 2020	100%	760
Holy Ghost	30 Sep 2020	100%	62
J-Kash	30 Sep 2020	100%	90
John Rich	30 Sep 2020	100%	7
Kojak	30 Sep 2020	100%	148
Lateral	30 Sep 2020	100%	248
Lindsey Buckingham (Kobalt)	30 Sep 2020	100%	174

Catalogue	Acquisition Date	Interest Ownership	Total Songs
LunchMoney Lewis	30 Sep 2020	100%	116
Lyrical Anderson	30 Sep 2020	100%	96
Madcon	30 Sep 2020	100%	173
Mark Batson	30 Sep 2020	100%	210
Mobens	30 Sep 2020	100%	1,034
Nelly (Kobalt)	30 Sep 2020	100%	145
Nettwerk	30 Sep 2020	100%	25,339
PRMD	30 Sep 2020	100%	335
Rob Hatch	30 Sep 2020	100%	167
Rock Mafia	30 Sep 2020	100%	393
Savan Kotecha	30 Sep 2020	100%	354
SK Music	30 Sep 2020	100%	23
Skrillex	30 Sep 2020	100%	153
Stereoscope	30 Sep 2020	100%	456
Steve Winwood	30 Sep 2020	100%	215
Tequila	30 Sep 2020	100%	1
Third Day	30 Sep 2020	100%	212
Walter Afanasieff	30 Sep 2020	100%	213
Wayne Wilkins	30 Sep 2020	100%	113
Yasliana	30 Sep 2020	100%	73
Sacha Skarbek	20 Nov 2020	100%	303
Tricky Stewart (Masters)	27 Nov 2020	100%	95
Eric Stewart	2 Dec 2020	100%	255
Bob Rock	4 Dec 2020	100%	43
Caroline Ailin ("New Rules")	10 Dec 2020	100%	2
Nelly	15 Dec 2020	100%	240
Lindsey Buckingham	24 Dec 2020	100%	161
Joel Little	24 Dec 2020	100%	178
Jimmy Iovine	24 Dec 2020	100%	259
Neil Young	31 Dec 2020	50%	590
Shakira	31 Dec 2020	100%	145
Brian Kennedy (Writer Sh.)	31 Dec 2020	100%	139
Andrew Watt	17 Feb 2021	100%	105
Christian Karlsson	2 Mar 2021	100%	255
Carole Bayer Sager	17 Mar 2021	100%	983
Paul Barry	18 Mar 2021	100%	510
Espionage	26 Mar 2021	100%	151
Martin Bresso	31 Mar 2021	100%	51
Andy Wallace	31 Mar 2021	100%	1,242
David Sitek	31 Mar 2021	100%	230
Happy Perez	31 Mar 2021	100%	192

Financial Highlights¹

Year ended 31 March 2021

IFRS NAV²

\$1,462,844,327

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

Middle market share price (SONG)

125.50p

(31 March 2020: 103.00p)

Net Revenues

\$138,389,473

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

IFRS NAV per Ordinary Share

\$1.3628

(31 March 2020: \$1.3164)

(Discount)/Premium to Operative NAV

2.4%

(31 March 2020: -11.8%)

EBITDA

\$106,666,421

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

Operative NAV³

\$1,806,462,664

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

Total NAV Return⁴

40.7%

Leveraged Free Cash Flow

\$82,128,572

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

Operative NAV per Ordinary Share (\$)

\$1.6829

(31 March 2020: \$1.5114)

Ongoing Charges figure (%)

1.59%

(31 March 2020: 1.52%)

EPS

4.72¢

(31 March 2020: 8.13¢)

Operative NAV per Ordinary Share (p)

122.50p

(31 March 2020: 116.73p)

Total dividends paid in respect of the period

5.125p

(31 March 2020: 5.00p)

EPS excl. Amortisation

13.26¢

(31 March 2020: 14.23¢)

¹ A number of Alternative Performance Measures are used within the Report and details can be found on page 160. Prior Year comparatives have been restated from Sterling. Full methodology in Note 2n) on page 134.

² Catalogues of Songs are classified as intangible assets and measured at amortised cost or cost less any impairment in accordance with IFRS.

³ The Directors are of the opinion that an Operative NAV provides a meaningful alternative performance measure and the values of Catalogues of Songs are based on fair values produced by the Portfolio Independent Valuer.

⁴ Since inception. See page 161 for definition.

Hipgnosis at a Glance



138
+84
Catalogues



\$1.81bn
+\$0.88bn
Operative NAV



151
+81
Grammys



64,098
+50,807
Songs



\$138.4m
+40%
Net Revenue



3,738
+1,969
Number 1s



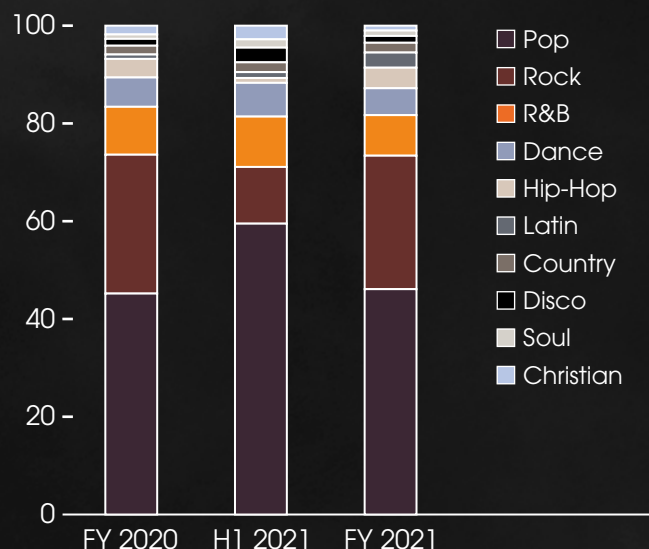
15.32x
+1.42x
Weighted Average Acquisition Multiple



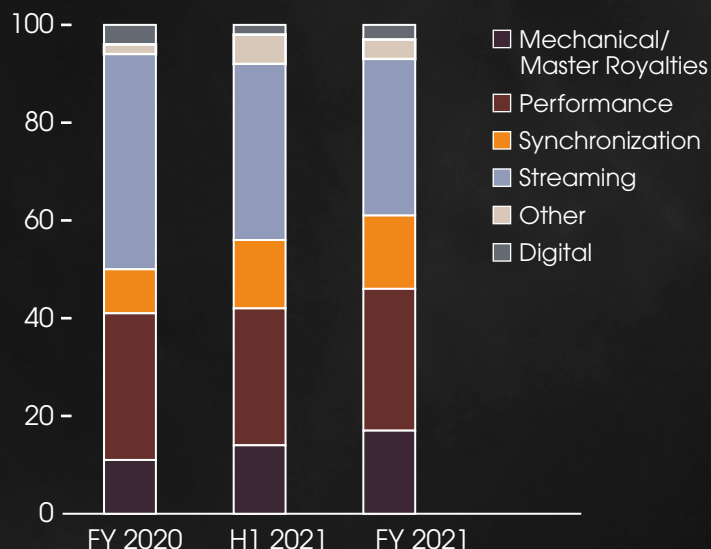
13,968
+6,955
Top 10s

+ Change in portfolio since 31 March 2020

Portfolio by genre (%)
(based on fair value)



Portfolio income by source (%)





7 out of the Top 20 Best Selling Albums in the UK have involvement from Hipgnosis' Songwriters

- #1 **Dua Lipa** • Future Nostalgia
2 Songs • Grimes, Ian Kirkpatrick
- #2 **Olivia Rodrigo** • Sour
1 Song • Jack Antonoff, Annie Clark
- #6 **Fleetwood Mac** • 50 Years – Don't Stop
50 Songs • Lindsey Buckingham
- #10 **Ed Sheeran** • Divide
13 Songs • Benny Blanco, Johnny McDaid
- #11 **Justin Bieber** • Justice
3 Songs • Stephan Johnson
- #15 **Fleetwood Mac** • Rumours
11 Songs • Lindsey Buckingham
- #17 **Eminem** • Curtain Call
1 Song • Mark Batson

Source: Half year UK Album Sales, Official Charts, June 2021



4 out of the Top 5 Billboard Songs of the Decade and 29 of the Top 100

- #1 **Uptown Funk!**
Mark Ronson feat. Bruno Mars • Mark Ronson and Jeff Bhasker
- #3 **Shape Of You**
Ed Sheeran • Johnny McDaid
- #4 **Closer**
The Chainsmokers Feat. Halsey • The Chainsmokers
- #5 **Girls Like You**
Maroon 5 feat. Cardi B • Starrah

Source: Billboard

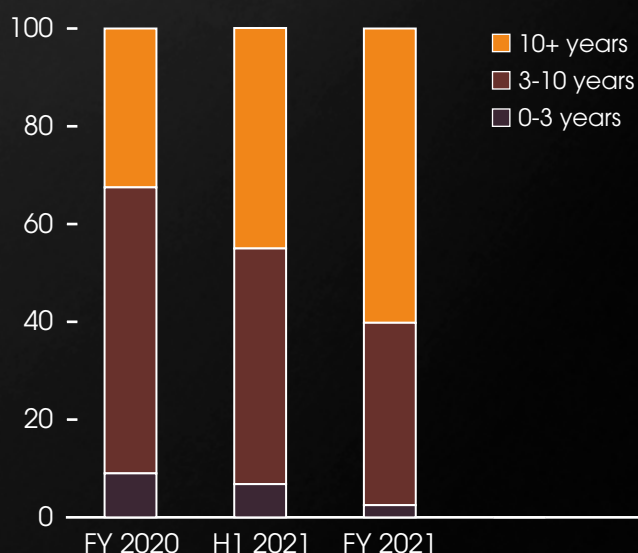


12 out of Spotify's Top 30 Most Played Songs of all Time and 45 of the Top 200

- #1 **Shape of You**
Ed Sheeran • ÷ (Deluxe) • Johnny McDaid
- #6 **Closer**
The Chainsmokers feat. Halsey • Collage • The Chainsmokers
- #9 **Señorita (feat. Camila Cabello)**
Shawn Mendes • Shawn Mendes (Deluxe) • Andrew Watt
- #16 **Havana (feat. Young Thug)**
Camila Cabello, Young Thug • Camila • Starrah
- #18 **Photograph**
Ed Sheeran • × (Deluxe Edition) • Johnny McDaid, Jeff Bhasker and Emile Haynie
- #21 **Love Yourself**
Justin Bieber • Purpose (Deluxe) • Benny Blanco
- #22 **Something Just Like This**
The Chainsmokers, Coldplay • Memories... Do Not Open • The Chainsmokers
- #23 **New Rules**
Dua Lipa • New Rules • Ian Kirkpatrick, Caroline Ailin
- #25 **Lean On (feat. MØ & DJ Snake)**
Major Laser • Peace Is The Mission • Martin Bresso
- #28 **Shallow**
Lady GaGa • A Star Is Born • Mark Ronson
- #29 **Despacito – Remix**
Luis Fonsi, Daddy Yankee, Justin Bieber • Vida • Poo Bear
- #30 **Sorry**
Justin Bieber • Purpose (Deluxe) • Skrillex

Source: Spotify, June 2021

Portfolio by age (%)
(based on fair value)



The Chair's Statement



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

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

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

Investments

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

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

Share issuance

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

Functional currency change

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

Conversion to Investment Trust Company

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

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

Performance

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

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

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

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

Dividend

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

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

Revolving Credit Facility

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

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

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

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

The Board

Vania Schlogel was appointed on 11 June 2021 as an Independent Non-executive Director. Vania, who is based in the US, has considerable private equity and media and entertainment sectors experience. Further details about Vania are set out on page 88 and we welcome her as an additional member of the Board.

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

Annual General Meeting

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

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

Outlook

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

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

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

Andrew Sutch

Chair

4 July 2021

Investment Adviser's Report

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



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

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

The pandemic now looks set to lead us into inflation and again we are extremely well placed with Songs as an asset class for our Shareholders to be beneficiaries. With all our Catalogues chosen due to their extraordinary success and cultural importance, we believe extra high levels of streaming demand are a natural feature. As an example, Journey's

catalogue has, over the last 4 months, grown from 2.5 million to 3.7 million streams per week on Apple Music and 13 million monthly listeners on Spotify. *Don't Stop Believin'* on its own now has over 1 billion streams on Spotify alone, both incredible achievements for classic Songs. This accelerated growth leaves us well positioned for the future, with increased expectations for income over the long term. Concurrently, we've felt some temporary decline in our Performance income consistent with the entire industry, but we expect that to turn around by the autumn.

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

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

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

- an increase in the Portfolio Independent Valuer's expectations for future streaming income as a result of:
 - the acceleration of the change in consumer behaviour to consuming music through streaming. This has been emphasised further still through the COVID-19 pandemic where streaming growth has exceeded expectations.
 - royalties starting to be paid by rapidly growing Emerging Digital Platforms (EDPs) including TikTok and Peloton. Whilst royalties have been paid to Administrators and therefore included in expected future earnings, due to the lag in reporting, they are not expected to start being received by

Hipgnosis until later this year and therefore not yet recognised in this period's revenue.

- growth in synchronisation income in excess of the Portfolio Independent Valuer's expectations despite advertising budget cuts and the production of films and television programs being at a standstill.
- a reduction in the discount rate used by the Portfolio Independent Valuer to value the Company's Catalogues from 9% to 8.5%, as stated in the half year results.

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

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

Song Management

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

Promoting Catalogues

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

- Journey's album *Escape*, which contains the mega hit-song *Don't Stop Believin'*, which is celebrating its 40th anniversary in July;
- the 40th anniversary of the seminal *Pretenders II* album in August which features *I Go To Sleep*;
- The 30th Anniversary of Nirvana's *Nevermind* and *Smells Like Teen Spirit* in September, arguably the most important album and single of the 1990's;

- the 20th anniversary of the landmark, latin album, *Laundry Service* by Shakira in November 2021; and
- the 40th anniversary of Rick James' album *Street Songs*, featuring the funk classic *Super Freak*. The focus on this album will be centred around Showtime's documentary: *Bitchin': The Sound and Fury of Rick James*, due for broadcast in August of 2021.

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

Synch revenues are growing significantly

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

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

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

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

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

Technology is key in Copyright Management

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

- Within the period, we launched our new internal system to closely monitor the activity across all of the Songs within the Hipgnosis Catalogue. This is bespoke technology that enables us to track activity across various DSPs and social networks. An important recent example being *Love Shack* by the B-52's and Britney Spears' *Toxic*. The unique 'mash-up' has now exceeded 1 billion video creations across all platforms. We were able to reproduce the Song and we own 75% of the mashup on the Publishing side and 100% on the Master side. It will be released this summer on all DSPs and into the Synch community. We were able to see it, remake it and own it.
- We have adopted AI tagging that ensures we are able to very quickly match advertising and agency briefs with the closest matches within our Catalogue. We are then able to propose alternative or more contemporary versions of Songs to meet the briefs that we receive or the proposed activity that we are planning. This is a system that operates within seconds and majorly increases our response times across the industry.
- We are also searching for missing YouTube revenues with an external technology service provider who, in addition to Hipgnosis, represents 2 of the 3 major publishers. Initial reports are showing up to 38% of plays have been missed in the reporting and we look forward to seeing the translation of this into our revenues in the next fiscal period. We can use this also to locate and claim our copyrighted material on newer and emerging platforms including TikTok,

Triller, Peloton and Roblox. We expect the latter to be properly licensed this year.

- Our strategy to access all portals to see deeper levels of data at registration level has already led us to discover missing PRO income from BMI in relation to the Catalogues of Rodney Jerkins, The-Dream and Emile Haynie in almost all markets since 31 March 2019. This is now being rectified.
- We have engaged with a new AI technology partner to conduct a global search looking for missing ISWCs and broken registrations globally at PRO level. The system provides a complete picture of the data across 200 outside partners who collect revenue on the Company's behalf. This will enable us to target where we should claim missing revenue and conduct deeper audits.

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

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

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

Song Administration

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

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

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

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

Song Creation

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

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

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

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

The Advisory Board

The Advisory Board assembled by Merck Mercuriadis assists the Investment Adviser.



Nile Rodgers

Rock And Roll Hall Of Fame and Songwriters Hall Of Fame Inductee, Chairman Of The Songwriters Hall Of Fame. Grammy award-winning Songwriter, producer and musician. Founder of the band Chic. Co-writer and producer of iconic hits for David Bowie, Madonna, Duran Duran and Daft Punk.



The-Dream

Grammy award-winning Songwriter, producer and musician. Wrote and produced iconic hits for Beyoncé, Jay Z, Kanye West, Rihanna, Mariah Carey, Britney Spears and Justin Bieber.



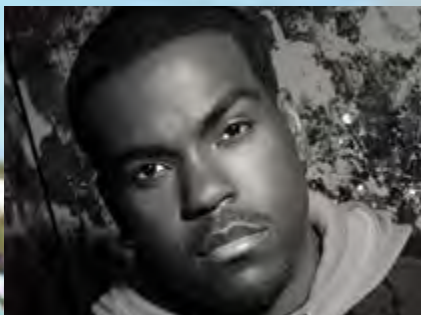
David A. Stewart

One of the most successful Songwriters, Artists and Producers of all time. His work with Eurythmics, Tom Petty & The Heartbreakers, Shakespears Sister, No Doubt, Mick Jagger, Bob Dylan and Eric Clapton amongst many others defines its era.



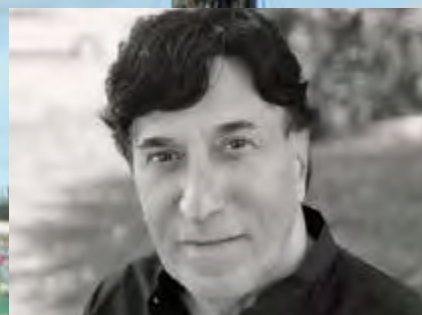
Starrah

Amongst the most important young Songwriters having written 14 hit singles thus far including the Number 1 Song Havana by Camila Cabello and Girls Like You by Maroon 5. Havana was the biggest song in the world in 2018.



Rodney "Darkchild" Jerkins

Grammy Award winning super-producer and a formidable musical force, with a trail of outstanding accomplishments. He has added to the hit lists of music talents such as Whitney Houston, George Michael, Mariah Carey, Sam Smith, Mary J. Blige, Beyonce, Rihanna, Justin Bieber, Ariana Grande, Lady Gaga, Madonna, Jennifer Lopez, Jay Z, Notorious B.I.G., Nas, Drake, Big Sean, Toni Braxton, Britney Spears, Cher, Destiny's Child, TLC, N'Sync, Backstreet Boys, The Spice Girls, Maroon 5 and countless others. These artists know that having the "Darkchild" touch on their song puts it on the fast track toward reaching Number One.



Bill Leibowitz

Attorney, founding partner of Roberts, Leibowitz and Hafitz PLLC. Former COO and General Counsel for The Sanctuary Group (and continued in this capacity after The Sanctuary Group was acquired by Universal Music Group until Bill returned to private practice). Specialises in intellectual property law and during his legal career of 35 years he has represented many renowned artists and major international intellectual property companies.



Giorgio Tuinfort

Grammy award winning Songwriter and one of the most important pop writers of the last 10 years. The partner of choice for David Guetta and Akon. He has written number 1 Songs for Sia, Gwen Stefani and Ariana Grande.



Poo Bear

Multi-platinum producer, singer and Songwriter aficionado, Jason Boyd, better known to the masses as Poo Bear, is a five-time Grammy winning musical force of nature having sold over 500 million records worldwide. Best known for his unforgettable collaborations with Ed Sheeran and Justin Bieber.



Ian Montone

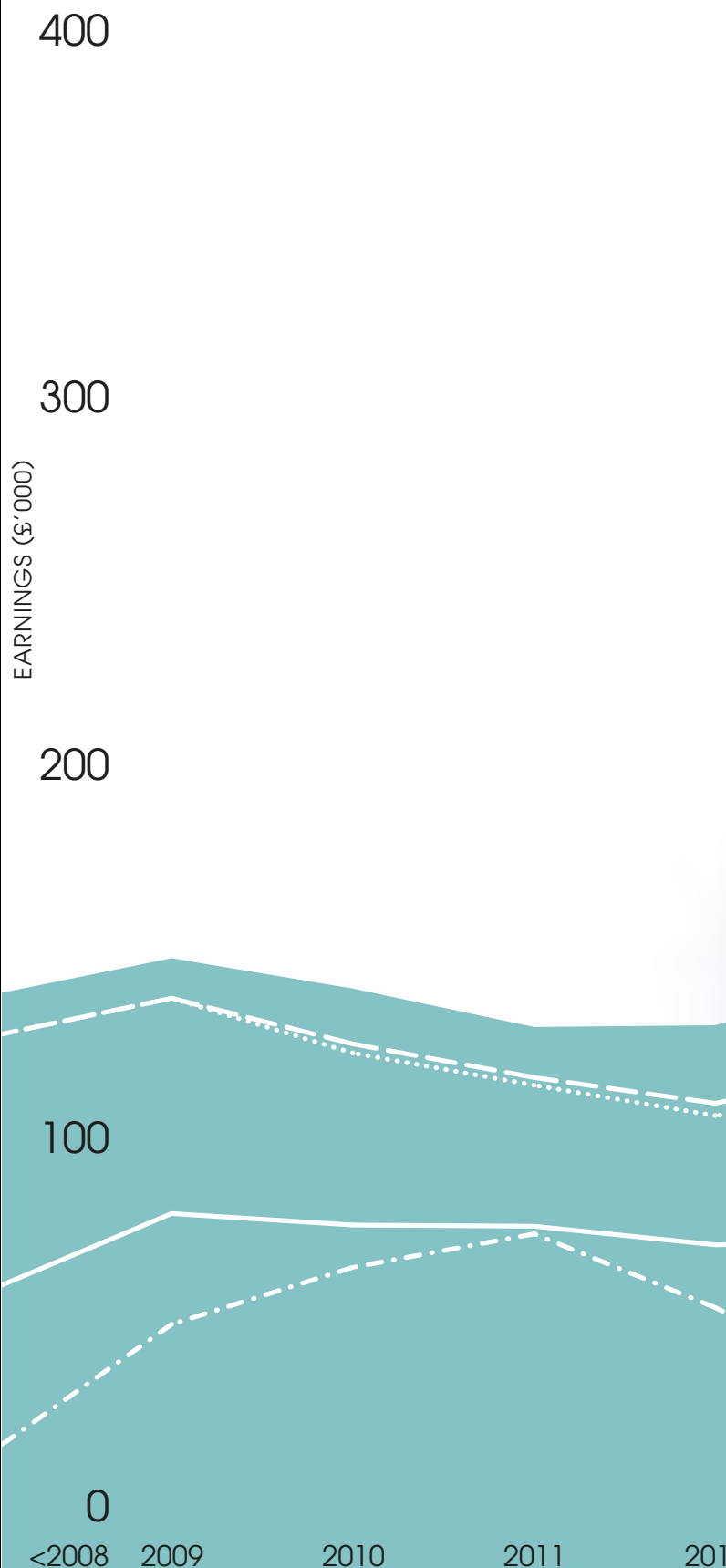
Attorney and founder of Monotone Management. Manager of Jack White, The White Stripes, Vampire Weekend, The Shins and Danger Mouse.

The Anatomy of a Song

David A. Stewart's

Sweet Dreams (Are Made of This)

- This is an example of a Classic Song, whose enduring popularity is a beneficiary of the explosive growth in Streaming.
- David A. Stewart, along with Annie Lennox formed the iconic duo Eurythmics.
- ***Sweet Dreams (Are Made of This)***, is one of Eurythmics' most recognizable songs, a commercial success and still hugely popular on both sides of the Atlantic. It has been officially covered and sampled on 182 different recordings globally.
- We show the income by type over the past decade.
- The appeal and simplicity of the lyrics and music keep the Song on regular radio rotation all over the world, which gives it very stable **Performance** income.
- **Streaming** growth has risen exponentially over the past few years and ***Sweet Dreams (Are Made of This)*** is a good example. The increase from streaming in 2020 is the greatest in any time over the past four years.
- Nearly 40 years after release, this is a Song that also continues to **Synch** well. Between 2014 and 2017 there were several material Synch deals. Larger deals included adverts for Samsung and Realtor.com, a US Real Estate website. A haunting orchestral/choir rendition was created for Sony Playstation for the launch of the game ***The King*** on PS4.
- There are now more **Synch** opportunities as more critically acclaimed high quality film and television content is being approved than ever before. ***Sweet Dreams (Are Made Of This)*** has been included in the 80s hits soundtrack of the television drama ***It's A Sin*** by Channel 4. Sizeable future plans are coming together including a placement in the forthcoming ***Cinderella*** remake with Sony Pictures.
- We are working closely with the record company to celebrate the 40th anniversary of each album in the Eurythmics Catalogue, starting with their debut album ***In The Garden*** in October of this year followed by the ***Sweet Dreams (Are Made of This)*** album next year, with great activity expected throughout the decade.



Sweet Dreams (Are Made of This): Revenue Split by Income Type

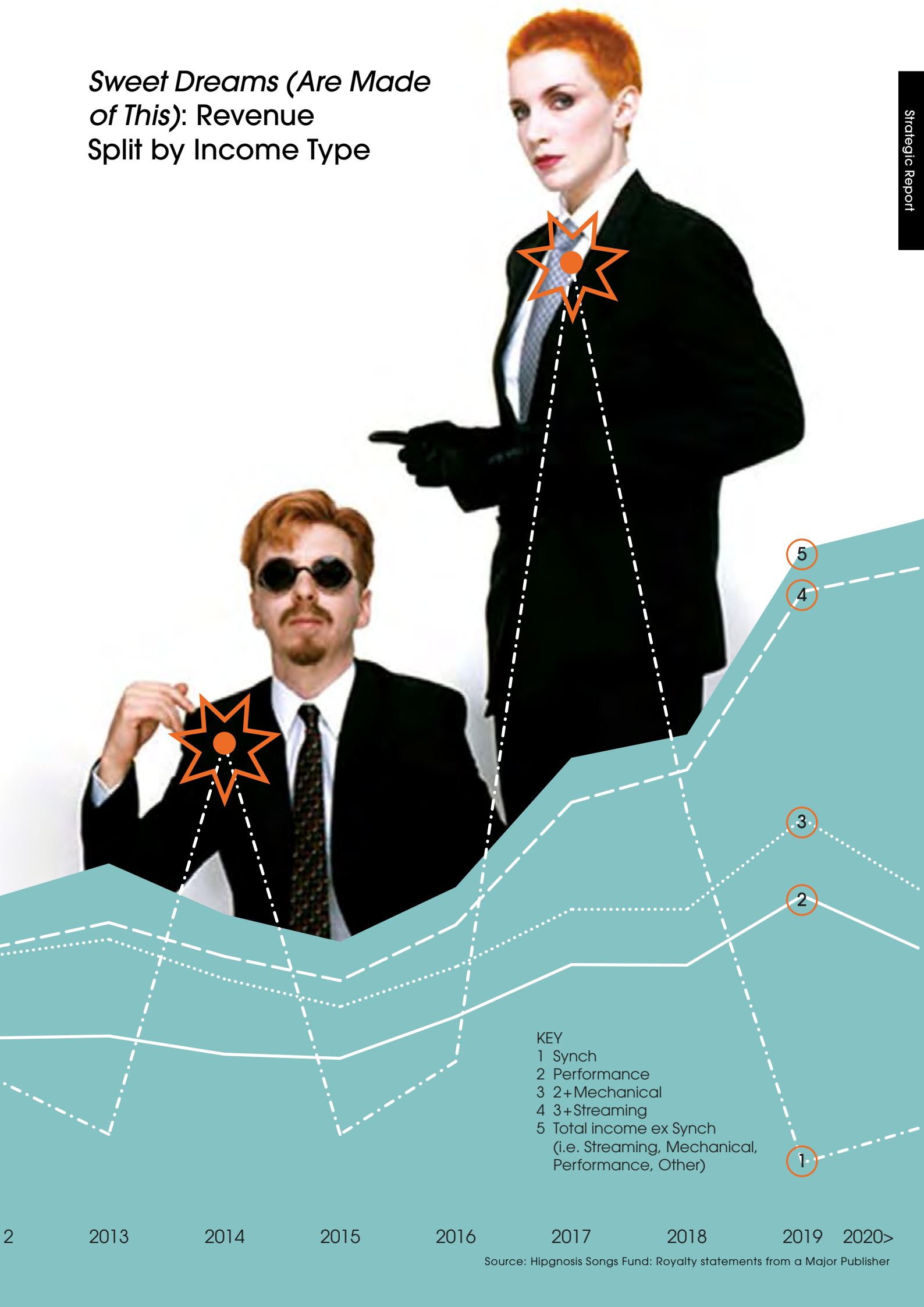


Chart and Synch Success

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

Film

- *There's Nothing Holdin' Me Back* by Shawn Mendes, co-written by Teddy Geiger and Scott Harris, was placed in the forthcoming *Sing 2* movie, the trailer of which was released in June 2021.
- The new Disney Movie *Cruella* features *Call Me Cruella* performed by Florence + The Machine, and written by Steph Jones.
- Eurythmics song *Sweet Dreams (Are Made Of This)*, Chic's *Good Times* and Beyoncé's *Single Ladies (Put A Ring On It)* have all been placed in Sony Pictures forthcoming remake of *Cinderella*.
- *Epilogue*, written by Ólafur Arnalds, soundtracks the trailer to *Nomadland*, starring Frances McDormand. The film won the best picture (drama) at the Golden Globe Awards, The Oscars and the EE British Academy Film Awards.
- *We Are Young*, by fun., written by Jack Antonoff, Nate Ruess and Jeff Bhasker, featured in *The Boss Baby 2*.
- *Coming 2 America*, starring Eddie Murphy featured Mark Ronson's *Feel Right* and Sister's Sledges's *We Are Family*, co-written by Bernard Edwards and Nile Rodgers.
- George Thorogood's *Bad To Bone* has been re-worked for the trailer of forthcoming movie *Gunpowder Milkshake*, which launches on Netflix in July 2021.
- Booker T & The MG's *Time Is Tight*, written by Al Jackson Jr., features in the forthcoming movie *Apollo 10½*.
- Will Ferrell & My Marianne's *Husavik*, from the *Eurovision* movie, written by Savan Kotecha was nominated for an Oscar, Critics' Choice Award and won the Hollywood Critics Association Awards for Best Original Song.

TV/Streaming

- Eurythmics' *Sweet Dreams (Are Made Of This)*, written by David A. Stewart, features in both the trailer and the first episode of *It's A Sin* on Channel 4 and Amazon Prime. It also appears in the trailer supporting *For All Mankind Season 2* on Apple TV.
- Songs written by Nile Rodgers & Bernard Edwards continue to be popular. *Everybody Dance*, written by provided the soundtrack to Public Health England's NHS x TikTok campaign; *We Are Family* was used at the US Presidential inauguration; Nile Rodgers & CHIC performed *Good Times* and *Everybody Dance* on BBC 1 television on New Year's Eve.
- The Investment Adviser with Apple Music and Nile Rodgers created *Deep Hidden Meaning*, the only Radio show completely focused on Songwriters. The reviews and ratings thus far have been exceptional. There have been 11 episodes so far, profiling numerous Songwriters including Andrew Watt, Benny Blanco, David A. Stewart, Fraser T Smith, Jack Antonoff, Julian Bunetta, Lindsey Buckingham,

Rodney Jerkins, RZA, Starrah, Teddy Geiger, Timbaland, Tricky Stewart and many more.

- Booker T And The MG's *Green Onions*, written by Al Jackson Jr. and Fleetwood Mac's *The Chain*, written by Lindsey Buckingham both featured in *9-1-1 Lonestar* on Fox TV.
- *The Crown* featured four of our songs including Blondie's *Call Me*, Diana Ross's *Upside Down*, Eurythmics' *Love Is A Stranger* and 10cc's *I'm Not In Love*.
- *Bridgerton* featured 2 of our songs performed by the Vitamin String Quartet: *Girls Like You* – originally performed by Maroon 5 and written by Starrah and *In My Blood* – originally performed by Shawn Mendes and co-written by Teddy Geiger and Scott Harris.
- Neil Young's *Old Man* will feature in CBS, reboot of *The Equaliser* and *Harvest Moon* features in the new season of Netflix's *Sex Education* comedy.
- We have several songs in the new P!nk documentary *All I Know So Far* on Amazon Prime.
- Eurythmics' *Sisters Are Doin' It For Themselves* appears in Aretha Franklin's *Genius* documentary.
- David Guetta and Sia's *Titanium*, written by Giorgio Tuinfort, was performed at the Eurovision Song Contest.
- Phoebe Bridgers' *I Know The End*, written by Christian Lee Hutson, appeared in *Mare of Easttown*.
- *Someone To You* performed by Banners and written by Sam Hollander was used in a TV trailer for *Love, Victor* in May.
- Nelly performed several songs from our catalogue on *Dick Clark's New Year's Rockin' Eve*, the biggest US New Year's Eve Countdown show on television. *Hot In Herre* is also the themed soundtrack to a major new television advertisement for Lay's Potato Chips i.e. crisps in the US.
- Barry Manilow's *Can't Smile Without You* as well as Blondie's *Call Me* appear in an American sitcom TV series *Call me Kat*, which premiered on Fox in January 2021.

Advertising

- Swarovski's "Ignite Your Dreams" global campaign features FKA Twigs *Two Weeks*, written by Emille Haynie.
- Anoro's campaign features Fleetwood Mac *Go Your Own Way*, written by Lindsey Buckingham.
- Money Supermarket are using MC Hammer *U Can't Touch This*, written by Rick James. It also features in the Go Compare ad.
- Beyoncé's *Countdown*, written by The-Dream, is being used by Peloton as part of their broad multi-year content deal with Beyoncé.
- Kaiser Chiefs' *I Predict A Riot* appears in the new Unibet campaign.
- Pusha T's *Burial*, written by Pusha T and Skrillex, continues to feature in the Arby's TV campaign in the US.
- The Spencer Davis Group's *Gimme Some Lovin'*, written by Steve Winwood features in the Premier Inn's campaign.
- Teddy Bears' *Hey Boy (Taste The Feeling)*, written by Klas Ahlund, appears in the new KFC commercial.

- Meghan Trainor's *I Love Me*, written by LunchMoney Lewis, appears in the new Volkswagen campaign in Italy.
- Silk City's *Electricity* featuring Dua Lipa, written by Mark Ronson, appears in the Dua Lipa Puma Campaign.
- Rejjie Snow's *Relax*, written by Dee Lilly, appears in the current Apple iPhone 12 campaign.
- Rihanna's *Umbrella* from our The-Dream and Tricky Stewart Catalogues has been placed in a new TV campaign for Nutella, "Nutella ella ella".
- Journey's *Don't Stop Believin'* has been placed in a new Toyota commercial as well as local ads for telecommunications companies in Mexico and South America.
- The Blondie single *Heart Of Glass*, which was a Number 1 single on both sides of the Atlantic, has been secured as the soundtrack to the new Nissan "Rogue" advert, their compact crossover SUV.
- *Heart of Glass*, written by Debbie Harry & Chris Stein, has now exceeded 150 million streams in Spotify.
- *New Rules* by Dua Lipa, and written by Ian Kirkpatrick and Caroline Ailin, has now reached 1.54 billion streams on Spotify. This makes it the third most streamed solo track by a female artist in the platform's history.
- Top Dollar calculated the earnings of the 100 most-played songs on the service and the top-grossing song is Ed Sheeran's *Shape of You*, written by Johnny McDaid.
- *Lean On* by Major Lazer, and written by Martin Bresso, has surpassed 3 billion streams on YouTube and is approaching 1.5 billion streams on Spotify.
- Rick James's *In My House* was re-imagined by the UK's premier Drag Queen, Jodie Harsh, in her song *My House* earlier this year, showing that the old are managing to see new life entirely.
- Justin Bieber's *Anyone*, written by Stefan Johnson, which was released on 1 January 2021, has been streamed over 307 million times and was a Top 5 single all over the world. Stefan Johnson has also written an additional three songs on Justin Bieber's *Justice* album, which was Number 1 all over the world.
- *Electric* by Katy Perry, *Selfish* by Nick Jonas featuring The Jonas Brothers as well as 6 songs on the new Julia Michaels' album are also written by Stefan Johnson.
- Erica Banks' *Buss It* featuring an interpolation of Nelly's *Hot in Herre* was certified Gold in the US. Erica Banks' *Buss It* which samples Nelly's *Hot in Herre* was a breakout hit on TikTok and was Number 2 on the Spotify Viral chart. The chart which is heavily driven by TikTok also features Blondie's *Heart of Glass* and Nelly Furtado's *Promiscuous* from our Timbaland catalogue.
- *Telepatia* by Kali Uchis, written by Albert Melendez reached Number 2 in Spotify's Global Top 50. It is currently on the *Billboard Hot 100* for its 18th consecutive week, making it the longest-running Latin solo Song of the decade.
- A viral mash up of Britney Spears's *Toxic* and the B-52's *Love Shack* has achieved huge support on TikTok. Hipgnosis was able to harness its ownership in both songs and very quickly provided sign off on a commercial release to maximise its potential for success.
- Hipgnosis' Songwriters were recognised at the last Grammy awards. Andrew Watt won the coveted "Producer of the Year", Poo Bear's song *10,000 Hours* by Dan + Shay and Justin Bieber won "Best Country Duo Performance", Kanye West's *Jesus is King* won "Best Contemporary Christian album" and involved work by Pusha T and Timbaland. The-Dream and Starrah won "Best Rap Song" for Megan The Stallion featuring Beyoncé with Savage. Andrew Watt, Stefan Johnson, Chelcee Grimes and Iain Kirkpatrick were recognised for their contribution to Dua Lipa's album *Future Nostalgia*, which won "Best Pop Vocal album".

Games

- We have placed more than 110 Songs from our Portfolio in video games since January.
- Chic's *A Warm Summer Night* is now in *Grand Theft Auto V Online*.
- Lorde's *Supercut*, written by Jack Antonoff, will feature in Electronic Arts *FIFA '22* for all consoles and platforms.
- Lizzo's *Tempo*, written by Toby Wincorn, is featured in *Call of Duty 'Cold War'*.
- Hipgnosis now exclusively represents the original music in EA Games.
- Fleetwood Mac's *The Chain*, written by Lindsey Buckingham, features in the game trailer for *It Takes Two* on Sony's Playstation 5.

Chart and Songwriter success

- Mariah Carey's *All I Want For Christmas Is You* made it to the Number 1 slot in the 2020 UK Official Charts as well as the US Billboard Hot 100, for the first time in its 26-year history. It also became the global Number 1 streaming song throughout the festive period setting new consumption records on an almost daily basis.
- Journey's *Don't Stop Believin'* covered/parodied by LadBaby was the highly coveted UK Christmas Number 1 song. This song had never been in the top spot since its release in 1981. This resulted in Hipgnosis having interests in both the Number 1 and 2 UK Christmas 2020 singles.
- Michael Bublé's *Christmas*, through our Bob Rock catalogue, was the Number 1 album globally on streaming services in 2020 and also made Number 1 on the Official UK Album Chart and Number 4 on the Billboard Top 200.
- Miley Cyrus' album *Plastic Hearts* surpassed more than one billion streams and includes the Top 10 single *Prisoner*, written by Stefan Johnson. It has been streamed 330 million times globally on Spotify.

- Beyoncé became the most awarded woman in the history of the Grammys, with 28 awards. A recent newspaper featured her 30 greatest songs, with Hipgnosis owning an interest in half of these through the Catalogues of: The-Dream (6), Sean Garrett (2), Jeff Bhasker (2), Rodney Jerkins, Juber, Jonny Coffey, Emile Haynie and Tricky Stewart. In total, Hipgnosis owns an interest in 66 songs by Beyoncé/Destiny's Child.
- *Baila Conmigo* by Selena Gomez, written by Albert Melendez reached Number 1 in Billboard's Latin Rhythm Airplay and Latin Pop Airplay.
- Chic now have 3.5 million monthly listeners on Spotify up from 1.8 million when we acquired an interest in Bernard Edward's Catalogue. *Le Freak* is now achieving over 100,000 streams per week with nearly 1 million streams per week across all Bernard Edward's songs on Apple Music.
- Cedric Gervais x Franklin featuring Nile Rodgers's cover of *Everybody Dance* is showing explosive growth on streaming and on the radio and looks set to be a hit all over again 44 years later.
- Eurythmics now have 8.5 million monthly listeners on Spotify, almost double when we acquired David A. Stewart's Catalogue. They also achieve over 1 million streams per week across the Catalogue on Apple Music. *Sweet Dreams (Are Made Of This)* is streamed over quarter of a million times on Apple Music alone.
- *Feels* by Jax Jones has just been released using a sample of *Can't Stop*, written by LA Reid.
- *Seeing Green* by Nicki Minaj samples Queen Bitch, written by Carlos Broady and is currently the Number 1 trending song on Triller.
- *Problemas* by Paris Boy interpolates *Umbrella*, written by Tricky Stewart and The-Dream, which has now exceeded 120 million streams on all platforms online, including 72 million on Spotify.
- *F*** You Goodbye*, by The Kid Laroi featuring Machine Gun Kelly, which interpolates *All The Small Things*, written by Tom DeLonge is almost at 100 million streams on Spotify.
- 21 Savage's *Many Men* contains an interpolation of *Many Men (Wish Death)*, written by 50 Cent.
- Pop Smoke's *Hotel Lobby* also contains an interpolation of *Many Men (Wish Death)*, written by 50 Cent.
- John Legend's *Remember Us* interpolates *Still In Love With You* written by Al Jackson Jr.
- *1 Step Forward, 3 Steps Back* by Olivia Rodrigo, interpolates *New Year's Day*, written by Jack Antonoff and features on her album *Sour* which is currently the Number 1 album globally.
- *Our Patience* recorded master with Chris Cornell went to Number 1 at Rock Radio in the US.
- Jason Aldean, produced by Michael Knox, enjoyed another Number 1 with *Got What I Got* with his Albums *They Don't Know* and *Rearview Town* both going Gold in the US.
- Mark Ronson's *Uptown Funk* has now surpassed 4 billion views on YouTube.
- The Pop duo Aly & AJ's *Potential Breakup Song*, was the Number One trending song on TikTok for two consecutive weeks.

Our Portfolio

Current Portfolio

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

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

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

Songs performed by globally successful and culturally important artists including:

10,000 Maniacs, 10cc, **2Pac**, 5 Seconds of Summer, **21 Savage**, 50 Cent, **8 Mile**, A\$AP Rocky, **AC/DC**, Adele, **Al Green**, Alan Jackson, **Alicia Keys**, Aluna George, **Amy Winehouse**, Andrea Bocelli, **Anitta**, Anthony Hamilton, **Ariana Grande**, Aretha Franklin, **AudioSlave**, Avicii, **B-52s**, Baby Bash, **Backstreet Boys**, Barbra Streisand, **Barry Manilow**, Bebe Rexha, **Benny Blanco**, Beyoncé, **Biffy Clyro**, Big & Rich, **Big Freedia**, Birdy, **Blind Faith**, Blink 182, **Blondie**, Bon Jovi, **Booker T & The MG's**, Boyz II Men, **Britney Spears**, Bruce Springsteen, **Bruno Mars**, Bryan Adams, **Camila Cabello**, Carly Simon, **Celine Dion**, Charli XCX, **Cher**, Chic, **Chris Brown**, Christina Perri, **Christopher Cross**, Clipse, **Damian Marley**, Dave Matthews Band, **David Gray**, David Guetta, **Demi Lovato**, Destiny's Child, **Diana Ross**, Dierks Bentley, **Dionne Warwick**, Diplo, **Dire Straits**, DJ Snake, **Dua Lipa**, Duran Duran, **Dusty Springfield**, Ed Sheeran, **Ellie Goulding**, Eminem, **Enrique Iglesias**, Erica Banks, **Eric Prydz**, Ernestine Anderson, **Eurythmics**, Fantasia, **FKA Twigs**, Fleetwood Mac, **Florence And The Machine**, Flo-Rida, **Florida Georgia Line**, fun., **Galantis**, George Benson, **George Thorogood**, Gladys Knight, **Hailee Steinfeld**, Halsey, **Harry Styles**, Iggy Azalea, **Imagine Dragons**, James Bay, **James Morrison**, Jason Aldean, **Jason Derulo**, Jay Z, **Jennifer Hudson**, Jeff Buckley, **Jennifer Lopez**, Jess Glynne, **Jimmy Buffett**, Jodie Harsh, **John Legend**, John Newman, **Josh Groban**, Journey, **Juicy J**, Justin Bieber, **Justin Timberlake**, **Kaiser Chiefs**, Kali Uchis, **Kanye West**, Katy Perry, **Keith Urban**, Kelis, **Kelly Clarkson**, Kelly Rowland, **Khalid**, Killswitch Engage, **Kylie Minogue**, Lady Gaga, **Lana Del Rey**, Lara Fabian, **Lauv**, LeAnn Rimes, **Leo Sayer**, Lindsey Buckingham, **Linkin Park**, Lionel Richie, **Little Mix**, Lizzo, **Lorde**, LunchMoney Lewis, **M.I.A.**, Madonna, **Marc Anthony**, Maren Morris, **Mariah Carey**, Mark Ronson, **Maroon 5**, Mary J Blige, **Machine Gun Kelly**, Massive Attack, **Matchbox Twenty**, Matt & Kim, **MC Hammer**, Meatloaf, **Meek Mill**, Meghan Trainor, **Melissa Manchester**, Metallica, **Metro Boomin'**, MF Doom, **Michael Bolton**, Michael Bublé, **Michael Jackson**, Mick Jagger, **Miguel**, Miike Snow, **Miley Cyrus**, Molly Sanden, **Moses Sumney**, Mötley Crüe, **My Marianne**, Natalie Merchant, **Nelly**, Neil Young, **New Kids On The Block**, Nicki Minaj, **Nirvana**, No Doubt, **Ólafur Arnalds**, Olivia Rodrigo, **One Direction**, P!nk, **Paloma Faith**, Panic! At The Disco, **Papa Roach**, Paris Boy, **Patti Smith**, Paul Anka, **Paul McCartney**, Pearl Jam, **Pell**, Perfume Genius, **Phoebe Bridgers**, Pitbull, **Pop Smoke**, Post Malone, **Puff Daddy**, Pusha T, **Rage Against The Machine**, Rebecca Ferguson, **Rejjie Snow**, Rick James, **Rick Ross**, Ricky Martin, **Rihanna**, Rita Ora, **Robbie Williams**, Rod Stewart, **Rudimental**, RZA, **Santana**, Santigold, **Sawyer Brown**, Seal, **Selena Gomez**, Shakira, **Shawn Mendes**, Sia, **Sigala**, Sigma, **Silk City**, Simple Minds, **Sinead O'Connor**, Sister Sledge, **Skrillex**, Sky Ferreira, **Solange**, Soundgarden, **Spencer Davis Group**, Spice Girls, **Steve Aoki**, Steve Winwood, **Stevie Nicks**, Stormzy, **Sugarhill Gang**, Sum 41, **Super Furry Animals**, Swedish House Mafia, **SZA**, T.I., **Taio Cruz**, Take That, **Taylor Swift**, Tchami, **Teddy Bears**, Teenage Fanclub, **The Chainsmokers**, The Editors, **The Outfield**, The Pretenders, **The Wombats**, Third Day, **Tiesto**, Tim McGraw, **Timbaland**, Tina Arena, **Tinie Tempah**, TLC, **Toby Keith**, Tom Jones, **Tom Petty & The Heartbreakers**, The Kid Laroi, **The Mindbenders**, The Vamps, **Theophilus London**, Tom Walker, **Toto**, T-Pain, **Tracey Chapman**, Traffic, **Train**, Trey Songz, **Trivium**, Troye Sivan, **TV On The Radio**, Ty Dolla \$ign, **U2**, Usher, **Waka Flocka Flame**, Weezer, **Westlife**, Whitney Houston, **Will Ferrell**, Wu-Tang Clan, **Young The Giant**, Zara Larsson and **Zedd**.

Portfolio as at 31 March 2021

Catalogue	Acquisition Date	Interest Ownership	Total Songs
The-Dream	13 Jul 2018	75%	302
Poo Bear	21 Nov 2018	100%	214
Bernard Edwards	28 Nov 2018	38%	290
TMS	17 Dec 2018	100%	121
Tricky Stewart	17 Dec 2018	100%	121
Giorgio Tuinfort	21 Dec 2018	100%	182
Rainbow	15 Jan 2019	100%	15
Itaal Shur	31 Jan 2019	100%	209
Rico Love	26 Feb 2019	100%	245
Sean Garrett	21 Mar 2019	100%	588
Johnta Austin	22 Mar 2019	100%	249
Sam Hollander	31 Mar 2019	100%	499
Ari Levine	31 Mar 2019	100%	76
Teddy Geiger	12 Apr 2019	100%	6
Starrh	25 Apr 2019	100%	73
Dave Stewart	7 May 2019	100%	1,068
Al Jackson Jr	8 May 2019	100%	185
Jamie Scott	15 May 2019	100%	144
Michael Knox	28 May 2019	100%	110
Brian Kennedy	14 Jun 2019	100%	101
John Bellion	14 Jun 2019	100%	180
Lyric Catalogue	17 Jun 2019	100%	571
Neal Schon	20 Jun 2019	100%	357
Jason Ingram	10 Jul 2019	100%	462
Eric Bellinger	12 Jul 2019	100%	242
Andy Marvel	23 Jul 2019	100%	740
Benny Blanco	2 Aug 2019	100%	93
The Chainsmokers	22 Aug 2019	100%	42
Timbaland	10 Oct 2019	100%	108
10cc	17 Oct 2019	100%	29
Journey (Publishing)	21 Oct 2019	100%	103
John Newman	5 Nov 2019	100%	47
Jaron Boyer	5 Nov 2019	100%	109
Arthouse	15 Nov 2019	100%	44
Fraser T Smith	5 Dec 2019	100%	298
Jack Antonoff	5 Dec 2019	99%	188
Ammar Malik	5 Dec 2019	100%	90
Ed Drewett	9 Dec 2019	100%	109
Kaiser Chiefs	9 Dec 2019	100%	48
Jeff Bhasker	11 Dec 2019	100%	436
Johnny McDaid	11 Dec 2019	100%	164
Emile Haynie	13 Dec 2019	100%	122
Brendan O'Brien	13 Dec 2019	100%	1,855
Savan Kotecha	18 Dec 2019	100%	49
Tom DeLonge	23 Dec 2019	100%	157
Journey (Masters)	10 Jan 2020	65%	389
Rebel One	10 Jan 2020	100%	157
Scott Harris	10 Jan 2020	100%	129
Brian Higgins	22 Jan 2020	100%	362

Catalogue	Acquisition Date	Interest Ownership	Total Songs
Gregg Wells	10 Feb 2020	100%	11
Jonathan Cain	28 Feb 2020	100%	216
Jonny Coffey	28 Feb 2020	100%	85
Mark Ronson	28 Feb 2020	100%	315
Richie Sambora	4 Mar 2020	100%	186
Rodney Jerkins	16 Jul 2020	100%	982
Barry Manilow	16 Jul 2020	100%	917
RedOne	16 Jul 2020	100%	334
Eliot Kennedy	16 Jul 2020	100%	217
Closer (J King & I Slade)	27 Jul 2020	100%	2
NO I.D.	24 Jul 2020	100%	273
Pusha T	24 Jul 2020	100%	238
Ian Kirkpatrick	29 Jul 2020	100%	137
Blondie	30 Jul 2020	100%	197
Chris Cornell	10 Aug 2020	100%	241
Robert Diggs "RZA"	12 Aug 2020	50%	814
Ivor Raymonde	13 Aug 2020	100%	505
Nikki Sixx	3 Sep 2020	100%	305
Big Deal Music "BDM"	10 Sep 2020	100%	4,400
Chrissie Hynde	10 Sep 2020	100%	162
Steve Robson	17 Sep 2020	100%	1,034
Rick James	18 Sep 2020	50%	97
Kevin Godley	23 Sep 2020	100%	358
Scott Cutler	24 Sep 2020	100%	111
Nate Ruess	30 Sep 2020	100%	59
LA Reid	30 Sep 2020	100%	162
50 Cent	30 Sep 2020	100%	388
Aristotricks	30 Sep 2020	100%	152
B-52's	30 Sep 2020	100%	96
Bonnie McKee	30 Sep 2020	100%	78
Brill Building	30 Sep 2020	100%	234
Christina Perri	30 Sep 2020	100%	68
Dierks Bentley	30 Sep 2020	100%	113
Editors	30 Sep 2020	100%	64
Eman	30 Sep 2020	100%	97
Enrique Iglesias	30 Sep 2020	100%	157
Evan Bogart	30 Sep 2020	100%	229
George Benson	30 Sep 2020	100%	107
George Thorogood	30 Sep 2020	100%	40
Good Soldier	30 Sep 2020	100%	760
Holy Ghost	30 Sep 2020	100%	62
J-Kash	30 Sep 2020	100%	90
John Rich	30 Sep 2020	100%	7
Kojak	30 Sep 2020	100%	148
Lateral	30 Sep 2020	100%	248
Lindsey Buckingham (Kobalt)	30 Sep 2020	100%	174
LunchMoney Lewis	30 Sep 2020	100%	116
Lyrica Anderson	30 Sep 2020	100%	96
Madcon	30 Sep 2020	100%	173

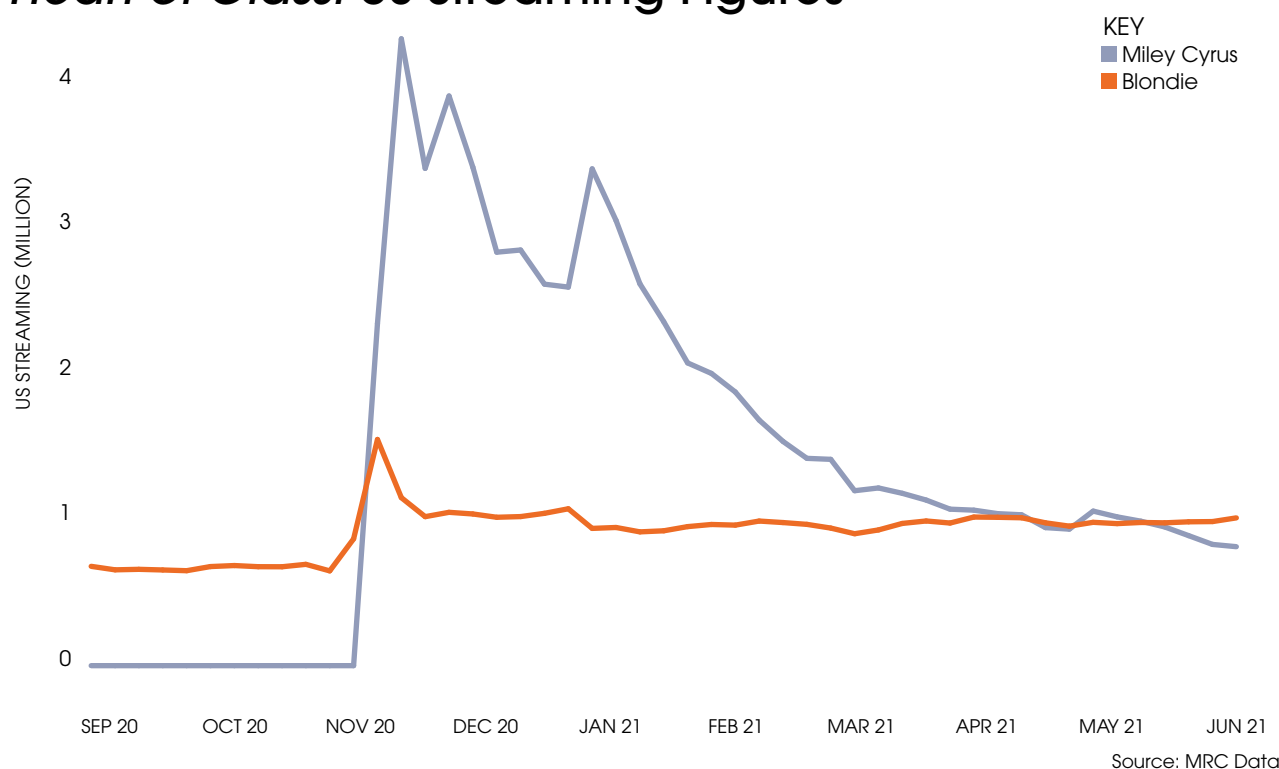
Catalogue	Acquisition Date	Interest Ownership	Total Songs
Mark Batson	30 Sep 2020	100%	210
Mobens	30 Sep 2020	100%	1,034
Nelly (Kobalt)	30 Sep 2020	100%	145
Nettwerk	30 Sep 2020	100%	25,339
PRMD	30 Sep 2020	100%	335
Rob Hatch	30 Sep 2020	100%	167
Rock Mafia	30 Sep 2020	100%	393
Savan Kotecha (Kobalt)	30 Sep 2020	100%	354
SK Music	30 Sep 2020	100%	23
Skrillex	30 Sep 2020	100%	153
Stereoscope	30 Sep 2020	100%	456
Steve Winwood	30 Sep 2020	100%	215
Tequila	30 Sep 2020	100%	1
Third Day	30 Sep 2020	100%	212
Walter Afanasieff	30 Sep 2020	100%	213
Wayne Wilkins	30 Sep 2020	100%	113
Yaslina	30 Sep 2020	100%	73
Sacha Skarbek	20 Nov 2020	100%	303
Tricky Stewart (Masters)	27 Nov 2020	100%	95
Eric Stewart	2 Dec 2020	100%	255
Bob Rock	4 Dec 2020	100%	43
Caroline Ailin ("New Rules")	10 Dec 2020	100%	2
Nelly	15 Dec 2020	100%	240
Lindsey Buckingham	24 Dec 2020	100%	161
Joel Little	24 Dec 2020	100%	178
Jimmy Iovine	24 Dec 2020	100%	259
Neil Young	31 Dec 2020	50%	590
Shakira	31 Dec 2020	100%	145
Brian Kennedy (Writer Sh.)	31 Dec 2020	100%	139
Andrew Watt	17 Feb 2021	100%	105
Christian Karlsson	2 Mar 2021	100%	255
Carole Bayer Sager	17 Mar 2021	100%	983
Paul Barry	18 Mar 2021	100%	510
Espionage	26 Mar 2021	100%	151
Martin Bresso	31 Mar 2021	100%	51
Andy Wallace	31 Mar 2021	100%	1,242
David Sitek	31 Mar 2021	100%	230
Happy Perez	31 Mar 2021	100%	192
Total Songs			64,098

Turning Classics into Hits (All Over Again)

Blondie: Song Management reaching a new generation

- September 2020 saw the iHeartRadio Music Festival take place as a two-day virtual mega-concert, where Miley Cyrus emulated Debbie Harry's appearance and covered Blondie's 1979 hit **Heart Of Glass**.
- We reacted to this moment by introducing the managers of both artists to each other and created an opportunity for them and encouraged them to start collaborating.
- We worked with Blondie Management to introduce Blondie to TikTok and quickly generated content that merged the two songs to represent both the classic and the new interpretation of the Song. Hipgnosis benefits from all versions.
- The key was not to get Blondie and Debbie involved in any overly juvenile games, but instead to post the very best rock 'n' roll footage of the band at their most exciting. We also compiled classic footage of Debbie responding to other stories and posts. The *piece de resistance* was a mocked up photo of 1979-era Debbie with 2020-Miley having the time of their lives!
- The additional content helped fuel the interest and appetite in the Song, and the streams took off exponentially.
- The energy around the Song ensured that **Heart Of Glass** was added to Miley's **Plastic Hearts** album release in November 2020. Miley's version has now been streamed over 120 million times.
- Blondie's original recording of **Heart Of Glass** was being streamed at a steady 0.7 million streams per week (in the US alone) before Miley's version was released.
- After the release of the cover Song, Blondie's version saw an immediate 78% uptick in weekly streaming.
- 37 weeks later, the Blondie version is still streaming nearly 1 million streams a week, an over 40% increase on the pre-cover era. It is also showing a permanent uplift in streams post-campaign.
- Other recent examples of revenue uplift from covers of our Songs are: **Shallow**, originally performed by Lady Gaga and co-written by Mark Ronson and covered by Country music star, Garth Brooks; **Higher Love** by Steve Winwood, has been remixed by Kygo using unreleased Whitney Houston vocals and used at the Biden/Harris US election victory speeches in November 2020. Following this, the original version has seen a dramatic uplift.

Heart of Glass: US Streaming Figures





150m+

Streams of both the
classic and
contemporary versions

Cover included in
Miley Cyrus'
Plastic Hearts
album released in
November 2020

"Artist of the week"

Blondie in their debut
on TikTok in
November 2020

Financial Review

Functional currency

The Company and a number of its subsidiaries changed their functional and presentation currency from Sterling to Dollars with effect from 1 October 2020. This was required under IFRS, as there has been a fundamental shift in the primary economic environment in which the Company operates due to a significant increase in the proportion of transactions denominated in Dollars. The Kobalt Music Copyrights Sarl and Big Deal Music Group acquisitions, which occurred on 30 September 2020 and 10 September 2020 respectively, and the restructuring of the debt facility from Sterling to Dollars, have significantly increased the proportion of catalogues, revenues and transactions denominated in Dollars. Further disclosure, including the methodology applied to effect this change, is seen on page 134. The Company will continue to pay any dividends in Pounds Sterling and its primary listing will remain denominated in Sterling.

NAV

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

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

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

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

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

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

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

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

Operative NAV Bridge

from 1 April 2020 to 31 March 2021:

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

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

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

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

Revenue

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

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

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

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

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

This is being seen clearly in our Catalogues' royalties, where streaming income has increased by 18.4% in the second half of the year from the previous six-month period across all Catalogues and 24.3% on our steady state catalogues, where we would not expect decay from peak earnings. This growth is without any material revenue recognised from royalties paid by TikTok and Peloton which, whilst having been received by Administrators, is only expected to be received by Hipgnosis from the next semi-annual royalty statements in August and September 2021 and beyond. This income has not been accrued as we are not able to reliably estimate it as at 31 March 2021. With global streaming revenues growing 19.9% during the year, this highlights our steady state Catalogues are outperforming the market growth of streaming.

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

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

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

Overall, royalty statements and cash receipts in the second half of the year are in line with the revenue accruals recognised in the first half results and revenues are marginally lower than the previous year.

This is reflected in the Pro-Forma Annual Revenue (PFAR) of the Catalogues owned on 31 March 2021, which fell by 5.8% to \$118.2 million for the 12 months ending 30 June 2020 compared to \$125.5 million for the 2019 calendar year. Please see page 164 for the methodology behind the PFAR calculation.

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

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

Accruals and Receivables

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

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

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

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

- \$29.5 million for calendar Q1 2021 earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q3 and Q4 2021;
- \$16.9 million for calendar Q4 2020 earnings which are not reported to the Company until calendar Q2 2021;

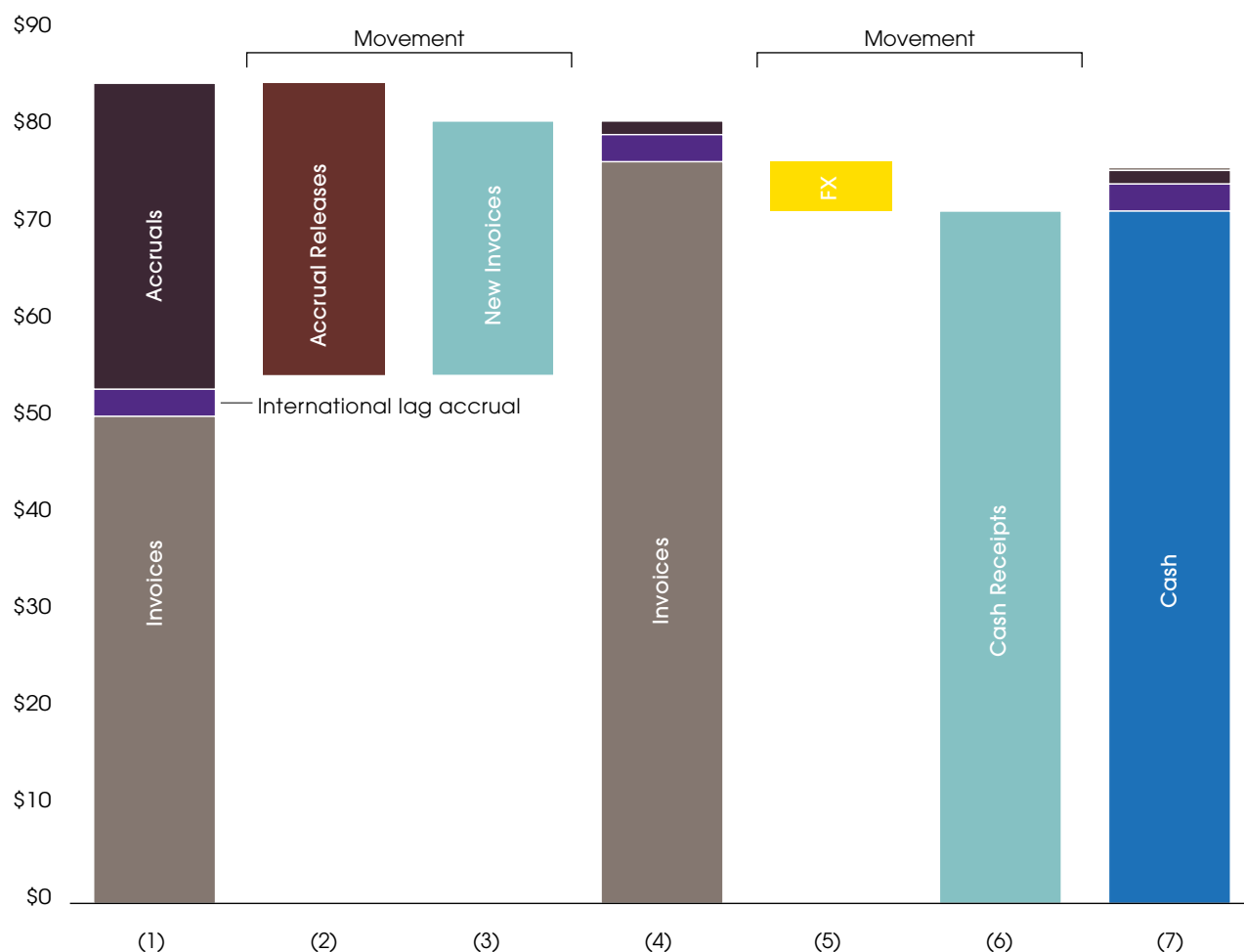
What do we accrue for?

Hipgnosis accrues for the **Processing** period



Cash conversion cycle: How accruals and invoices are converted into cash

(using FY 2020 revenues, as at 31 March 2021, US\$m)



1. Invoices and Accruals booked during FY20 to represent reporting and accruals at the time.
2. Accrual Releases – where royalty statements have since been received, accruals were released in whole for those statements.
3. New Invoices – as royalty statements were received, accruals were released and replaced with invoices. A \$3.8 million net over-accrual (10% of FY20 accruals booked or 3.5% of total revenue) was recognised during FY21 relating to FY20 accruals. These are primarily due to fixable issues on registrations of songs on account switch-over.
4. This is the position before applying cash receipts, showing the conversion of accruals to invoices. There are a small amount of accruals left to be invoiced, which are awaiting reporting.

5. FX – this is the impact of FX rate movements between the time invoices were raised and paid.
6. Cash Receipts – cash received as at 31 March 2021 relating to the FY20 financial year.
7. FY20 at 31 March 2021 – the remaining accrual represents 1.7% of FY20 revenue and have been assessed to be in line with current expectations of future recoverability.

International lag accruals are expected within the next 12 months, due to the longer timeline on receipts.

- \$9.9 million relating to calendar Q2 2020 to Q3 2020 earnings for Catalogues where royalty reporting is still in the process of being redirected/switched over to Hipgnosis. These accruals are based on royalty statements received with invoices due to be raised on completion of the Letter of Direction;
- \$4.4 million for 2020 earnings on deals acquired more than six months ago yet to be reported;
- \$7.5 million income accrual relating to time-lagged international reporting on PRO earnings. International PRO reporting has a significant time lag due to the additional collection time taken for PROs to collect and distribute income from territories. The lag in collection is due to the nature of collecting and processing royalties locally, then distributing them to the domestic PRO, which will in turn process and distribute these royalties to the Group. Six months of international PRO earnings are accrued, although can typically result in an earnings lag of up to 24 months; and
- \$5.2 million HSG gross revenue accrual, bringing the Group in line with IFRS, which includes the accrued PRO lag. Separately, a \$4.2 million royalty creditor representing contractual royalties due to writers has been recognised, resulting in net revenue (NPS) for HSG of \$1million.

Right to Income

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

Costs and EBITDA

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

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

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

Debt

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

On 26 March 2021, the Company drew down \$90.0 million under its Revolving Credit Facility resulting in gross indebtedness of \$577 million and net indebtedness of \$465 million. This gross indebtedness represented approximately 32.8% of the last published Adjusted Operative Net Asset Value at that time and therefore constituted an inadvertent breach of the Company's borrowing restriction under its investment policy of 30% of Net Asset Value. The amount drawn down was held by the Company as cash and was unutilised, and on 5 April 2021 \$50 million of these drawings were repaid, thereby curing the temporary breach. We have also discussed this in Note 9, page 144.

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

Thank You

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

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

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

examples of our Song Management team's impact include:

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

Furthermore, the legislative efforts – influenced by our advocacy – that are taking place all over the world to lobby on behalf of the Songwriter to receive a greater share of the income combined with our pedigree and effectively unique proposition has made us the preferred choice for the Songwriting community. In doing this there is complete alignment between our Shareholders and the Songwriters as what's in the best interest of the Songwriter is also in the best interest of our Shareholders. Together with our Shareholders' support, this has allowed us to grow our Portfolio from c.13,000 to over 60,000 Songs, investing more than \$1 billion in this fiscal year and approximately \$2 billion overall, whilst maintaining our criteria of the Songs being extraordinarily successful and of great cultural importance. We have added the catalogues of Rock And Roll Hall Of Fame inductees Neil Young, Lindsey Buckingham/Fleetwood Mac, Steve Winwood, Debbie Harry & Chris Stein/Blondie, and Chrissie Hynde/The Pretenders, Songwriters Hall Of Fame inductees Carole Bayer Sager and Barry Manilow as well as iconic artists,

songwriters and producers Shakira, Rick James, Enrique Iglesias, B-52's, Jimmy Iovine, The RZA/Wu Tang Clan, Chris Cornell/Soundgarden, 50 Cent, George Benson, Nikki Sixx/Motley Crue, Rodney Jerkins, Kevin Godley &, Eric Stewart/10cc, Skrillex, Andy Wallace, Christian Karlsson, Joel Little, Walter Afanasieff and many others, including the recently crowned 2021 Grammy Awards Producer Of The Year Andrew Watt.

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

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

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

Best wishes,

Merck Mercuriadis

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

4 July 2021



HIPGNOSIS SONGS FUND

SHAKIRA

Who has been the greatest influence on your writing and why?

My Dad is the first one who imparted a love of writing to me. He wrote for newspapers and has even published books, and since I was little I was fascinated with his love of words. When I was 8, I got my first typewriter for Christmas, they got it for me to encourage my writing. I still have it to this day! Throughout my career, especially when I was learning English, I read a lot of Leonard Cohen, Bob Dylan, even poets like Walt Whitman...and I love the use of colloquial language to describe the divine by masters like Pablo Neruda and Gustavo Cerati.

You are an incredible Songwriter, artist and cultural figure, which of those roles is most important to you?

I would say Songwriter. It's the one I feel most represents me and who I am. Even if I weren't an artist, or a cultural figure, I would still write. It's how I make sense of the world around me.

Why did you choose Hipgnosis (to sell your catalogue to)?

Selling my catalogue was not a decision I took lightly! I wanted to ensure that if I did sell it, that I chose a partner who would take the job of being my Song's custodian seriously, who would work to protect and promote my life's work and also be invested in the road ahead. With Merck and Hipgnosis I knew I had found that partner.

How important was Merck's advocacy for the songwriting community and his fight to ensure the Songwriter is properly recognised and remunerated?

Merck is truly one of the most knowledgeable music connoisseurs I've ever met in the industry,

and I have had a very long career. He always thinks of the Songwriter first, and I think it has to do with the fact that he's such a genuine fan of the art of songwriting. He's able to see the value and timelessness of songs in people's minds, as an accompaniment to their milestones, their emotions, important times in their lives.

Do you feel you still have a connection with your music now that you are part of Hipgnosis?

More than ever. Working with them, and the zeal they have for making sure the songs in my catalogue continue to shine and find their place in the culture, has made me look at a lot of these tracks in a fresh light, and hear them with fresh ears. Any art form is both a product of its time and a testament to the moment in which it was made, and it's enlightening to see how these songs evolve over time as the zeitgeist changes.

What writer(s) do you admire that are in the Hipgnosis family?

Too many to name! Debbie Harry, Kaiser Chiefs, Poo Bear, and of course Ian Kirkpatrick who I just did my latest song with!

What would you like to see Hipgnosis do in the music industry with the platform it has created?

I think most importantly, continue to advocate for the rights and careers of Songwriters, but also, I'd love to see them be pioneers in paving the way for new uses and exploitations of music as technology, streaming and social platforms continue to evolve.



Our Market

Streaming growth surges during pandemic

The COVID-19 pandemic has significantly affected the music industry with reductions in public performance and Live income being experienced globally as lockdowns impact the leisure and live entertainment industry. Yet despite these negative impacts, the music industry has continued to grow, buoyed by digitisation including earnings relating to music publishing and Songwriters.

The Investment Adviser and the Directors believe that increases in demand for streaming as a result of the COVID-19 pandemic could replace and exceed the revenues lost from other income sources as consumers seek in-home alternatives to out-of-home entertainment. The IFPI reports that there were 443 million global users of paid subscription music streaming accounts at the end of 2020.

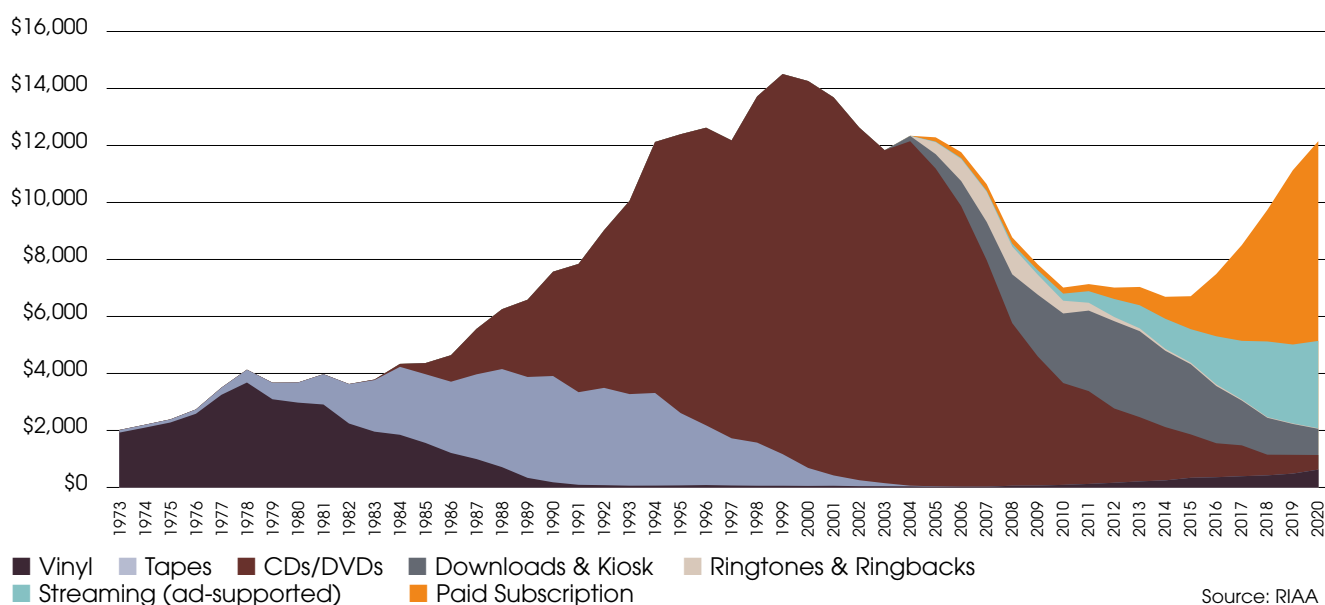
Driving this surge in engagement are the 'silver streamers', the 55+ age group who, following the 12% increase in digital entertainment time afforded by the pandemic-driven lockdowns, now dominate Music and TV streaming engagement by virtue of their size and willingness to engage in seemingly digital-native behaviours (MIDiA Research). For Hipgnosis, this engagement translates into a higher royalty per stream given this demographic are listening to music on paid-for platforms such as Spotify Premium and Amazon Prime compared to the 'Gen-Z' demographic who consume via YouTube, which is predominantly ad-supported.

US recorded music revenues grew by 9.2% year-on-year to \$12.2 billion, according to RIAA, and streaming accounted for 83% of the total revenues. Paid subscription services, ad-supported on-demand platforms and customised digital radio providers grew by 13.4% year-on-year to \$10.1 billion, whereas CD sales continue their structural decline (-23%). The market is still below its heyday of \$14.5 billion in 1999, before the industry got decimated by piracy and illegal downloading.

Streaming growth in 2020 was in turn driven by established DSPs, such as Spotify and Apple Music, and emerging social platforms that incorporate music, such as TikTok, Triller and Peloton. Spotify, in particular, reported a 16% year-on-year increase in total revenue to €2.15 billion for the first quarter 2021, with monthly active users growing 24% year-on-year, now reaching 356 million. Premium Subscribers grew 21% year-on-year to 158 million in the quarter (Source: Spotify). Encouragingly, Spotify raised prices across a variety of their Premium offerings in over 30 markets and early results have shown no material impacts to gross intake or cancellation rates.

The COVID-19 pandemic has not only affected how people consume music, but what music they consume. The Investment Adviser and the Directors believe that the lockdowns and other restrictive measures imposed in response to the COVID-19 pandemic have significantly changed music consumption. In particu-

RIAA US Recorded music revenues (\$m)



Source: RIAA

lar, there has been an increase in demand on streaming platforms for vintage Songs which evoke nostalgia among listeners (source: Billboard and Nielsen Music). The Investment Adviser and the Directors believe that older Catalogues will continue to represent a significant proportion of streaming growth in future periods.

Music Publishing: performance income impacted by COVID-19

Similar to the Recorded market, the Music Publishing market continued its steady growth, with Goldman Sachs expecting the market to grow from \$5.6 billion in 2019 to \$10.8 billion in 2030. (Source: Music & Copyright)

Global collections by The International Confederation of Societies of Authors and Composers (CISAC) member societies reached €10.1 billion in 2019, but are predicted to decline by up to 20-35% for 2020 as a result of the COVID-19 pandemic (source: CISAC Global Collections report).

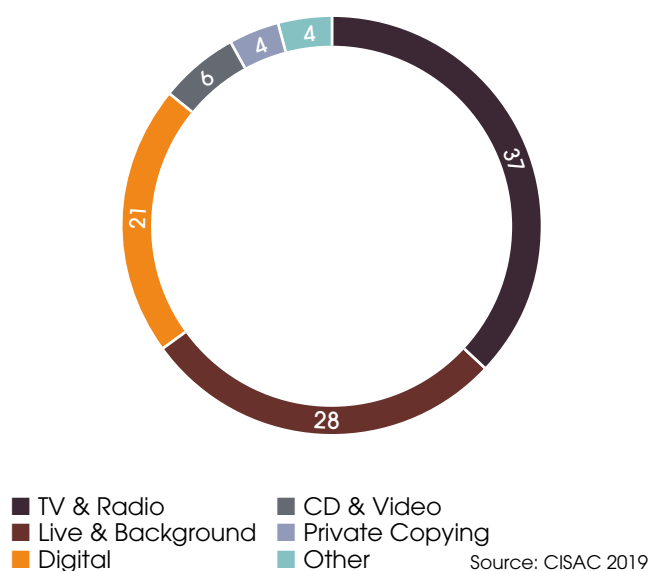
ASCAP, one of the largest US Performance Rights Organisations or PROs, and PRS for Music, the UK collection society for performance rights, showed resilient distribution for 2020. The latter announced in April 2021 that many of the royalties paid out last year were collected before the first lockdown, meaning that a sharp decline in income may be felt by music creators through the autumn of 2021, with distributions related to public performance as well as concerts expected to fall by 10% year-on-year.

PPL, the UK collective management organisation (CMO) that collects Neighbouring Rights recently reported that collection in 2020 declined by 17%, due to a 42.2% decline in income from public performances. Within that, international collections remained strong in 2020, with only a 0.9% decline in revenues, which serves as a reminder that Neighbouring Rights income, like Performance income, is subject to significant lags. PPL predicted a 2021 revenue recovery at their June 2021 AGM, expecting their 2021 numbers to beat their 2020 numbers, although they will not yet exceed pre-COVID-19 levels.

Expected bounce back in Performance income

The Directors expect that performance income will quickly return to and exceed pre-COVID-19 levels as lockdowns are being lifted in our largest revenue generating markets. The Directors also expect there will be a surge in live performances over the coming years as artists seek to recover lost income from cancelled tours in 2020. This is supported by Live Nation's recent announcement that their pipeline of live music events in 2022 is already significantly higher than 2019. Live Nation announced that they expect Q2 2021 to show the first quarter of year-on-year growth since the pandemic.

Global mix of creators' income streams (%)



A Return To Concerts And Festivals

The recent Brit Awards in May 2021 at the O² Arena indicates that a hopeful future is ahead for live concerts and festivals. Through the vaccine(s) roll-out we will once again see Live performances and, as a Fund, we remain well positioned to capitalise on the performance of Songs from our writers and artists as well as optimising and enhancing the revenues from the evergreen and 'steady-state' catalogues that will have higher demand than ever within this exciting and buoyant marketplace. In the weeks to come we will have Nile Rodgers & CHIC, Journey, The Chainsmokers, The Pretenders and many other artists hitting the road and playing our repertoire in concert halls and at festivals. 2022 looks set to be the busiest year ever for concerts and festivals according to Live Nation and AEG.

Technology to fuel further growth in streaming

The Investment Adviser believes that further advances in technology aimed at simplifying streaming and increasing ease of use can reasonably be expected to drive growth in revenues, as seen in emerging platforms such as TikTok, Peloton and Triller as well as emerging formats, such as NFTs and Roblox. We expect the latter to be officially licensed in this fiscal year and to pay settlements for illicit use to date similar to Peloton last year.

Advances in technology, including voice recognition devices and speakers, have also provided access to particular categories of customers and opened up potentially attractive new markets. For example, older users of the internet (known as "silver-surfers"), have proved to be a lucrative source of additional income. They increasingly consume music online whereas they may not have visited high-street stores to buy physical music records or CDs.

The Investment Adviser and the Directors believe that, given the Song is no longer restricted by formats used by the record industry, this provides opportunities for new partnerships to monetise the use of music. The delivery of a direct-to-consumer personalised service, such as "build-your-own playlists" or "favourites", is contributing significantly to the increased streaming revenues through repeat plays of favourite Songs, which indicates that this is a marketplace that can be monetised further over time.

The Investment Adviser and the Directors believe that material payments from end-users to emerging social media platforms could start resulting in royalty payments to the Company from the second half of 2021 and beyond.

Growth in emerging markets

The US is still the biggest music market (c.40% of the total, source: IFPI). The global growth of streaming has resulted in an increase in the monetisation of Songs in jurisdictions in which it has been traditionally difficult to recover accurate (or any) royalties due to a range of factors including high piracy rates or poor revenue collection methods. IFPI saw growth in revenues in Asia of 9.5% year-on-year, Latin America by 15.9% year-on-year and Middle East & North Africa by 37.8% year-on-year.

OMDIA modelled the global Total Addressable Market 'TAM' – i.e. those with a streaming-enabled smartphone and the means to pay for it – at 3.7 billion in 2020, rising to 5.2 billion in 2030 with Asia and Africa making up 80% of the growth (source: Tarzaneconomics). This is consistent with our view that Africa, China and India will be significant contributors in the future.

Discount rate lowered

The change in music going from a discretionary consumer purchase to a utility purchase has reduced the volatility of royalty revenues across the music industry. As a result of this trend, the risk premium applied to Song royalties has decreased in recent periods. As at the six months ended 30 September 2020, the discount rate used by the Portfolio Independent Valuer to calculate the fair value of the Company's Portfolio decreased from 9.0% to 8.5%. The Investment Adviser and the Directors believe that the value of music as an asset class is set to increase in future periods as paid streaming continues to grow and the volatility of royalty revenues continues to decrease.

Payouts to Songwriters and copyright owners have increased

Certain laws and regulations regarding the rates paid for streaming activities to content holders dictate that such rates are set outside of the free market and are instead determined by an empanelled tribunal, namely the Copyright Royalty Board in the United States.

In January 2018, the US Copyright Royalty Board under CRB 3 ruled to increase Songwriter rates for interactive streaming by 44% by 2023, rising gradually from 11.4% of gross revenues in 2018 to 15.1% in 2022. However, on 15 August 2019, certain DSPs (including Spotify, Google and Amazon) filed their appeal of this ruling in the US Court of Appeal for the DC Circuit, arguing that the US Copyright Royalty Board made numerous legal errors while adopting a rate structure that was not justified by explanation or evidence and that, in any event, the rates should not have been applied retrospectively to 1 January 2018. The Investment Adviser and the Directors believe that this appeal will not be successful.

In January 2021, the CRB announced that it was starting proceedings, CRB 4, to determine the distribution rates for the 2023-27 period. It is expected that at the very least this will uphold the 44% increase passed into law under CRB 3. This is encouraging but we believe it's only the beginning of the Songwriter being recognised and rewarded properly.

Parliamentary inquiry into Streaming in the UK

The DCMS Select Committee Inquiry ('the Inquiry'), which opened on 15 October 2020, has proved a timely opportunity to highlight the issues facing the music industry in relation to streaming as well as to look at potential solutions to address the imbalance of industry power in favour of major music companies and the lack of transparency and accountability which adversely affects Songwriters and other creators.

Our ulterior motive is about taking the Songwriter from the bottom to the top of the economic equation and our advocacy on this issue is being felt at every level. This is discussed in more detail on pages 54-55.



DAVID A. STEWART

Who has been the greatest influence on your writing and why?

Bob Dylan. From a very early age he made me want to put pen to paper but The Beatles in a melodic pop sense. It's a tough question for me as I have such an eclectic taste. I would need to add The Rolling Stones and so many Blues, R&B and Soul Music Songwriters – too many names to mention in a short answer as I could write a page or a chapter on each one.

You are an incredible Songwriter, artist and cultural figure, which of those roles is most important to you?

I would say first and foremost I'm a Songwriter, the songs come first, the rest follows.

Why did you choose Hipgnosis (to sell your catalogue to)?

I have known Merck and his obsession with music for about 30 years. Merck can recite even the most obscure Eurythmics lyrics! I also knew Merck would stay true to his word of keeping me involved in the decisions about song placements and future plans. The fact he saw the true value of the songs obviously helped.

How important was Merck's advocacy for the songwriting community and his fight to ensure the Songwriter is properly recognised and remunerated?

Very important, not only for me and my contemporaries and the generations of Songwriters to come including my children as they all are Songwriters too!

Do you feel you still have a connection with your music now that you are part of Hipgnosis?

Yes I'm informed of every decision Hipgnosis is thinking of making re my music and feel I am being heard when I chip in with ideas and concepts.

What writer(s) do you admire that are in the Hipgnosis family?

Neil Young, Chrissie Hynde, Steve Winwood, Debbie Harry, Chris Stein, John Ryan, Julian Bunetta and many more.

What would you like to see Hipgnosis do in the music industry with the platform it has created?

Move to the next level of collection, improving artist and music industry economics, with Blockchain and AI.

Our Purpose, Business Model, Culture and Values

Our Purpose

Hipgnosis was created to give the investment community access to extraordinarily successful hit Songs by culturally important artists and to establish Songs as an uncorrelated asset class with attractive returns. **Our ulterior motive is to use the importance of our unparalleled Catalogue and our financial clout as influence to improve the Songwriter's position in the economic equation.**

Our Business Model

The key characteristics of the Hipgnosis business model are:

- Sustainable earnings, uncorrelated to global capital markets, with sources of income from across the spectrum of music consumption patterns made up of millions of microtransactions such as streaming, physical purchase, downloading, synchronisation, performance, licensing and merchandising.
- A durable and diversified portfolio of high-quality assets founded on the copyright security – 70 years after the death of the last co-composer – of works across a broad range of genres, vintages and geographies of consumer markets. On average our Songs have more than 100 years of copyright protected revenue.
- The benefits of scale on diversification; giving smoother income the larger the fund gets; and the opportunity to drive incremental equity yield over the contracted period through active management and appropriate outsourcing of administration.
- Exposure to structural growth themes in relation to:
 - i) the penetration of technology into everyday life;
 - ii) the growing value of entertainment markets; and
 - iii) the recognition of the real asset value of intellectual property rights.

Our principal risks and uncertainties are presented on pages 62-65.

The income stream for Copyright owners

Every Song has two copyrights: Composition (lyrics & melody), held by the Songwriter and Sound Recording (the sound heard), held by those involved in the recording of the Song. Royalties stemming from the Composition Copyright are referred to as Publishing Rights (aka Songwriter Rights). Hipgnosis Songs Fund focuses primarily on acquiring these, but owns selective Sound Recording Rights as well.

Publishing Rights

These are rights in a musical composition (lyrics and/or music) and generate Mechanical and Performance Royalties. In the UK, "blanket licences" are issued to organisations including radio and TV.

Mechanical Royalties

These are triggered when a copy of a Song is made, whether physical (e.g. CDs, DVDs) or digital (e.g. permanent downloads, streaming, webcast). The Streaming of a Song is a hybrid: a temporary copy is made, so it generates a Mechanical Royalty, but it is also treated as a public performance of that Song, generating a Performance Royalty.

Performance Royalties

These royalties largely come from live performances and licences taken out by shops, restaurants, clubs and bars etc to publicly perform or broadcast a Song.

Sound Recording Rights

Master (Recording) Royalties

These (aka Recording Royalties) 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.

Neighbouring rights

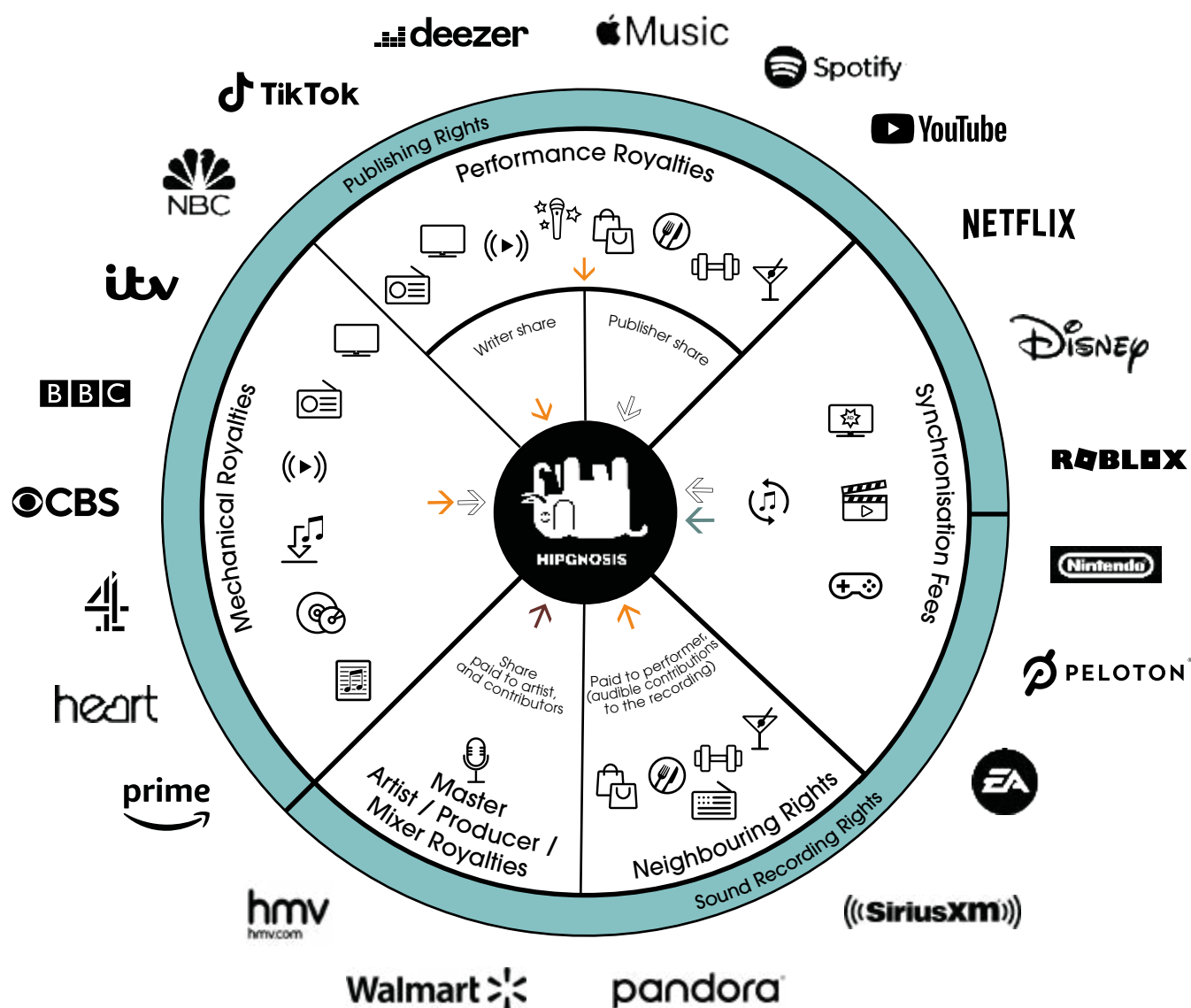
These (aka Related Rights) are public performance royalties due to the sound recording copyright holder. One has to distinguish between terrestrial broadcast platforms (like radio, TV, and venues) and digital platforms (like Internet and satellite radio) because not every country, notably the US, recognises or pays terrestrial neighbouring rights.

Synchronisation Fees

These are generated when a visual image (e.g. TV, film, advertising or video games) is matched to a Song.

There are multiple channels through which royalties are collected. These are depicted by the arrows in the diagram opposite.

The diagram shows the flows to Hipgnosis Songs Fund from its ownership of its Copyrights



Footnote: The logos above are representative of users for illustrative purposes only. The trade marks are the property of the respective owners. The Company does not earn revenue directly from these sources, but through third parties, as illustrated.

⇒ Collected by the Administrators eg:

- Sony Publishing
- Universal Publishing
- Warner Chappell
- Kobalt Publishing
- HSG
- BMG

→ Collected by the Societies eg:

- ASCAP
- BMI
- PRS for Music
- SESAC
- PPL
- Sound Exchange

→ Earned by the Record Companies eg:

- Universal Music Group
- Sony Music
- Warner Music Group

→ Direct

Our sources of advantage

Our Purpose is having not only a “motive” of providing great returns for Shareholders but also an “ulterior motive” of using the influence of the Company and our great Songs to improve the Songwriter’s position in the economic equation.

1. Access and Culture of our Investment Adviser

- We have the relationships, reputation and expertise in the industry to be advocates and catalysts for improving the Songwriters’ share of income and where they sit in the economic equation.
- This also enables our team to overcome the high barriers to entry in relation to the acquisition and active management of Catalogues.
- We are Song Managers; when compared to the major publishing houses, we are viewed as a safer alternative custodian who can protect the meaning and secure the financial future of the creator’s songs, and address the structural imbalance between payments on recorded music and payments to the Songwriters.
- We have created an Advisory Board, assembled from leading music industry figures, who we believe are well placed to advise on any given Song’s potential market, reach and popularity.
- Our team’s extensive experience across a broad spectrum of music genres, together with its relationships with Songwriters and recording artists in the music industry, means it is well-positioned to continue to source opportunities for us to invest in a diverse range of attractive Catalogues and then assist us in maximising earnings from them.
- We are positioned as an attractive potential purchaser of Catalogues from Songwriters and other owners of music intellectual property rights who are protective of their legacy and selective about whom they are willing to sell to. We have made our reputation by working with Songwriters, artists and producers, not at their expense.
- Our culture is focused on long lasting relationships, excellence delivered with integrity and world-class leadership backed by extensive industry knowledge that will help create a Songwriter community rapport and a diverse, innovative, multi-cultured portfolio of song assets, with a strong emphasis on the great works of the African American Community.

2. Streaming

- Technology has changed music consumption
- The monetisation of music has improved
- The revenue pie has grown dramatically – the IFPI reports that there were 443 million global users of subscription streaming services at the end of 2020, compared to 90 million global subscribers in 2016.
- Music is now a utility purchase rather than discretionary or a luxury spend in many established global economies.
- High exposure to streaming and low exposure to live music, allowing us to tailor our portfolio to fit the new requirements of popular culture and media, including playlists, social and virtual reality platforms

3. Active Management

- Our Investment Adviser has an extensive network of relationships with broadcasting networks, TV studios and advertising agencies to create synchronisation opportunities for the Company and enable it to increase its income. Having a diversified Portfolio of Songs enables the Company to capitalise on multiple synch opportunities.
- Our Investment Adviser’s expertise results in us being well-positioned to manage the Songs we own successfully, increasing royalty collection, improving the speed and accuracy of collection of royalty income, and improving synch placement of the Songs.
- Our Investment Adviser’s team is specifically structured to have the bandwidth that allows us to Song Manage in order to extract incremental revenue with a focus on a smaller number of songs per Executive than the publishing majors.

4. Efficiencies In collection

- We work to bring efficiencies via faster and more transparent collection of micro-payments using our preferred administrators, HSG in the US and Kobalt for all non-US generated royalties.
- The Company will move the administration for the US component of our Catalogues to HSG at the earliest practicable opportunity. The Investment Adviser and the Directors expect this to enhance returns for Shareholders as it is anticipated that HSG can provide US administration cheaper than a third-party administrator, generating administration cost savings of approximately 1.0-1.5% of royalty income administered.
- Kobalt continues to be the Company’s preferred external portfolio administrator outside of the United States with portfolio administration contracts intended to be transferred to Kobalt in these jurisdictions as early as possible following acquisition of a Catalogue.

Our Objective, Strategy and Investment 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 3 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.

Our Strategy

1. Smart Acquisition of Songs or Catalogues

To benefit from the structural growth drivers discussed in Our Market, we continue to identify Catalogues of culturally important proven hit Songs which we believe offer significant value opportunities both from market growth and Song management.

a) A diversified and balanced Portfolio of Songs

Our Portfolio mostly comprises seasoned, classic Songs (often referred to as 'evergreen'), which include Songs released more than 10 years ago. These Songs accounted for approximately 60% of the Portfolio (based on fair value) as at 31 March 2021, and produce income that is expected to grow progressively in line with the continued adoption of streaming, and have the potential for further growth through being actively managed by the Investment Adviser.

In addition, with streaming growth being the backbone of our investment thesis, we seek to source some Catalogues that include newer hit Songs which have demonstrated extraordinary, recent success. As at 31 March 2021, approximately 3% of the Portfolio (based on fair value) was derived from Songs that were released less than 3 years ago. The Investment Adviser therefore seeks to identify newer Songs from this group in order to provide the Company with high exposure to streaming.

b) Acquisition of rights over Songs through payment of Advances by the Group

We may acquire rights over future (unwritten) Songs that are acquired by payment of Advances to Songwriters, with such advanced amounts (in aggregate) being capped at 5% of the Company's gross assets, calculated at the time of investment. The non-refundable Advance to a Songwriter is consideration for them writing Songs and is recoupable from the future royalties generated by those Songs, which will include the writer's share of those royalties but may also include the performer's share of such royalties and the master recording rights. As at 31 March 2021, we maintain an active roster of over 395 Songwriters.

We consider Advances to be a cost-effective way to generate royalties in the future from Songs written by highly regarded Songwriters.

2. Active Song management to provide upside potential

We follow a diligent approach to sourcing potential Catalogues for acquisition, which includes careful assessment of the underlying Songs and an assessment of the opportunity for Song management. Once a Catalogue has been acquired by us, the Songs are pro-actively managed on an ongoing basis in order to maximise the earning potential and income growth, including through improved synch placement and usage, and through pursuing efficiencies in revenue collection. This, we hope, will lead to:

a) Driving income growth through pursuing efficiencies in revenue collection

i) Registration audit

On acquisition of a Catalogue we perform a deep dive exercise into the detailed ownership of all Songs within the Catalogue to ascertain ownership rights, income sources and key Songs, in order to determine an optimal strategy for revenue growth. As part of this exercise, we seek to identify any issues relating to the registration of Songs, or the collection of a Song's income, and remedial actions are taken.

ii) Efficiencies from improved portfolio administration agreements

The acquisition of the Administration capabilities within HSG represented a significant step in the Group's strategy of driving income growth through pursuing efficiencies in the collection of payments and Song management.

iii) Early adoption of technological advancements to increase collections

The Investment Adviser monitors technological advances that will enable it to exploit, identify and locate lost revenues.

b) Improving synch placement and usage of Songs to grow income

i) Synchronisation

The Investment Adviser seeks to exploit all variations of potential synchronisation opportunities, from placing Songs in commercials, popular TV shows and films to encouraging popular recording artists to cover older Songs within a Catalogue. The Investment Adviser seeks to source Catalogues for the Company which it believes contain Songs which have been overlooked, or Songs that do not have strong, historic revenue figures but for which the Investment Adviser sees potential fresh revenue streams through synchronisation opportunities. The Investment Adviser seeks to leverage its expertise and deep relationships, and to utilise the innovative technology and business relationships of portfolio administrators, in order to pursue these synchronisation opportunities.

ii) Digital Audit

The Investment Adviser undertakes a full digital audit of each Catalogue to ensure that the Company's Songs have maximum exposure on all of the key digital and social media platforms including each of the DSPs.

iii) Maximising presence across DSPs globally

The Investment Adviser has relationships with all key DSPs, digital partners and synch and creative networks including YouTube, Spotify, Apple, Deezer, Amazon, Tencent/QQ and TikTok. Through direct contact with these platforms, the Investment Adviser is able to identify opportunities for its Songs to increase their exposure on the platform.

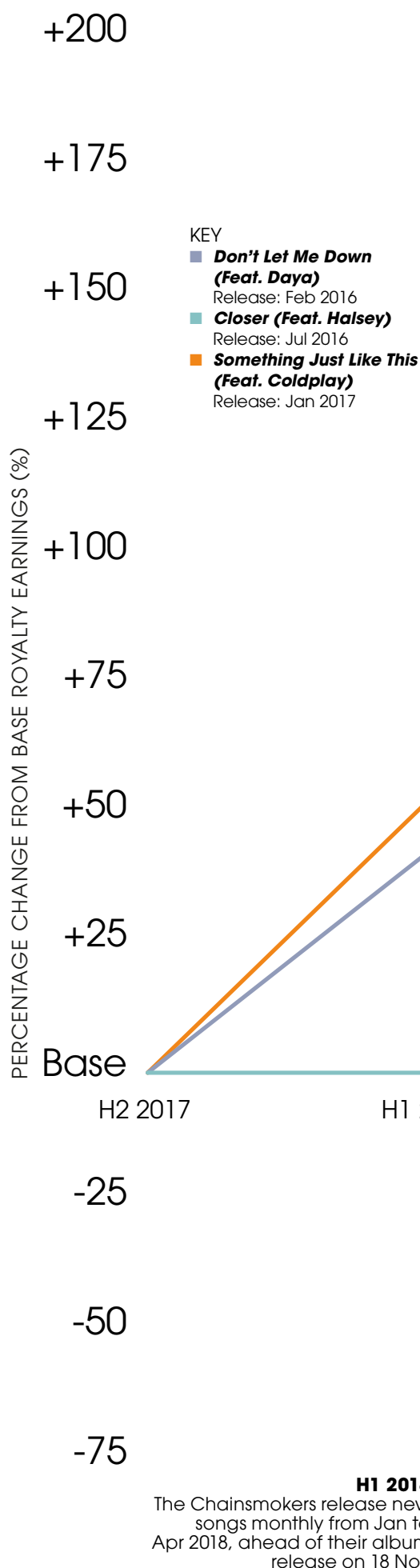
iv) Promoting Songs to increase usage and introduce new audiences

The Investment Adviser, and its Advisory Board, due to their existing position and relationships, are able to create new opportunities to place and promote the Company's Songs. The Investment Adviser believes that the Company is one of the only investment companies which invest in Songs that is strategically using its cultural position in the music industry to promote the Songs it owns.

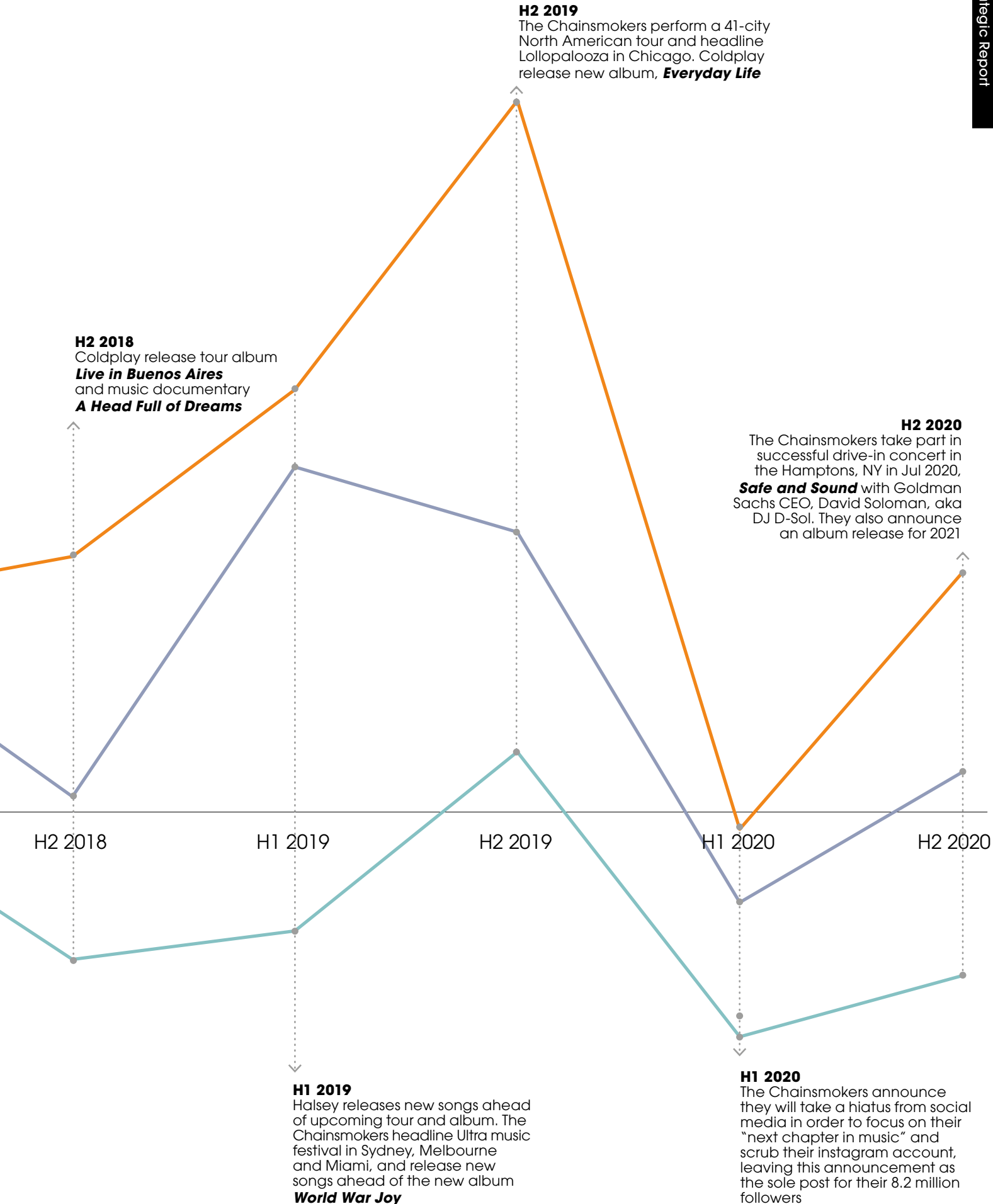
For a discussion of our performance against our strategic priorities, see pages 12-33. Our principal risks and uncertainties are presented on pages 62-65.

The Chainsmokers: Consumer Re-Engagement Boosts Revenue

- In August 2019 Hipgnosis bought the Publishing and Writer's Share of Income of 42 songs written by The Chainsmokers, which contained 53 Number 1 global chart positions and 238 Top 10 global chart positions.
- Here we showcase their top 3 hits: ***Don't Let Me Down (Feat. Daya)***, ***Closer (Feat. Halsey)*** and ***Something Just Like This (Feat. Coldplay)***, looking at their royalty statements from the publishing administrator.
- Each of these Songs has over 1 billion streams, on Spotify alone, making The Chainsmokers one of the first artists to achieve this with 3 Songs.
- As of April 2021, ***Closer (feat. Halsey)***, is one of only 6 Songs to have achieved 2 billion streams on Spotify.
- We see that the consumer re-engages with the Catalogue when there is a new release or touring from the writers or featured artists and as such the revenues have been greater than, and the decay has been slower than anticipated.
- ***Something Just Like This (feat. Coldplay)*** released in January 2017 is Coldplay's most streamed song at over 1.6 billion streams and continues to drive uplift when The Chainsmokers or Coldplay perform or release new songs.



Growth of The Chainsmokers Songs Compared to Base Royalty Earnings



Our Resources and Relationships

To achieve our purpose, Hipgnosis has to generate attractive financial returns from our business; to do that we need to have the right resources and relationships in place and to nurture them.

As a consequence of the nature of what we do – music – we have a profound influence on communities and society at large and we recognise that this privilege carries with it significant responsibilities. An important facet of this is having a clear approach to environmental, social and governance matters.

From the outset, the whole team has been aware that there is a careful balance to be struck between our creation of financial value and providing wider social returns. This is why our ulterior motive is at the heart of our stated purpose: That motive is to use the importance of our unparalleled Catalogue and financial clout as influence to improve the songwriter's position in the economic equation. What is good for Songwriters is good for all of our stakeholders. This ethos flows into wider issues in society and the environment.

Key Decisions

We view key decisions as those that are material to the success and sustainability of Hipgnosis, but also as those that are materially significant to any of our key stakeholders or that have a material impact on our community or environment. In making a decision, we consider the outcome based on our understanding from our stakeholder engagement activities, as well as the need to maintain a reputation for high standards of business conduct.

We invest in a culturally diverse range of Songs, with a particular emphasis on supporting music from African-American heritage. The Company has adopted a responsible investing policy and legal due diligence is undertaken to make sure the Company acquires assets from reputable sources.

The Key Decisions that the Board has made are summarised within the Board Leadership and Company Purpose section on page 80.

Sustainability Risks and SFDR

The EU Sustainable Finance Disclosure Regulation ("SFDR") is a regulatory framework which applies to us in our capacity as a self-managed investment trust. We have therefore made the following sustainability-related disclosures in accordance with Articles 6(1) of SFDR. The Company is not considered to be an 'ESG financial product' since it does not promote and does not maximize portfolio alignment with Sustainability Factors (as defined in SFDR). However, the Company is nevertheless exposed to sustainability risks due to the nature of the assets in which it invests:

1. How Sustainability Risks are integrated into our investment decisions

Sustainability Risks are integrated into our investment decision making and risk monitoring to the extent that they represent potential or actual material risks and/or opportunities for maximizing long-term risk-adjusted returns for our Shareholders. The Investment Adviser considers sustainability risks as part of its broader analysis of potential investments and the management of the current portfolio. The factors considered will vary depending on the Catalogue in question, but we are always seeking to invest in Songs that have a positive social purpose.

2. The assessment and likely impacts of Sustainability Risks on returns of the Company

The returns generated by our investments are exposed to varied Sustainability Risks, most of which are deemed not material due to the nature of our investment strategy and types of assets we hold.

Relations with Stakeholders

The culture and success of the music industry are founded on relationships. We are very much part of this and we welcome it. We have various groups of stakeholders with whom we have close and direct relationships fundamental to our existence, they include our shareholders, our service providers, our Advisory Board, the songwriting community and the publishers, administrators and PROs. There are many others who we recognise as well, even though we may not interact with them directly – prime amongst these are the millions who listen to music. Our Investment Adviser is at the heart of our engagement work and is responsible for the day-to-day interactions with all of our stakeholders.

Hipgnosis places great importance on its relationships with its **Shareholders**, as they provide us with the

resources to make the acquisitions necessary to build our portfolio and so support songwriters and performers. We undertake both direct and indirect engagement activities with this group and this is covered in more detail in the Corporate Governance Statement on page 74.

Following the acquisition of Hipgnosis Songs Group, Hipgnosis now has 35 employees. None of the **employees** are classified as Senior Executives as they do not report directly to the Board of the Company. Whilst they are indeed employees of the Group, at the time of the acquisition of HSG, the Board delegated responsibility for HSG's employees to the Investment Adviser, consistent with their policies, procedures, and knowledge of the rights administration industry.

Additionally, we operate through, and work closely with, a number of third party **service providers**, including the Investment Adviser, Administrator, Company Secretary, corporate brokers, lawyers and our other professional advisers. The quality and timeliness of their service provision is critical to the success of the Company, as is their adherence to best practice ESG requirements. The Group's ESG policies are shared with our suppliers.

We are very pleased that everyone involved with the Company worked so well and seamlessly throughout the COVID-19 pandemic. Our Investment Adviser has re-opened its offices and has made returning to the office optional, for the time being.

The Investment Adviser manages the vital input of our Advisory Board, discussed on pages 10, 16, 42 and 45. Our Investment Adviser also enables us to **engage with the writers and composers** of song Catalogues acquired to update them on management activity around the Catalogues, explore creative projects, create new interpolations and discuss new commercial opportunities. An example of this is placing songwriters, who are featured in the Hipgnosis portfolio, in the recording studio together to collaborate and create new compositions.

The Investment Adviser also has regular communication with publishers and Administrators (such as Kobalt) and the PROs (such as ASCAP) who administer the payment of royalties due to a songwriter or recording artist in respect of a Song, either directly from the end user or from royalty collection agents,

in order to assess that the royalties paid through are accurate and delivered in a timely manner.

The Investment Adviser has procedures in place that enable them to identify any under/over payments of revenue and work quickly to resolve this with the Publishers, Collection societies and PROs. There have been multiple occasions where we have returned millions of Dollars back to our Stakeholders.

Society

"As the world contends with the COVID-19 pandemic, we are reminded of the enduring power of music to console, heal and lift our spirits"

IFPI Chief Executive, Frances Moore

We want to help the communities on whom our success is based

While the Company's purpose is to give our Shareholders a strong, reliable and uncorrelated return on investment, we also have an 'ulterior motive' which is to use the importance of our unparalleled Catalogue and financial clout as platform and leverage for the songwriting community and to take Songwriters from the bottom of the economic equation to the top. Björn Ulvaeus of Abba began his recent TED Talk which was more than a little influenced by Hipgnosis' advocacy with an unattributed quote: "Copyright is designed not only to provide fairness to authors, but also to enhance the quality of life within a society by promoting the progress of science, art and culture". In other words, the concept of making it economically feasible for "creators to create" is now globally recognized as a societal imperative. This is very much at the heart of our advocacy but Copyright protection is not enough, the important societal role of the Songwriter also needs to be recognized by apportioning them a far more significant share of the economic pie.

Our advocacy on the part of the songwriting community has served to make us the preferred buyer for that community, which is also in the best interest of our shareholders. Our advocacy is being felt at every level from the CRB hearings in the US to the global headquarters of the major recorded music companies that are in our view responsible for the Songwriter's role not being properly remunerated and recognized, the Performing Rights Societies, who have to advocate for songwriters more aggressively and straight through to the excellent work of DCMS Committee and the hearings in UK Parliament.



LINDSEY BUCKINGHAM

Who has been the greatest influence on your writing and why?

I've always felt my songwriting has worked hand in hand with my producing. For me, when I'm creating a song, the writing and the production evolve simultaneously, and in many ways are indistinguishable from each other. Because of this, I've always gravitated to writers with strong, individualistic production values. At the top of my list of influences is Brian Wilson. I've never tried to emulate his writing style, but rather have been greatly inspired by his creative values, his willingness to take risks, and his superb marriage of writing and production.

You are an incredible Songwriter, artist and cultural figure, which of those roles is most important to you?

I've always aspired to be an artist. One can be a Songwriter and one can be a cultural figure, but that in itself doesn't define you as an artist. In fact, many have lost touch with their artistry by allowing their self identities to be defined by external cultural perceptions and expectations. Being an artist requires you to continually make choices that allow you to keep moving forward, and to work from the inside out, despite cultural expectations. Long ago I made the choice to pursue that path, and I'll remain on that road as long as I can.

Why did you choose Hipgnosis (to sell your catalogue to)?

I chose Hipgnosis largely because I connected so well with Merck, both personally and philosophically. He's certainly a fan of my work

in Fleetwood Mac, but he's also very well versed in my solo albums. Those solo efforts are some of my best, most artistic endeavors, and Merck is interested in increasing the visibility of those works. I know he will curate my catalogue with heart and integrity going into the future.

What writer(s) do you admire that are in the Hipgnosis family?

There are many writers from the Hipgnosis family that I admire, but for this, I'll narrow it down to two – one who's been around a while, and one who's fairly new. First, of course, is Neil Young. Ever since Buffalo Springfield, Neil has been a transcendent writer, his songs incorporating amazing chord changes, melodies and lyrics, his presentations always artful. His voice is completely unique, and has influenced countless others. Neil is a true original. Second is Jack Antonoff. A few years back I very much enjoyed his group, fun. But more recently, Jack has made a name for himself as a sought after producer, and also in Bleachers. When I first heard Bleachers' song *I Wanna Get Better*, I was quite taken by it, and thought I could hear a little of myself in it. It made me feel as if a torch had been passed.

Do you feel you still have a connection with your music now that you are part of Hipgnosis?

I believe my music lives within me, and no matter how it gets disseminated, it will always remain close to me, in my heart and soul, part of the fiber of my being.

"At the end of the day (when buying Catalogues) you have to demonstrate to Songwriters, artists and producers that you are the right pair of hands for them to put their children in. That's not something you can do if you've never spent time – both good times and bad times – dealing with great artists, Songwriters and producers in helping them achieve their dreams."

Merck Mercuriadis, Music Business Worldwide

We have dedicated significant time, money and resources to supporting the songwriting community. Led by Merck, this includes work with The Ivors Academy, who nurture new songwriting talent and advocate for the songwriters; and The Nashville Songwriters Association International, who work at the highest levels of the US Congress and Senate on the same themes. We have also been a major catalyst for the DCMS hearings in UK Parliament; Merck has met with several MPs over the last 6 months to advocate for the songwriter in aid of Hipgnosis' publicly stated ulterior motive which is to take the songwriter from the bottom of the economic equation to the top.

Our strategy to effect this change represents engagement on several fronts:

DCMS Cross-Party Select Committee Inquiry into the Economics of Streaming

The Department for Digital, Culture, Media & Sport (DCMS) Inquiry in the UK Parliament, which opened on 15 October 2020, has proven to be a timely opportunity to highlight the issues facing the music industry in relation to streaming as well as to look at potential solutions to address the imbalance of industry power in favour of major music companies and the lack of transparency and accountability which adversely affects Songwriters and other creators.

Hipgnosis made its own written submission with seven important recommendations to include in the Committee's Report, all designed to improve transparency, increase bargaining power and boost income share for Songwriters. Advisory Board Member to the Investment Adviser, Nile Rodgers, also gave oral evidence to the Committee in support of our submission.

Members of the DCMS Committee will play a crucial role in shaping the Inquiry's final recommendations, and Hipgnosis has written to or held positive meetings with all of them, including Committee Chair, Julian

Knight MP (Con) and other leading MP Committee members. We have briefed them on Hipgnosis' business and given our perspective on evidence given to the Committee and the music market in general, with a view to setting the context in which decisions will be taken by the Committee. We feel the response to our engagement on this has been very positive.

The DCMS Select Committee is due to publish its Report shortly and it will then go to the Secretary of State for Digital, Media, Culture and Sport, Oliver Dowden MP, for review. Mr Dowden will have two months in which to coordinate a formal response from the UK Government to the Report and recommendations proposed by the Committee, detailing what, if any, action it will take. We will be on hand offering insights and further evidence to ministers and their advisers to inform their decisionmaking. Hipgnosis has already been in touch with lead officials within DCMS with the aim of:

- Briefing them on Hipgnosis' position and recommendations (Please see: <https://committees.parliament.uk/writtenevidence/16721/pdf/>);
- Establishing positive working relationships between Hipgnosis and the Department; and
- Positioning Hipgnosis as an authoritative voice, a solutions-focused industry expert, and potential partner of government.

Broader political engagement in the UK

"The importance of the Songwriter has never been more pronounced" in the music business, and they are treated as the "low man or woman on the totem pole"

Merck Mercuriadis, Music Business Worldwide

There will, of course, be a need to sustain momentum after the Committee has concluded its work. We have therefore put in place a broader programme of political engagement and activities, with a view to ensuring that the issues and recommendations highlighted as part of the Inquiry remain high on the government and broader political agenda. Our engagement will focus primarily on:

- Government decision-makers (DCMS, BEIS, Competition and Markets Authority)
- Influential parliamentarians (Opposition parliamentarians, select committees, powerful regional voices)

- Known music advocates within Parliament (APPG on Music, parliamentarians with a known interest in creative industries)
- We have already held positive meetings with key contacts and meetings will be stepped up following publication of the DCMS Select Committee's Streaming Report.

Engagement with the Intellectual Property Office in the UK

In parallel with the Inquiry, the UK Intellectual Property Office (IPO) – an executive body of the Department for Business, Energy and Industrial Strategy (BEIS) – is undertaking its own piece of research on how 'music creators' are paid within the global streaming environment. This work is likely to feed into the government's response to the Inquiry, and its approach to intellectual property rights for artists and musicians in a post-Brexit environment following the UK's decision not to implement the EU Copyright Directive.

Hipgnosis has proactively engaged with the IPO to help support this work ahead of the publication of the research findings this summer and has established a good working relationship with the IPO and its academic research team carrying out this important work.

Broader music industry engagement

Our "ulterior motive" with Hipgnosis is to gain enough influence in the music rights space to bring about a change in the recompense seen by Songwriters in the streaming age.

We are working with like-minded individuals and organisations across the industry to support each other's initiatives and increase general awareness of the issues arising.

If our mission is successful it will benefit not only Songwriters but also our investors as the value of Songs grows. Our interests are naturally aligned with what's best for the Songwriter also being best for our Shareholders (as the direct owners of some of the world's most culturally important Songs).

The Social Mandate

Our Investment Adviser and its Advisory Board

We fully support our Investment Adviser and its Advisory Board, who believe that any company must reflect the values and best interests of the communities it benefits from. They are active in using their influence

as a catalyst for an end to all discrimination including sex, ethnicity, background, mental health or other discriminatory lenses. We endorse their strong Anti-Racist, Anti Gender and pro LGBTQIAAP approach and we welcome social change organisations and programmes which struggle for equality such as the Black Lives Matter Foundation (the charitable foundation within the BLM movement).

We support the actions taken by our Investment Adviser to promote #blacklivesmatter initiatives and calls to action and the important achievements of the We Are Family Foundation founded by Advisory Board Member, Nile Rodgers, which has created programmes to amplify the voices of diverse youth leaders across the globe addressing issues surrounding basic human needs including the fight against systemic racism. All Hipgnosis trade advertising in the last 13 months has highlighted #blacklivesmatter and sent an important message to the wider music industry that the issue was not confined to a few weeks in June of 2020 but in fact needs to be part of our daily lives. We support Merck Mercuriadis in joining Richard Branson, Mike Novogratz, Arianna Huffington and other business leaders in the newly launched Responsible Business Initiative For Justice to bring an end to the death penalty which has taken the lives of many innocent people of colour purely on the basis of racial and socio-economic injustices. Further to this we continue to support the contributions of former TFM Advisory Board Member, Jason Flom, founding board member of the Innocence Project, in his work for criminal justice reform and his advocacy for those who have been wrongfully convicted and imprisoned.

We are proud to support Nordoff Robbins, whose groundbreaking work uses music as therapy to enrich the lives of people with life limiting illnesses, disabilities and feelings of isolation. While the pandemic prevented our traditional sponsorship of the MITS (Music Industry Trusts Award), it also threatened the annual Christmas Carol Service which is the other key highlight of Nordoff Robbins' fundraising calendar. In order to avert the disaster of a cancellation, our Investment Adviser stepped in with a significant donation to create a virtual event. Merck Mercuriadis and Andrew Wilkinson were the Executive Producers for the event and Nile Rodgers not only hosted the event, but also performed along with Neil Young, Rod Stewart, Simple Minds, Tony Bennett, Kaiser Chiefs, Sir Cliff Richard, Florence And The Machine and

many other Hipgnosis' friends. Entitled The Stars Come Out To Sing At Christmas, we also brought on board our friends at Open Exchange and the London Stock Exchange to bring the biggest viewership possible and raised over \$300,000, approximately three times what the event usually achieves. As a result, the event has been awarded the Third Sector/Business Charity Awards Award for "Charity Partnership - Media & Entertainment" for 2021, bringing further attention to the important work of Nordoff Robbins.

Our Investment Adviser contributes to the talent of tomorrow via one of the UK's leading educational establishments in performing and creative arts, The BRIT School, where Merck Mercuriadis, Nile Rodgers and Paul Burger are all very active. We are grateful that in the last 28 months the 'Nile Rodgers BRIT Awards Viewing Party', established and funded by our Investment Adviser to give our institutional investors the opportunity of celebrating the UK Music Industry's biggest night of the year, has raised over £750,000. This is shared between The BRIT School and the We Are Family Foundation and the important work they undertake. While the pandemic prohibited the party in 2021 (which will hopefully return in 2022), we have continued to support the beneficiaries at this difficult time.

Our Investment Adviser has been delighted to support Songwriters Hall of Fame, chaired by Nile Rodgers, and their work celebrating and developing writing talent as well as MusiCares, which helps music people in times of need. This year our Investment Adviser has also supported the Elton John Aids Foundation mission to end the Aids epidemic; Music To Life which builds on the strong historical legacy of social movements' intentional use of music to educate, recruit, and mobilise; Music Support, the charity created by and for music industry professionals to provide help for UK workers affected by mental ill-health and/or addiction, and we have contributed to the publication of Sound Advice- The Ultimate Guide To A Healthy And Successful Career In Music by Rhian Jones and Lucy Heyman, which helps to support all aspects of mental health in the Music Industry.

Our Impact on The Environment

Hipgnosis' direct environmental impact is very limited and the direct impact of our Investment Adviser is also limited to running office facilities and the international transport of key personnel.

We acquire, curate and creatively manage a growing portfolio of music copyrights. As intangible assets, returns are generated by the provision of Songs into a variety of third-party channels including retail, hospitality, digital entertainment, advertising, film and others. With the exception of digital service providers (DSPs) specialised exclusively in music entertainment (e.g. Spotify), our assets are being consumed and monetised as an adjunct to other, sometimes more environmentally impactful, business activities that would occur whether our assets were used or not.

We keep under consideration the impact on the environment relating to the shift from the physical to digital consumption of music. The popularity of streaming as the preferred method of enjoying digital entertainment has generated concerns about a concomitant increase in the energy consumption of the required data centre infrastructure. At the moment there is considerable debate, with no clear consensus view, on the relative environmental merits and impacts of the various channels, physical and virtual, used to supply music as entertainment. Indirectly, we continue to monitor the environmental commitments made by DSPs to reduce the energy intensity of their datacentres.

The necessity for international travel is another area on which much attention has been focussed, brought into stark practical relief by the necessary responses to the pandemic. The entertainment industry generally, and our business model specifically, are heavily reliant on the establishment and maintenance of personal relationships; to us, these relationships are amongst our most valuable assets. Hipgnosis, and its suppliers, are applying the lessons learned during the pandemic about the various alternatives to physical meetings and are working to keep international travel to the level needed to sustain these key relationships.

Our Team is comprised of TFM, its Advisory Board and HSG across multiple locations, including London, Los Angeles, New York and Nashville. In total we are now 88 strong.



Merck Mercuriadis
Founder & CEO, TFM



Björn Lindvall
COO, TFM



Chris Helm
CFO & Executive Vice
President Business
Development, TFM



Amy Thomson
Chief Catalogue Officer, TFM



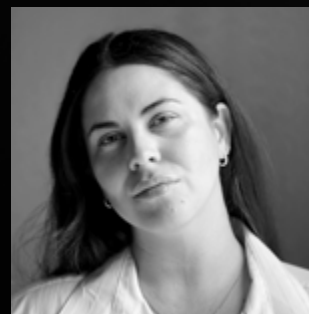
Ted Cockle
President, TFM



Kenny MacPherson
CEO, HSG



Richard Rowe
Executive Vice President, TFM



Rosa Mercuriadis
Chief Creative, Marketing
& Culture Officer, TFM



Nick Jarjour
Global Head of Song
Management, TFM



Tom Stingemore
Executive Vice President
Global Synch & Creative, TFM



Joe Maggini
Executive Vice President
Global Synch, HSG



Tony Barnes
Executive Vice President of
Digital and Innovation, TFM



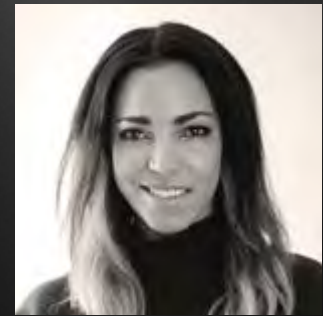
Rufina Pavry
Director, Investor Relations,
TFM



Jamie Cerreta
Co-President, HSG



Casey Robison
Co-President, HSG



Samantha Garcia
Commercial Finance
Director, TFM



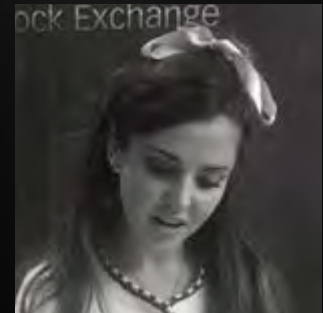
Dave Ayers
Executive Vice President,
New York, HSG



Pete Robinson
Senior Vice President,
Nashville, HSG



Adrienne Willen
Vice President of Copyright,
TFM



Melody Mercuriadis
General Manager, TFM



Shiv Prakash
VP of Investments, TFM



Patrick Thornton
Financial Controller, TFM



Serkan Dervis
Royalties Administration
Manager, TFM



Helen Anderson
Office Manager, EA, TFM



Tobias Lindvall
VP Operations, TFM



Katie Enevoldsen
Catalogue Project Manager,
TFM



Jordan Bent
Copyright Manger, TFM



Dom Scialo
Copyright Manager, TFM



Harvey Cowburn
Copyright Admin Assistant,
TFM



David Rudolph
Compliance & Reporting
Accountant, TFM



Aaron Dunmore
Senior Management
Accountant, TFM



Sophie Benjamin
Accounts Payable Manager,
TFM



Oscar Shepherd
Copyright Admin Assistant,
TFM



Emilie Massimiani
Investment Analyst, TFM



Chris Wilson
Investment Analyst, TFM



Martyn Mackenzie
Investment Associate, TFM

TIMBALAND

Who has been the greatest influence on your writing and why?

Missy Elliot, her work ethic and being such a perfectionist.

You are an incredible Songwriter, artist and cultural figure, which of those roles is most important to you?

Cultural impact.

Why did you choose Hipgnosis?

I felt Merck was the right person to do this deal with. Merck is a manager first and foremost and appreciates creatives.

How important was Merck's advocacy for the songwriting community and his fight to ensure the Songwriter is properly recognised and remunerated?

Extremely important, he's been fighting for all of us.

Do you feel you still have a connection with your music now that you are part of Hipgnosis?

Absolutely, when I performed on Verzuz a few weeks ago and went through my catalogue I still felt connected to everything.

What writer(s) do you admire that are in the Hipgnosis family?

So many... Jimmy Iovine, LA Reid, Benny Blanco, The-Dream, Jack Antonoff, Jeff Bhasker, Poo Bear, Mark Ronson, No I.D. and Starrah.

What would you like to see Hipgnosis do in the music industry with the platform it has created?

I would like to see Hipgnosis allow fractionalization ownership to fans.

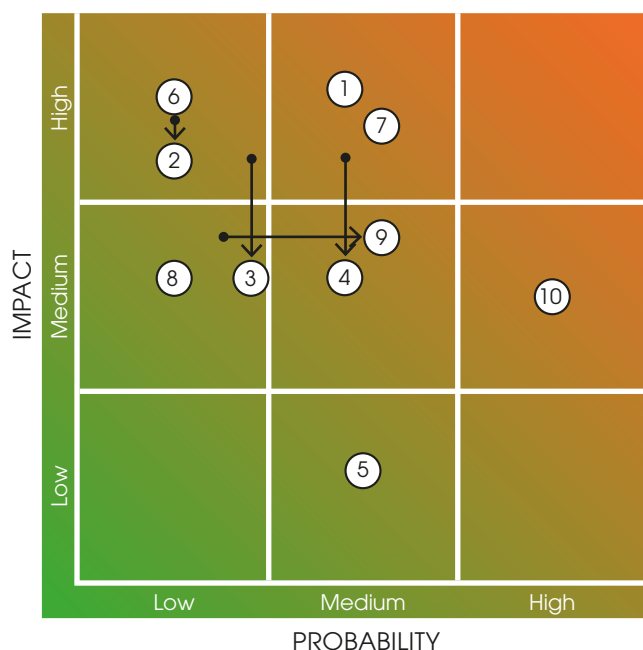


Our Principal Risks and Uncertainties

Our risk assessment

The graphic below shows the Group's post-mitigation principal risks and uncertainties. Information on our risk management framework can be found on pages 93.

1. Due diligence risk
2. Key person risk
3. Adverse change in policies by Collection Societies and other entities through whom the Company receives royalty payments
4. Exchange rate risks
5. Advance payments to Songwriters don't yield projected returns
6. Financial leverage risk
7. Risks associated with market trends
8. Operational reliance on service providers
9. Cyber Risk
10. Impact due to the COVID-19 pandemic



① Principal Risk

➔ Movement from last year

For a discussion of our market, see page 36; business model, see page 42; strategy, see page 45; and resources and relationships, see page 50.

1. Due diligence risk

Probability: Medium; Impact: High

Description

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

Mitigation

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

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

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

2. Key person risk

Probability: Low; Impact: High

Description

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

Mitigation

In order to meet the continuing rapid growth of the Portfolio of Catalogues and to broaden the expertise within the Investment Adviser, the Investment Adviser has continued to invest in growing its staff and systems. The Investment Adviser is also supported by the Advisory Board members (named on page 16 of this report). Both bring their considerable industry experience to bear in support of the Company's investment objectives. Furthermore, the third-party Administrators to the Company's Catalogues (e.g. Kobalt) each have an important role to play in pursuing efficiencies in the collection of payments and active management of the Songs that the Company owns. The Investment Adviser's longstanding relationships with those third-party Administrators bring with them further music management experience that adds support for Merck Mercuriadis and his team in the performance of their services to the Company.

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

Probability: Low/Medium; Impact: Medium

Description

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

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

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

Mitigation

The Investment Adviser actively monitors the market and will provide the Company with any data or intelligence of which it becomes aware. Updates to the financial model will be made to reflect any such regulatory or industry changes.

4. Exchange rate risks

Probability: Medium; Impact: Medium

Description

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

Mitigation

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

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

Probability: Medium; Impact: Low

Description

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

Mitigation

The Advances made to Songwriters in connection with the acquisition of rights over future Songs will not represent more than 5% of the Company's Gross Assets, calculated at the date of the relevant Advance; as at 31 March 2021, HSG had made Advances to Songwriters totalling \$10.1 million, which are expected to be recouped from the future royalty income generated by the Songs written by the Songwriters over time.

6. Financial leverage risk

Probability: Low; Impact: High

Description

The Company uses leverage to finance the acquisition (directly or indirectly) of Songs or Catalogues in accordance with the Investment Objective and Policy. In addition, the Company may utilise borrowings, which may include a securitisation, for working capital and interest rate hedging purposes, as well as to pay transaction costs and expenses. In the case of default under the relevant financing arrangement, this could result in the lenders enforcing their security and selling the Group's assets, which in either case could adversely impact the value of the Portfolio. Please see Note 17 on pages 150-153 for more details.

Mitigation

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

7. Risks associated with market trends

Probability: Medium; Impact: High

Description

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

Mitigation

The Company will be heavily reliant on the continuing presence and popularity of DSPs in order to maximise access to the consumer market. The Company is continuously reviewing this risk and most recently took note from the Goldman Sachs "Music in the Air" report (published 26 April 2021) where they have increased their global streaming subscriptions estimates by 5%, to 1.22 billion by 2030, from 443 million in 2020, as paid subscription penetration is expected to rise from 10% in 2020 to 22% in 2030 on the back of faster-than-expected streaming adoption and a proliferation of new streaming services.

8. Operational reliance on service providers

Probability: Low; Impact: Medium

Description

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

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

Mitigation

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

9. Cyber Risk

Probability: Medium; Impact: Medium

Description

The Company (as with all companies) continues to be exposed to external cyber-security threats which have the possible impact of sensitive information leakage, cyber fraud and, in a worst case scenario, interruption of royalty payments.

Mitigation

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

10. Impact due to the COVID-19 pandemic

Probability: High, Impact: Medium

Description

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

Mitigation

The majority of revenues are sourced in the US and in the UK, and as those countries move towards being vaccinated, the impact of the risk of COVID-19 is reducing. Nevertheless, the full extent of the impact on the Company's revenues remains unknown, given the reporting and processing cycles with the major publishers and PROs and the resulting significant time lag between the usage of a Song and the payment of revenue to the copyright owner. We discuss the impact COVID-19 has had on our business on page 12.

Emerging Risks

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory/legislative change and macroeconomic and political change. These are mitigated and managed by the Company through continual review, policy setting and updating of the Company's risk matrix at each quarterly meeting to ensure that procedures are in place with the intention of minimising the impact of the above-mentioned risks. The Company relies on periodic reports provided by the Investment Adviser and Administrator regarding risks that the Group faces. When required, experts, including tax advisers and legal advisers, will be employed to gather information and to provide advice.

Shakira: An Enduring Culturally Influential Superstar

Cultural Importance and Influence

New platforms emerge that prove to be great ways to present music and to connect with fans. Often, successful artists from previous decades are unable to connect on the new platforms. This is anything but with Shakira.

• Delivering both the hits and the albums:

Shakira has 3 songs which have streamed over 1.5 billion times each worldwide and a further 7 songs that have streamed over half a billion times each.

• Trend setter: The new Latin superstars, J Balvin and Maluma are gathering momentum on Instagram, but their 47 and 59 million followers respectively still lag Shakira's 70 million.

• Capitalising on new platforms: 35 million monthly listeners on Spotify and 14 million followers on TikTok shows she is culturally important to a new generation of listeners.

Working with Shakira

The combination of her growing streaming base, the fresh flow of key vinyl re-releases, and her super active and engaged fan bases across both new and developing social platforms, means that we look to further harness the strong and growing returns from her exceptional catalogue of songs.

- Hipgnosis is helping Shakira re-release her entire Catalogue on vinyl. This has been led by the **She Wolf** album (2009), in association with Urban Outfitters. Plans for a coloured vinyl with full distribution to coincide with the 20th anniversary of the album **Laundry Service** are also underway.
- Shakira is back in the studio writing material with other Hipgnosis Songwriters for her forthcoming album, scheduled for spring of 2022. This will be tied in with an epic world tour.
- As Latin music continues to grow around the world, Shakira, as the *Queen of Latin Music*, will naturally be amongst the first go-to artists.

1995

Columbian artist Shakira releases her third album **Pies Descalzos**, which goes to number one in 8 different countries. She is just 13 years old.

1998

Her next album, **Dondo Están Los Landrones**, sells over 1 million copies in the US and proves effective in galvanising the Latino communities globally.

2001

Her first English language album, **Laundry Service**, sells over 13 million copies and helps her establish a multi continent touring base.

This catapults Shakira into a true global superstar, proving that the combination of Songwriter, musician, singer, performer, dancer and glamorous pop star is irresistible.

Subsequent albums combined both English and Spanish language songs, and this has helped her take a very strong lead amongst so many of her Latin contemporaries.

2005

Hips Don't Lie is released and becomes her first number 1 US single.

2009

The **She Wolf** Album and its first single of the same name is Top 10 all over the world.

2010

Shakira - Waka Waka (This Time for Africa) (The Official 2010 FIFA World Cup™ Song) accompanies the 2010 FIFA World Cup, which is held in South Africa.

2016

Try Everything appears on the soundtrack album to Walt Disney Animation Studio's **Zootopia**.

2017

Eldorado goes Top 10 all over the world and is followed up with **Shakira in Concert: Eldorado World Tour** commemorating the global tour of the same name.

2021

Black Eyed Peas, Shakira - GIRL LIKE ME, has been a hit single all over the world.



3 songs

>500m streams, each



3

Grammys

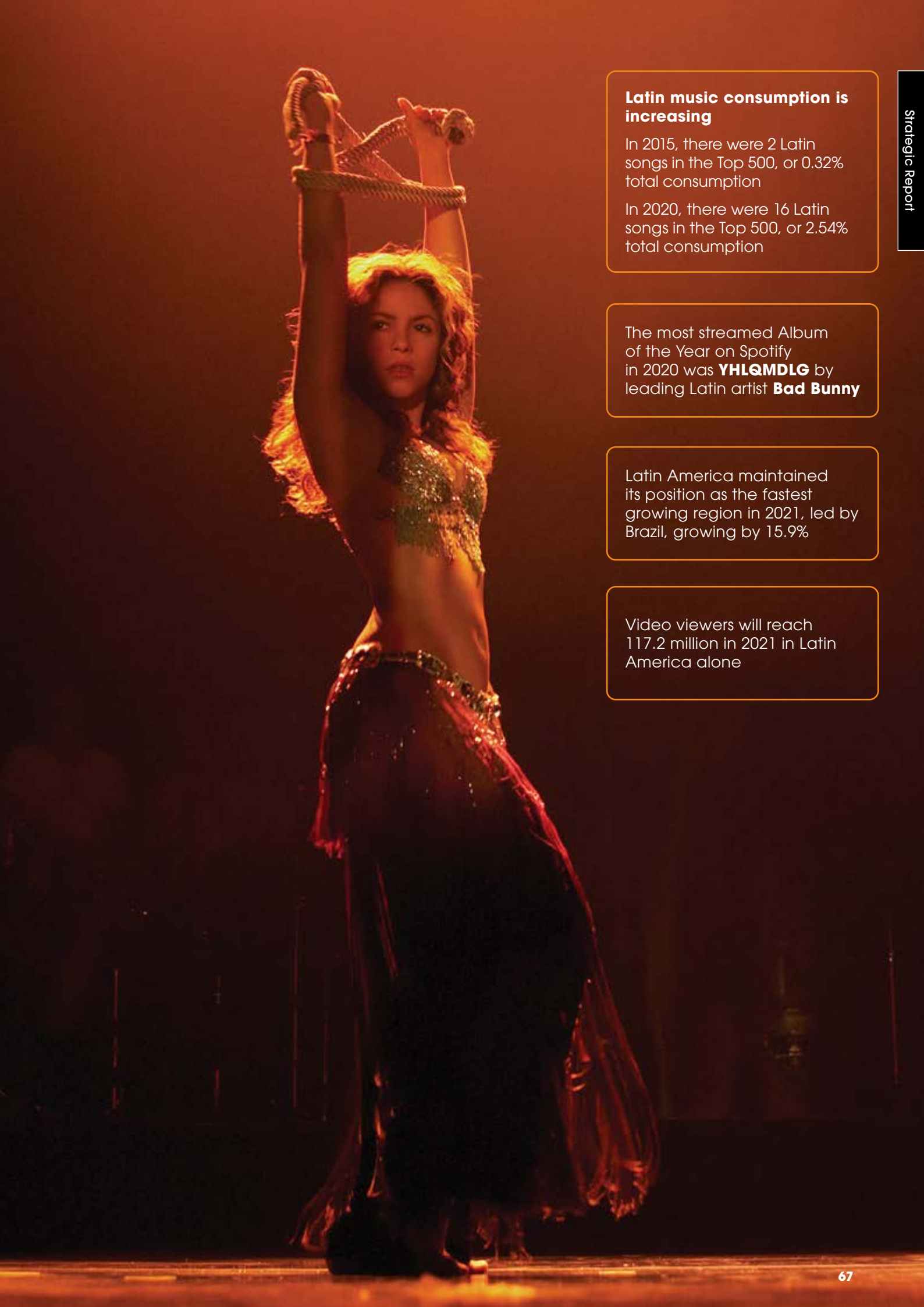
12

Latin Grammys



75m

Total record sales

A woman with long, wavy hair is performing a Latin dance on a stage. She is wearing a traditional costume consisting of a gold sequined crop top, a gold sequined belt, and a long, flowing black skirt with gold fringe. She is holding a thick, braided rope above her head with both hands. The background is dark, and the stage is lit with warm, orange light.

Latin music consumption is increasing

In 2015, there were 2 Latin songs in the Top 500, or 0.32% total consumption

In 2020, there were 16 Latin songs in the Top 500, or 2.54% total consumption

The most streamed Album of the Year on Spotify in 2020 was **YHLQMDLG** by leading Latin artist **Bad Bunny**

Latin America maintained its position as the fastest growing region in 2021, led by Brazil, growing by 15.9%

Video viewers will reach 117.2 million in 2021 in Latin America alone

Key Statements

Going Concern

The Directors monitor the capital and liquidity requirements of the Company, prepared by the Investment Adviser, monthly, which spans a 12-month forecast horizon.

Revenue assumptions, and therefore cash received, is based on the unwinding of earnings, accruals and when the cash on those accruals will be received, as well as the acquisition forecast assumptions for future periods on Catalogues of Songs. Expenses and acquisition costs are forecast on both a contractual and non-contractual basis, whereby the non-contractual analysis is derived from the run-rate expenses over the prior 12-month period. The 12-month forecast assumes a 'steady state' so does not include the impact of any future equity raises and acquisitions.

Sensitivities are also applied to revenues to assess the impacts of COVID-19 on contractual obligations.

Based on these sources of information and their own judgement and given the Company has a history of profitable operations which are expected to continue and have ready access to financial resources, which includes immediate access to cash from major Publishers, sufficient for the Company to meet its obligations over at least the next 12 months, the Directors believe it is appropriate to prepare the Consolidated Financial Statements of the Company on a going concern basis.

The Directors have also considered the immediate and medium-term impacts of COVID-19 and other relevant factors on the Company as reflected in the Viability Statement below.

Viability Statement

The Directors have assessed the future prospects of the Group. The Board have conducted a Portfolio review for a period of three years to 31 March 2024 which is deemed appropriate given:

- i. The long-term outlook for music publishing and recorded music remains very positive;
- ii. Three years is often considered the benchmark of normalised earnings within music publishing;
- iii. The remaining copyright term of the Company's Portfolio as at 31 March 2021;
- iv. The accuracy of external forecasts to support the income projections; and
- v. Experience to date regarding the performance of the Portfolio of Catalogues against their acquisition business plans.

Based on past performance, the returns generated within the investment Portfolio are expected to be stable and predictable in both the medium and longer term. Music royalties remain a stable and resilient asset class, which has been proven during the COVID-19 pandemic. The short-term impact on Performance income is expected to recover and return to previous levels in the Autumn of 2021, as restraints related to lockdown are lifted in both the US and the UK.

Given the long copyright term, the resilience of music, as well as the mature ecosystem of consumers and brands willing to pay for music, the asset class has been assessed as viable within the forecast period.

The Investment Adviser has prepared, and the Board has reviewed, the Portfolio projections which forecast the Group's revenue, cashflow and working capital projections over the next three years and considered the impact of the principal risks and some of the emerging risks of the Company.

In support of this statement, the Directors have also considered all the principal risks and some of the emerging risks and their mitigation as identified in the risk register that is periodically reviewed by the Board.

The Directors paid particular attention to the risk of a deterioration in the short-term economic outlook primarily driven by COVID-19, which would adversely impact catalogue fundamentals causing a reduction in cash flows.

The Investment Adviser and the Board are actively monitoring COVID-19, as a material risk on revenues and its potential effect on the Company and its Catalogues. It is believed that impacts will be continued to be felt in the short term because of the decline in live music, commercial radio, retail outlet licence revenues and reduced leisure facility offerings.

The remaining principal risks, whilst having an impact on the Group's business model, are not considered by the Directors to have a reasonable likelihood of impacting the Group's viability over the three-year period to 31 March 2024.

On a rolling basis, and at times of issuing a new Prospectus, the Directors evaluate the outcome of the Portfolio of Songs and the Company's financial position as well as assessing sensitivities that impact dividend cover, credit covenants and profitability of the Company to assess an 'extreme downside scenario'.

The extreme downside scenario, reflecting a severe short term economic downturn, incorporated the following assumptions:

- A material reduction of 50% across all income, excluding Streaming, for the 16-month period ending July 2022 driven by COVID-19;
- The strengthening of GBP versus USD by 10%, which would impact dividends and expenses given given 84% of revenues are received in USD; and
- The reversal of the entire CRB ruling which adversely impacts future revenues versus forecast expectations which represents a decrease of future revenues by 1.12% each year.

Having considered the forecast cash flows, the current working capital, and the impact of the sensitivities in combination in the 'extreme downside

scenario', the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period ending 31 March 2024.

Notwithstanding this assessment, forecasting for individual Catalogues can deliver variances versus the actual revenues received, but these variances are considered immaterial in the context of the whole diversified Portfolio.

The Board are of the opinion that the long-term outlook for music publishing and recorded music remains very positive as evidenced throughout this Annual Report. As further explained in principal risks and uncertainties on pages 62-65 the Directors do not consider the effects of COVID-19 to have had an impact on their assessment of the Company as a going concern or the prospects of the Company.



MARK RONSON

Who has been the greatest influence on your writing and why?

Stevie Wonder. I bought a Stevie Wonder songbook for piano when I was 20 and most of my chords and voicings still come from that book.

You are an incredible Songwriter, artist and cultural figure: which of those roles is most important to you?

I value all of them but Songwriter is the thing I work hardest at. The thing I do everyday when I go to work. And the thing I'd most like to be remembered for.

Why did you choose Hipgnosis (to sell your catalogue to)?

I trust Merck. I have a lot of respect for him, as a person and in my dealings with him in the industry. I also liked the kind of roster they were amassing, immensely popular but impeccably credible music. And the money was good, I'm not going to lie.

How important was Merck's advocacy for the songwriting community and his fight to ensure the Songwriter is properly recognised and remunerated?

It's incredibly important. You know Merck will fight for that as he has A LOT of skin in the game.

Do you feel you still have a connection with your music now that you are part of Hipgnosis?

Of course. Those songs are still my babies. I have an emotional attachment to all of them to different degrees – how they were created, the first time I heard one on the radio, playing them at a festival... and on and on. That will never change.

What writer(s) do you admire that are in the Hipgnosis family?

RZA. Jeff Bhasker. Al Jackson Jr. Nile and Bernard. Steve Winwood. Timbaland.

What would you like to see Hipgnosis do in the music industry with the platform it has created?

I thought Timbaland's answer was pretty amazing. Fractionalized ownership to fans. I would buy a sliver of Al Green's *I'm Still In Love With You* in a heartbeat.

Key Statements

Section 172(1) Statement

The purpose of the Strategic Report is to inform members of the Company and help them assess how the directors have performed their duty under section 172. This section 172(1) statement incorporates information from other areas of the Annual Report to avoid unnecessary duplication.

Section 172 of the UK Companies Act 2006 applies directly to UK domiciled companies. Nonetheless the AIC Code requires that the matters set out in section 172(1) are reported on by all companies, irrespective of domicile. This requirement does not conflict with Guernsey company law.

s172 matter

Likely consequences of any decision in the long term

Introduction from Merck Mercuriadis, pages 3-4
 The Chair's Statement, pages 10-11
 Investment Adviser's report, pages 12-15, 20-25, 28-33
 Our Market, pages 36-39
 Our Purpose, Business Model, Culture and Values, pages 42-44
 Our Objective, Strategy, Investment Policy, pages 45-47
 Our Resources and Relationships, pages 50-59
 Principal Risks and Uncertainties, pages 62-65
 Viability Statement, pages 68-69
 Chair's Introduction, page 74
 Application of AIC Code Principles, pages 76-79
 Board Leadership and Company Purpose, pages 80-81
 Composition, Succession and Evaluation, page 86
 Report of the Nomination Committee, pages 90-92
 Audit, Risk and Internal Control, page 93
 Report of the Audit and Risk Management Committee, pages 94-100
 Report of the Management Engagement Committee, pages 101-102
 Report of the Portfolio Committee, page 103-104
 Directors' Remuneration Report, pages 105-107

The interests of the Company's employees

Our Resources and Relationships, pages 50-59
 Compliance Statement, page 75
 Application of AIC Code Principles, pages 76 and 79
 Board Leadership and Company Purpose, pages 80-81
 Report of the Management Engagement Committee, pages 101-102
 Directors' Remuneration Report, pages 105

The Directors have had regard for the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when performing the duties set out in section 172. The Directors consider that they have acted in good faith in the way that would be most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business.

The table below indicates where the relevant information is that demonstrates how we act in accordance with the requirements of s.172(1).

The need to foster the Company's business relationships with suppliers, customers and others

Introduction from Merck Mercuriadis, pages 3-4
 The Chair's Statement, pages 10-11
 Investment Adviser's report, pages 12-15, 20-25, 28-33
 Our Purpose, Business Model, Culture and Values, pages 42-44
 Our Objective, Strategy, Investment Policy, pages 45-47
 Our Resources and Relationships, pages 50-59
 Principal Risks and Uncertainties, pages 62-65
 Chair's Introduction, page 74
 Application of AIC Code Principles, pages 76 and 79
 Board Leadership and Company Purpose, pages 80-81
 Division of Responsibilities, pages 82-85
 Report of the Audit and Risk Management Committee, pages 97-100
 Report of the Management Engagement Committee, pages 101-102

Impact of the Company's operations on the community and environment

Introduction from Merck Mercuriadis, pages 3-4
 Investment Adviser's report, pages 12-15, 20-25, 28-33
 Our Market, pages 36-39
 Our Purpose, Business Model, Culture and Values, pages 42-44
 Our Resources and Relationships, pages 50-59
 Application of AIC Code Principles, page 76
 Board Leadership and Company Purpose, pages 80-81

The Company's reputation for high standards of business conduct

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 The Chair's Statement, page 11
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Chair's Introduction



Dear Shareholder,

On behalf of the Board I am pleased to present the Corporate Governance Report for the year ended 31 March 2021. This report describes the Corporate Governance structures and procedures, and summarises the work of the Board and its Committees to illustrate how we have discharged our responsibilities this year. The Board is collectively responsible for how the Company is directed and controlled. Our responsibilities include: agreeing the Company's strategic aims and values; monitoring and constructively challenging the Investment Adviser on the operational running of the business; ensuring a framework of prudent and effective controls; and reporting to Shareholders on the Board's stewardship. As Chair, I am responsible for leading and ensuring an effective Board.

The Board recognises its duties and responsibilities to our Shareholders and other stakeholders. Further details of how we take account of Shareholder and wider stakeholder interests in our strategic planning and decision-making processes are set out on pages 80 and 50. We will continue to work with the Investment Adviser to deliver on our strategic goals while ensuring that we continue to engage with all stakeholders.

Andrew Sutch

Chair

4 July 2021

Compliance Statement

Hipgnosis Songs Fund Limited is a company registered in Guernsey and has a Premium Listing on the Main Market on the London Stock Exchange. The Company became a member of the AIC on 22 August 2018.

The Board has considered the Principles and Provisions of the AIC Code of Corporate Governance 2019 (AIC Code). The AIC Code addresses the relevant Principles and Provisions set out in the UK Corporate Governance Code 2018 (the UK Code), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council and the Guernsey Financial Services Commission, provides more relevant information to Shareholders. By reporting against the AIC Code we are meeting our obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such do not need to report further on issues contained in the UK Code which are irrelevant to us.

Throughout the year ended 31 March 2021, the Company has applied the Principles (as explained on pages 76-79), and complied with the relevant Provisions of the AIC Code.

Throughout the year ended 31 March 2021, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below.

The Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Code, and as explained in the UK Code, the Board considers that the above provisions are not currently relevant to the position of the Company which delegates most day-to-day functions to third parties.

During the year, through acquisition of the assets of Big Deal Music (renamed Hipgnosis Songs Group, or HSG), the Group has acquired employees. However, none of the employees are classified as Senior Executives as they do not report directly to the Board, and the management of the employees has been delegated to the Investment Adviser in its entirety but retains oversight through the Investment Advisory agreement. The absence of an internal audit function is discussed in the Report of the Audit and Risk Management Committee.

The AIC Code is available on the AIC website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment not considered necessary.

Application of the AIC Code Principles

The AIC Code, and the underlying UK Code, have placed increased emphasis on “apply and explain” with regard to the Principles of the Codes.

Our explanations about how we have applied the application of the main principles of the AIC Code can be found as follows:

Board Leadership and Company Purpose

Principle A. A successful company is led by an effective Board, whose role is to promote the long-term sustainable success of the company, generating value for Shareholders and contributing to wider society.

Strategic Report, pages 2-72

Governance, pages 74-112

Principle B. The Board should establish the company’s purpose, values and strategy, and satisfy itself that these and its culture are aligned. All Directors must act with integrity, lead by example and promote the desired culture.

Strategic Report, pages 2-72

Board Leadership and Company Purpose, pages 80-81

Principle C. The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Our Resources and Relationships, pages 50-59

Principal Risks and Uncertainties, pages 62-65

Section 172(1) Statement, page 72

Board Leadership and Company Purpose, pages 80-81

Audit, Risk and Internal Control, page 93

Report of the Audit and Risk Management Committee, pages 94-100

Principle D. In order for the company to meet its responsibilities to Shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

Our Resources and Relationships, pages 50-59

Section 172(1) Statement, page 72

Board Leadership and Company Purpose, pages 80-81

Division of responsibilities

Principle F. The Chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgment throughout their tenure and promote a culture of openness and debate. In addition, the Chair facilitates constructive Board relations and the effective contribution of all Non-executive Directors, and ensures that Directors receive accurate, timely and clear information.

The Chair's Statement, pages 10-11
 The Chair's Introduction, page 74
 Board Leadership and Company Purpose, pages 80-81
 Division of Responsibilities, pages 82-85

Principle G. The Board should consist of an appropriate combination of Directors (and, in particular, independent Non-executive Directors) such that no one individual or small group of individuals dominates the Board's decision making.

Division of Responsibilities, pages 82-85
 Board of Directors, pages 87-89

Principle H. Non-executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold third-party service providers to account.

The Chair's Statement, pages 10-11
 Board Leadership and Company Purpose, pages 80-81
 Division of Responsibilities, pages 82-85
 Report of the Audit and Risk Management Committee, pages 94-100
 Report of the Management Engagement Committee, pages 101-102

Principle I. The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Our Resources and Relationships, pages 50-59
 Principal Risks and Uncertainties, pages 62-65
 Section 172(1) Statement, page 72
 Board Leadership and Company Purpose, pages 80-81
 Division of Responsibilities, pages 82-85
 Audit, Risk and Internal Control, page 93
 Report of the Audit and Risk Management Committee, pages 94-100
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Composition, succession and evaluation

Principle J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

Report of the Nomination Committee, pages 90-92

Principle K. The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

Board of Directors, pages 87-89

Report of the Nomination Committee, pages 90-92

Principle L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Report of the Nomination Committee, pages 90-92

Audit, risk and internal control

Principle M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of external audit functions and satisfy itself on the integrity of financial and narrative statements.

Audit, Risk and Internal Control, page 93

Report of the Audit and Risk Management Committee, pages 94-100

Principle N. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

Strategic Report, pages 2-72

Audit, Risk and Internal Control, page 93

Report of the Audit and Risk Management Committee, pages 94-100

Financial Statements, pages 122-157

Principle O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives.

Principal Risks and Uncertainties, pages 62-65

Viability Statement, pages 68-69

Audit, Risk and Internal Control, page 93

Report of the Audit and Risk Management Committee, pages 94-100

Notes to the Financial Statements, pages 126-157

Remuneration

Principle P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success.

Strategic Report, pages 2-72

Board Leadership and Company Purpose, pages 80-81

Directors' Remuneration Report, pages 105-107

Principle Q. A formal and transparent procedure for developing policy on remuneration should be established. No director should be involved in deciding their own remuneration outcome.

Directors' Remuneration Report, pages 105-107

Principle R. Directors should exercise independent judgment and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Directors' Remuneration Report, pages 105-107

Other Key Governance Statements

The Directors confirm that:

Going Concern

The Going Concern statement is made on page 68.

Viability

The Viability Statement is made on page 68. Further details of the Board's assessment of the viability of the Company are set out in Audit, Risk and Internal Control on page 93. The Principal Risks and Uncertainties are set out on page 62.

Principal Risks

The Board has undertaken a robust review of the Group's principal and emerging risks, including those that would threaten its business model, future performance, solvency or liquidity and reputation.

The Board has monitored the Company's risk management and internal control systems and carried out a review of their effectiveness. Further details are set out in Audit, Risk and Internal Control on page 93. The Principal Risks and Uncertainties are set out on page 62.

Continuing Appointment of the Investment Adviser

The continuing appointment of The Family (Music) Limited as the Investment Adviser, on the terms agreed, is in the interests of the Shareholders as a whole. Further details on the basis for this conclusion, and the terms, are set out in the Report of the Management Engagement Committee on page 101.

Fair, Balanced and Understandable

The annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. See the Report of the Audit and Risk Management Committee on page 94 for further information on how this conclusion was reached.

Section 172(1)

The Section 172(1) statement is made on page 72.

It provides cross-references to the required detail set out throughout this annual report.

Board Leadership and Company Purpose

The Role of the Board

The Company is led and controlled by a Board of Directors, which is collectively responsible for the long-term success of the Company. It does so by acting in the interests of the Company, creating and preserving value and has as its foremost principle to act in the interests of Shareholders.

The Directors believe that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected, as their biographies illustrate, to bring a breadth of knowledge, skills and business experience to the Company. The Directors' details listed on pages 87-89 set out their range of investment, financial and business skills and experience.

Culture and Values

The Board recognises that tone and culture are set from the top, and that every interaction with the Company's stakeholders all have a great influence on the sustainability of long-term Shareholder value. This can be the Board's interaction with its Shareholders or one of the Investment Adviser's junior employees dealing with one of the Company's service providers. The importance of sound ethical values and behaviour is crucial to the ability of the Company to achieve its objectives successfully.

The Board individually and collectively seeks to act with diligence, honesty and integrity and expects the same values from its service providers. It encourages its members to express differences of perspective and to challenge views and opinions but always in a respectful, open, cooperative and collegiate fashion. The Board encourages diversity of thought and approach and chooses its members with this approach in mind.

The Company's culture emulates that of the Investment Adviser, with a focus on long lasting relationships with its investor base; investment excellence delivered with integrity; and world-class leadership backed by extensive industry knowledge that will help create a Songwriter community rapport and a diverse, innovative, multi-cultured portfolio of Song assets.

Key Decisions

In making its decisions, the Board considered the outcome from its stakeholder engagement. It also considered the need to maintain a reputation for high standards of business conduct. These are summarised below and discussed in more detail as indicated:

- To initiate multiple fundraising activities, including the issuing of C Shares and their subsequent Conversion into Ordinary Shares (see page 10).
- To acquire 84 further Catalogues after individual review (see page 103). We rejected multiple Catalogues as they did not meet our investment criteria.
- To delegate controls over HSG's employees to the Investment Adviser (see page 50).
- To distribute quarterly dividends (see page 108).
- To change the Company's functional and presentation currency from Sterling to Dollars (see page 10).
- To convert the Company to an Investment Trust Company (see page 10).
- To engage, through the Investment Adviser, with the UK DCMS Parliamentary Committee Inquiry into the economics of music streaming (see page 50).
- To continue to support *Black Lives Matters* as part of our engagement with striving for racial equality (see page 50).
- To recruit a new Non-executive Director (see page 90).
- To increase the Directors' Remuneration following an external review (see page 105).

Relations with Stakeholders

Relationships with stakeholders are discussed on page 50.

The Board welcomes Shareholders' views and places great importance on communication with its Shareholders. The Company reports formally to Shareholders in a number of ways; regulatory news releases through the London Stock Exchange's Regulatory News Service, annual and interim reports and periodic factsheets issued in response to events or routine reporting obligations. In addition, the Company's website contains comprehensive information, including Company notifications, share information, financial reports, investment objectives and policy, investor contacts and information on the Board and corporate governance. The Company also holds an annual Capital Markets Day. It is the Company's intention to provide Shareholders with a chance to engage with and learn more about the opportunities for rights owners in the growing market for music.

All major Shareholders were invited to meet with the Chair and Committee Chairs during the year and meetings were set up accordingly. The Board is also kept fully informed of all relevant market commentary on the Company by the Investment Adviser and the Corporate Brokers. The Directors and Investment Adviser receive informal feedback from analysts and investors, which is presented to the Board by the Corporate Brokers.

The Investment Adviser has regular contact with Shareholders and any views that they may have are communicated to the Board. All Shareholders have direct access to the Chair and the other Directors, who are available to discuss any questions which they may have in relation to the running of the Company.

Following feedback on the disclosure and complexity of the music royalties market, the Board decided to ask the Investment Adviser to review how data is presented. This resulted in enhanced information in our financial presentation, as discussed with the market in an online workshop on 16 March 2021, available on our website: <https://www.hipgnosissongs.com>, and explained on page 28.

Financial results, events, corporate reports, webcasts and factsheets are all stored in the Investor Relations section of our website: <https://www.hipgnosissongs.com/investorinfo>

Annual General Meeting

The Annual General Meeting ('AGM') will be held on 15 September 2021. Due to the ongoing situation surrounding COVID-19 and the restrictions on public meetings, the Company will announce details of the AGM later in the summer and will send the Notice of AGM to Shareholders at that time.

It is hoped that Shareholders will be able to attend the AGM in person should they wish to do so, although this may be subject to Government restrictions and advice in force at the time.

In the event that the situation changes and the arrangements for the AGM have to be amended after the Notice of the AGM has been issued, the Company will update Shareholders through an announcement to the London Stock Exchange and on the Company's website.

Whistleblowing

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Investment Adviser or Administrator may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters anonymously.

It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within each organisation. The Board routinely reviews this and any reports which may arise from its operation.

Division of Responsibilities

Duties and Responsibilities

The Board is responsible for the determination of the Company's Investment Objective and Policy and has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business, meeting the appropriate interests of Shareholders and relevant stakeholders, and also ensuring the protection of investors.

At 31 March 2021, the Board consisted of five independent Non-executive Directors; an independent Chair, one Senior Independent Director and three independent Non-executive Directors. On 11 June 2021 an additional independent Non-executive Director was appointed to the Board. The Directors believe that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected, as their biographies illustrate, to bring a breadth of knowledge, skills and business experience to the Company. The Directors' details are listed on pages 87-89, which set out their range of investment, financial and business skills and experience.

Mr Sutch is the Chair. He leads the Board and is responsible for its overall effectiveness in directing the Company. The Chair is appointed in accordance with the Company's Articles of Incorporation. In considering the independence of the Chair, the Board took note of the provisions of the AIC Code relating to independence and has determined that Mr Sutch is an independent director. The Board is satisfied that the Chair has no relationships that may create a conflict of interest between his interests and those of Shareholders.

Mr Burger is the Senior Independent Director. The Senior Independent Director acts as a sounding board for the Chair and is a trusted intermediary for other Directors. The Senior Independent Director is available to meet Shareholders if they have concerns that cannot be resolved through discussion with the Chair or for matters where such contact would be inappropriate. In addition, during the year the Senior Independent Director leads the other Directors in evaluating the performance of the Chair. The Board is fully satisfied that Mr Burger demonstrates independence and robustness of character in this role.

As part of the governance framework, the Board has delegated some of its responsibilities to five committees: the Audit and Risk Management Committee, the Nomination Committee, the Management Engagement Committee, Remuneration Committee and the Portfolio Committee. The Board is satisfied that the committees have sufficient time and resources to carry out their duties effectively. Their terms of reference are reviewed and approved annually by the Board and the respective committee Chairs report on their activities to the Board. Director attendance at Board and committee meetings is summarised on page 84.

Board of Directors

The Board is accountable for the stewardship of the Company's business to the Shareholders and other stakeholders

Audit and Risk Management Committee	Management Engagement Committee	Nomination Committee	Remuneration Committee	Portfolio Committee
Mr Andrew Wilkinson Chair of the Committee Mr Paul Burger Ms Sylvia Coleman Mr Simon Holden Mr Andrew Sutch	Mr Andrew Sutch Chair of the Committee Mr Paul Burger Ms Sylvia Coleman Mr Simon Holden Mr Andrew Wilkinson	Mr Paul Burger Chair of the Committee Ms Sylvia Coleman Mr Simon Holden Mr Andrew Sutch Mr Andrew Wilkinson	Mr Simon Holden Chair of the Committee Mr Paul Burger Ms Sylvia Coleman Mr Andrew Sutch Mr Andrew Wilkinson	Mr Paul Burger Chair of the Committee Ms Sylvia Coleman Mr Simon Holden Mr Andrew Sutch Mr Andrew Wilkinson

Correct as of 31 March 2021

Committees of the Board

The Board believes that it and its committees have an appropriate composition and blend of backgrounds, skills and experience to discharge their duties effectively. The Board is of the view that no one individual or small group dominates decision-making. The Board keeps its membership, and that of its committees, under review to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

Each committee of the Board has written terms of reference, approved by the Board, summarising its objectives, remit and powers, which are available on the Company's website (www.hipgnosissongs.com) and are reviewed on an annual basis. Each Committee has access to such external advice as it may consider appropriate.

Committees are supplied with regular, comprehensive and timely information in a form and of a quality that enables them to discharge their duties effectively. All committee members are able to make further enquiries of the Investment Adviser or Administrator whenever necessary and have access to the services of the Company Secretary.

Minutes of all meetings of the committees are made available to all Directors and feedback from each of the committees is provided to the Board by the respective committee Chair at the next Board meeting.

Nomination Committee

The Nomination Committee's activities are contained in the Report of the Nomination Committee on page 90.

Audit and Risk Management Committee

The Audit and Risk Management Committee's activities are contained in the Report of the Audit and Risk Management Committee on page 94.

Management Engagement Committee

The Management Engagement Committee's activities are contained in the Report of the Management Engagement Committee on page 101.

Remuneration Committee

The Remuneration Committee's activities are contained in the Report on Remuneration on page 105.

Portfolio Committee

The Portfolio Committee's activities are contained in the Report of the Portfolio Committee on page 103.

A summary of the matters reserved for the Board is as follows:

- strategic matters;
- risk assessment and management including reporting, compliance, governance, monitoring and control and financial reporting;
- statutory obligations and public disclosure;
- declaring Company dividends;
- managing and assessing the performance of the Company's advisers and service providers; and
- other matters having a material effect on the Company.

The Directors have access to the advice and services of the Administrator, who also assist the Board in ensuring that Board procedures are followed and the Board complies with the Companies Law and applicable rules and regulations of the GFSC and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

The Board's responsibilities for the Annual Report are set out in the Directors' Responsibilities Statement on page 111. The Board is also responsible for issuing appropriate Interim Reports and other price-sensitive public reports.

The Company has adopted a share dealing code for the Board and seeks to ensure compliance by the Board and relevant personnel of the Investment Adviser and other third-party service providers with the terms of the share dealing code.

Board committee attendance from 1 April 2020 to 31 March 2021:

	Scheduled Board Meetings	Ad-hoc Board Meetings	Committee of the Board	Audit and Risk Management Committee	Portfolio Committee	Nomination Committee	Management Engagement Committee	Remuneration Committee	Total ⁵ Meetings attended
Paul Burger ²	4 of 4	29 of 30	1 of 2	3 of 3	33 of 33	4 of 4	2 of 2	1 of 1	77 of 79
Sylvia Coleman	4 of 4	30 of 30	1 of 2	3 of 3	33 of 33	4 of 4	2 of 2	1 of 1	78 of 79
Simon Holden ⁴	4 of 4	30 of 30	1 of 2	3 of 3	33 of 33	4 of 4	2 of 2	1 of 1	78 of 79
Andrew Sutch ¹	4 of 4	30 of 30	2 of 2	3 of 3	33 of 33	4 of 4	2 of 2	1 of 1	79 of 79
Andrew Wilkinson ³	4 of 4	28 of 30	1 of 2	3 of 3	31 of 33	4 of 4	2 of 2	1 of 1	74 of 79

1. Chair of Board Meetings

2. Chair of Portfolio Committee Meetings and Nomination Committee Meetings

3. Chair of Audit and Risk Management Committee Meetings

4. Chair of Remuneration Committee

5. Directors work extensively with the Investment Adviser, brokers and administrator on strategy, acquisition, operating and reporting related matters between the formal Board meetings recorded herewith. Compared with typical investment trusts, this highlights the more executive level of management and oversight commensurate with the intrinsic opportunities and risks of this high-growth, intangible asset class

A quorum is comprised of any two or more members of the Board from time to time, to perform administrative and other routine functions on behalf of the Board.

Attendance

The Board and its Committees have a scheduled forward programme of meetings to ensure that sufficient time is allocated to each key area and the Board's time is used effectively.

The Board meets at least four times a year for regular quarterly Board meetings. At each meeting the Board follows a formal agenda that covers the business to be discussed. There is sufficient flexibility for items to be added to the agenda which enables the Board to focus on key matters relating to the Company at the right time. Each Board member receives a comprehensive Board pack prior to each meeting together with supporting papers for items to be discussed at the meeting.

In addition, a considerable number of ad-hoc Board meetings and Portfolio Committee meetings (as detailed on page 104), were called in relation to specific events or to issue approvals and did not necessarily require full attendance. These meetings were often at short notice and were very well attended by Board and Committee members. The Directors meet regularly with the senior management employed by the Investment Adviser both formally and informally to ensure the Board remains regularly updated on all issues. The Board also has regular contact with the Administrator, and the Board requires

to be supplied in a timely manner with information by the Investment Adviser, the Company Secretary and other advisers in a form and of a quality to enable it to discharge its duties. In response to the level of activity during the year the Board and certain of its committees met more frequently than usual and also held a number of calls between meetings.

Directors who have been unable to attend a meeting have, without exception, given the Chair their views and comments on matters to be discussed, in advance. In addition to their meeting commitments, the Directors also liaise with the Investment Adviser whenever required and there is regular contact outside the Board meeting schedule. Due to the restrictions imposed by the COVID-19 pandemic, all of these meetings were held via video-conference.

Whilst the the Directors have appreciated the continuity of online meetings, they wish to exploit the value of face-to-face meetings with the Investment Adviser.

In the future, Directors are likely to split their attendance between meetings for routine work that can be performed effectively remotely, versus in-person meetings to discuss strategic matters, as well as the formal quarterly Board meetings.

Time Commitment and Conflicts of Interest

Prior to appointment, each prospective Non-executive Director confirms that they will have sufficient time available to be able to discharge their responsibilities effectively and that they have no conflict of interest. In addition, the Board reviews and approves in advance, requests by Directors wishing to undertake new responsibilities or directorships and considers both the time commitments involved and any potential conflicts. A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. The Board requires Directors to regularly declare all appointments and other situations that could result in a possible conflict of interest and has adopted appropriate procedures to manage and, if appropriate, approve any such conflicts. The Board is satisfied that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company.

Throughout the year, all Directors have excellent attendance records at scheduled meetings, and demonstrated high levels of availability and responsiveness for additional meetings and discussions where these have been required. The Board remains confident that individual members continue to devote sufficient time to undertake their responsibilities effectively.

Director Independence

The Board confirms that all Directors should be considered as independent in accordance with the provisions of the AIC Code and have the time available to discharge their duties effectively. Accordingly, the Board recommends that Shareholders vote in favour of the re-election of all Directors at the forthcoming AGM.

Composition, Succession and Evaluation

Board composition and tenure

To ensure that serving Non-executive Directors of the Company continue to possess the necessary skills and experience required for the strategy of the business, the Board has established a Nomination Committee to oversee the process of appointments and succession planning for Directors. The role of the Nomination Committee is critical in ensuring that the Company's Board and Committee composition and balance support both the Group's business ambitions and best practice in the area of corporate governance. There were no changes to the Board during the year ended 31 March 2021. However, on 11 June 2021 Vania Schlogel was appointed as a Non-executive Independent Director; further information is included in the Report of the Nomination Committee on pages 90-92.

Upon joining the Board, the Directors received induction programmes which were specifically designed to complement their background, experience and knowledge, as well as on-going access to training.

Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its composition and succession planning on an on-going basis. The Company's Articles of Incorporation specify that each of the Directors shall retire and may offer themselves for re-election at each AGM of the Company.

No member of the Board has served for longer than nine years. As such no issue has arisen to be considered by the Board with respect to long tenure. The Company's policy on Chair tenure is that the Chair should normally serve no longer than nine years as a Director and Chair but, where it is in the best interests of the Company, its Shareholders and stakeholders, the Chair may serve for a limited time beyond that.

In accordance with the AIC Code, when and if any Director shall have been in office (or on re-election would at the end of that term have been in office) for more than nine years the Company will consider further whether there is a risk that such a Director might reasonably be deemed to have lost independence through such long service. The Board recognises that Directors serving nine years or more may appear to have their independence impaired. However, the Board may nonetheless consider Directors to remain independent and

will provide a clear explanation with future Annual Report and Consolidated Financial Statements as to their reasoning.

Board evaluation

As part of the ongoing evaluation of the Board's effectiveness, the Board carried out an internal evaluation of its performance and that of its Committees in 2021. The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement. Internal evaluation of the Board, individual Directors and the Chair is carried out under the mandate of the Nomination Committee. Plans are being made for the performance of external Board evaluations in the future. The internal evaluation was facilitated by the Company Secretary with input from the Chair of the Board, the Senior Independent Director and the Chair of the Committees. The review required each of the Directors to submit responses to a series of questionnaires to reflect their individual performance, the performance of the Board as a whole and the main areas under consideration by the Board and its Committees. All responses were compiled and discussed at the Board and relevant Committee meetings.

The evaluation concluded that the Board is performing well and is carrying out its responsibilities in the areas reviewed which incorporated: investment matters, Board composition and independence, relationships and communication, Shareholder value, knowledge and skills, Board processes and the performance of the Chair. The review found that the Board conducts its business in an environment where freedom of expression, diversity of opinions and challenge are both encouraged and accepted. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is now appropriate to the requirements of the Company following the appointment of Vania Schlogel on 11 June 2021. The review identified some areas for further development and actions have already been created for key areas and incorporated into planning for 2022. These include a strategy for improved engagements with specific stakeholders and the further development of the long-term strategy of the business and its associated risks.

Biographies

Board of Directors



Andrew Sutch

Chair, Non-executive Independent Director and Chair of the Management Engagement Committee

Tenure: 2 years 10 months

Skills and Experience

Mr Sutch is a corporate lawyer and a consultant to Stephenson Harwood LLP. He was a partner of that firm for over 30 years and its senior partner for 10 years. He has had extensive experience in advising investment funds, investment managers and boards of investment trusts. This has included advice on complex fund launches, restructurings and corporate actions. He is a consultant to an art dealer and a council member of the Royal Academy of Dramatic Art.

Listed Company Roles (other than Hipgnosis Songs Fund)

Chair of two other investment trusts: JPMorgan Claverhouse Investment Trust plc and European Opportunities Trust plc.



Paul Burger

Senior Non-executive Independent Director, Chair of the Portfolio Committee and Chair of the Nomination Committee

Tenure: 2 years 9 months

Skills and Experience

Mr Burger has spent more than 40 years in the music business working closely with artists from Leonard Cohen to Celine Dion amongst many others. As President of Sony Music EMEA, he sat on the board of most of Sony's operating companies in Europe including the UK. Through his SohoArtists company he has nurtured young talent who have risen to great prominence in both the World Music and Folk genres while winning and being nominated for awards including The Mercury Music Prize, The USA Songwriting Competition, The BBC Radio Folk Awards and many others. His marketing skills were recognised by him being awarded Holland's Edison Award for Best Historical Music Series.

Mr Burger began his career after graduating from The Wharton School with honours and he rose through the ranks within Sony Music in Tel Aviv, Paris, London, and Toronto. His Board experience includes stints in both the commercial and not-for-profit sectors. He has been a Director of The BRIT Trust, The Music Managers Forum, The BPI, as well as a number of start-ups and small companies. He serves currently as Chair of the Finance and Investment committee of The BRIT Trust, as well as Chair of the Music Managers Forum Governance and Nomination Committee. Mr Burger served as Chair of

Governors at The BRIT School for six years, a State-funded school for 1400 students aged 14-19, dedicated to the performing and creative arts, where he continues to serve as a Governor. He is also a Director of The New Israel Fund UK and a member of their global International Council – an NGO which promotes the values of human rights and social justice for all residents of Israel regardless of race, religion, or ethnicity.

Board of Directors



Sylvia Coleman

Non-executive Independent Director

Tenure: 1 year 4 months

Skills and Experience

Ms Coleman, initially a lawyer with Stephenson Harwood, has since spent most of her career in the Music Industry serving, across 25 years, as Senior Vice President of Legal and Business Affairs at EMI Music and prior to that, Sony Music where she was responsible for overseeing the company's International and European legal and business affairs respectively. Most recently, she co-founded BPureSounds, a boutique IP rights company developing music related properties. Additionally, Ms Coleman was a Non-executive Director of FTSE 250 bwin.party digital entertainment plc until its acquisition by GVC Holdings plc.

She also served as a long-standing Chair of Chickenshed Theatre Company, a not for profit music and theatre company for young people celebrating diversity and inclusion and was on the Board of Reprieve, a charitable human rights organisation. She also co-founded Ceroc Enterprises, a dance company creating and franchising a contemporary dance phenomenon across the UK.



Simon Holden

Non-executive Independent Director and Chair of the Remuneration Committee

Tenure: 2 years 10 months

Skills and Experience

Mr Holden (British, Guernsey Resident) is a Chartered Director (CDir) and Fellow of the Institute of Directors and adds extensive private equity investing and corporate operations experience to the Company's Board. Previously an investment director at Terra Firma Capital Partners and Candover Investments prior to that, Mr Holden has been an active independent director to listed investment trusts, private equity funds and trading company boards since 2015. In addition, Simon acts as the pro-bono Business Adviser to the States of Guernsey's Trading Assets that operate all of the Bailiwick's critical airports, harbours and maritime fuel supply infrastructure.

He graduated from the University of Cambridge with an MEng and MA (Cantab) in Manufacturing Engineering. He is a member of the Association of Investment Companies ('AIC'), Institute of Directors ('IoD'), Guernsey Investment Funds Association ('GIFA') and several other financial services and intellectual property interest groups.

Listed Company Roles (other than Hipgnosis Songs Fund)

HICL Plc. (HICL), Chrysalis Investments Ltd. (CHRY), Trian Investors 1 Ltd. (T1), JPMorgan Global Core Real Assets Ltd. (JARA)



Vania Schlogel

Non-executive Independent Director

Tenure: 0 months
(Appointed on 11 June 2021)

Skills and Experience

Ms Scholgel brings a wealth of experience of asset management in the media, creative arts and entertainment sectors and a deep understanding of streaming technology platforms and content licensing. Ms Scholgel founded the global private equity firm Atwater Capital in 2017, with a vision of uniting the valuable creative aspects of evaluating investments and growing companies with deep operational and financial expertise. The firm invests across the media and entertainment sector with a focus on companies that foster cultural diversity, working with management teams committed to embracing strong ESG practices.

Previously, she served as an executive at a number of leading companies, including as Chief Investment Officer of Roc Nation, the entertainment business founded by the artist Jay-Z. Before that, she was a member of KKR's Private Equity team, where she specialised in the Media sector and launched the Growth Equity division. She began her career at Goldman Sachs in London and LA.

She is the Chairwoman of the Board for Epidemic Sound and Chairwoman of the Board for LEONINE Studios.



Andrew Wilkinson

Non-executive Independent Director and Chair of the Audit and Risk Management Committee

Tenure: 2 years 10 months

Skills and Experience

Mr Wilkinson is a chartered accountant who qualified with Peat Marwick Mitchell and subsequently went on to work with the music clientele of merchant bankers Leopold Joseph. Mr Wilkinson was a founder of the Promo Group, which managed the business affairs of the Rolling Stones. In 1981, he became a partner of Prince Rupert Loewenstein, providing business management services to clients in the entertainment and sports sectors.

Mr Wilkinson is co-founder and CEO of Music Plus Sport Ltd. and its subsidiary Live at the Races Limited. The group specialises in large-scale concerts at sporting events. Further, Mr Wilkinson was founder and chief executive of Kingstreet Tours Limited, a company that was at the forefront of concert tour production for over 30 years and delivered worldwide concert tours for artists including The Rolling Stones, Pink Floyd, Sir Elton John, Robbie Williams and Shakira. Mr Wilkinson is a member of the fundraising committee and former treasurer of Nordoff Robbins, a charity that uses music therapy in the treatment and care of autistic children.

Founder



Merck Mercuriadis

Founder of Hipgnosis Songs Fund Limited and its Investment Adviser, The Family (Music) Limited

Mr Mercuriadis is also the CEO and managing partner of Hipgnosis Songs Ltd, an artist management firm label based in London and Los Angeles.

Experience

Mr Mercuriadis is the manager of music legend Nile Rodgers and the former manager of several notable award-winning artists and Songwriters including Sir Elton John, Guns'N'Roses, Iron Maiden, Morrissey, Pet Shop Boys, Mary J. Blige, Jane's Addiction, Diane Warren and Justin Tranter to name a few. Additionally, Mercuriadis is notable for serving from 1986-2007 as Director and CEO of The Sanctuary Group PLC, a major management company, an independent record label, a merchandise company (Bravado) and a booking agency (Helter Skelter now CAA UK) based in London, New York and Los Angeles.

Report of the Nomination Committee



"The committee understands the importance of its role in ensuring the Board contains the right mix of skills and experience to support the business strategy."

Dear Shareholder,

I am pleased to present the Nomination Committee report for the year ended 31 March 2021. The composition of the Nomination Committee meets with the requirements of the AIC Code and, in line with good practice, membership is reviewed annually.

The committee's work for 2022 will be focussed on composition of the Board and membership of its committees, succession planning, talent and diversity.

Purpose and Aim

The terms of reference of the Nomination Committee, which are reviewed annually, are set out on the Company's website (www.hipgnosissongs.com). The principal responsibility of the Nomination Committee is to ensure that, collectively and at any given time, the members of the Board possess the necessary balance of knowledge, skills and experience to support and develop the strategy of the Company. In seeking to achieve this, the Nomination Committee recommends new Board appointments as and when considered appropriate and ensures that appropriate succession planning procedures are in place. In accordance with our Terms of Reference, I, as the Chair of the Nomination Committee, report our conclusions to the Board and it is the Board as a whole which is responsible for making new appointments upon our recommendation. The committee keeps under review and evaluates the composition of the Board and its committees to maintain the appropriate balance of skills, knowledge, experience and independence to ensure their continued effectiveness. Appropriate succession plans are also kept under review.

Membership and Meetings

During the year the Nomination Committee met on four occasions, on 16 June 2020, 13 October 2020, 27 October 2020 and 15 December 2020. Attendance is disclosed on page 84. The committee also provides a formal update on their work to the Board at each scheduled quarterly board meeting. A quorum is two members. Members of the committee are not involved in matters affecting their own position. As at 31 March 2021, given the current size of the Board the composition of the committee is all Directors.

Mr Paul Burger (Chair of the committee)
Ms Sylvia Coleman
Mr Simon Holden
Mr Andrew Sutch
Mr Andrew Wilkinson

During the year, the Nomination Committee considered the Board's composition, diversity and structure and engaged with the executive search firm Tyzack Associates resulting in the appointment of an additional Director, Vania Schlogel on 11 June 2021.

Board Composition

The Nomination Committee gives full consideration to succession planning for Directors of the Company in the course of its work, considering the challenges and

opportunities facing the Company and determining what skills and expertise will thus be required on the Board in the future. In making recommendations for the annual re-election of the Chair and Non-executive Directors, the committee considers the skills, knowledge, experience, independence and also the time commitments of each Director to ensure that they have sufficient time to fulfil their responsibilities to the business.

Directors regularly meet with the senior management employed by the Investment Adviser both formally and informally to ensure that the Board remains regularly updated on all issues. New Directors receive an induction on joining the Board. The Board arranges for presentations from the Investment Adviser, the Company's brokers and other advisers on matters relevant to the Company's business. The Board assesses the training needs of Directors on an annual basis.

As part of corporate governance, the committee reviews its own performance annually and considers where improvements can be made. The committee's performance was reviewed in March 2021 as part of the Board and committee effectiveness as outlined on page 96.

Board Appointment Process

In general terms, when considering candidates for appointment as Directors of the Company, the Nomination Committee drafts a detailed job specification and candidate profile. In drafting this, consideration is given to the existing experience, knowledge and background of Board members as well as the strategic and business objectives of the Company.

Once a detailed specification has been agreed with the Board, the committee would then work with an appropriate external search and selection agency to identify candidates of the appropriate calibre and with whom an initial candidate shortlist could be agreed. The consultants are required to work to a specification that includes the strong desirability of producing a full list of candidates who meet the essential criteria, whilst reflecting the benefits of diversity. The Board will only engage such consultants who are signed up to the voluntary code of conduct on gender diversity on corporate boards.

Shortlisted candidates would then be invited to interview with members of the committee and, if recommended by the committee, would be invited

to meet the entire Board before any decision is taken relating to the appointment. Appointments are therefore made on personal merit and against objective criteria with the aim of bringing new skills and different perspectives to the Board whilst considering the existing balance of knowledge, experience and diversity. The Board also believes that diversity of experience and approach, including gender and racial diversity, amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making new appointments.

During the year, the committee dealt with the search for an additional Director. The Nomination Committee worked closely with Tyzack Associates to identify candidates with particular music-market related financial skills and knowledge of the streaming industry, while also seeking to increase Board diversity and considering the strategic objective of the Company to further expand in the USA. Tyzack Associates, who were appointed after a survey of potential outside advisors and after interviewing three search firms, worked earlier in the year with the Remuneration Committee on an independent Board remuneration review. They have no known relationships with the Directors. In advance of making their proposal, the Nomination Committee, presented the three most suitable candidates to the Chair of the Board for an interview. The Nomination Committee had confirmed to the Board that the proposed candidates were independent and had relevant experience. The Chair advised that following the interview process, each candidate had met with the Directors either in person or had spoken with them on the telephone. This process resulted in the appointment of Vania Schlogel to the Board on 11 June 2021. Vania brings a wealth of experience of asset management in the media, creative arts and entertainment sectors and a deep understanding of streaming technology platforms and content licensing.

Diversity

The Board acknowledges the importance of diversity in its broadest sense in the boardroom as a driver of board effectiveness. This encompasses diversity of perspective, experience, background, directorship style and personality traits. The Board will keep under review and evaluate its balance and composition to ensure that both it and

its committees have the appropriate mix of skills, experience, independence and knowledge to ensure their continued effectiveness. In doing so, the Board considers diversity, including diversity of age, gender and cultural background, amongst other relevant factors. The Board recognises the progress being made to improve the governance of listed companies by increasing both gender and racial diversity amongst the Directors who serve these businesses. The Board supports the Hampton-Alexander recommendations and Parker Review recommendations. Female representation on the Board is currently at 33% following Vania Schlogel's appointment.

Our objective of driving the benefits of a diverse Board is underpinned by our Board Diversity Policy which was implemented during the year and which can be viewed on the Company's website (www.hipgnosissongs.com). The Board keeps the Diversity Policy under review to ensure that it remains an effective driver of diversity having due regard to gender, ethnicity, social background, skillset and breadth of experience.

2022 Objectives

It is the Nomination Committee's intention to continue to oversee the composition and structure of the Board, ensuring that the Company is at all times structured to successfully deliver its strategy and to compete effectively in the marketplaces within which it operates.

The proposed activities for the committee for the year ahead are to:

- review the Terms of Reference of the committee to ensure they reflect best practice under the Code;
- continue to monitor and assess the Board's composition and diversity;
- review the membership and composition of committees of the Board; and
- review longer-term strategy for the succession of Board members.

On behalf of the Nomination Committee,

Paul Burger

Chair of the Nomination Committee

4 July 2021

Audit, Risk and Internal Control

Internal Control and Financial Reporting

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal controls and reviewing their effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss. The key procedures which have been established to provide internal control are:

- the Board has delegated the day to day operations of the Group to the Administrator, Investment Adviser and Preferred Portfolio Administrators; however, it remains accountable for all functions it delegates;
- the Board clearly defines the duties and responsibilities of the Company's agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisers and will continue to do so through the Management Engagement Committee;
- the Board monitors the actions of the Investment Adviser at regular Board meetings and is also given frequent updates on developments; and
- the Administrator provides administration and company secretarial services to the Company. The Administrator maintains a system of internal control on which it reports to the Board.

The Company's key service providers demonstrated a resilience of controls under COVID-19, as in order to comply with restrictions their employees continued to assume their day-to-day responsibilities remotely.

Internal controls over financial reporting, which also include oversight of the covenants, are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. The Administrator and Investment Adviser both operate risk controlled frameworks on a continual ongoing basis within a regulated

environment. The Administrator undertakes an ISAE 3402: Assurance Report on Controls at a Service Organisation audit annually which is provided to the Board when finalised. The Administrator formally reports to the Board quarterly through a compliance report. The Investment Adviser also formally reports to the Board quarterly, including relevant updates regarding their policies and procedures, and also engages with the Board on an ad-hoc basis as required. No weaknesses or failing within the Administrator or Investment Adviser have been identified.

Following the inadvertent temporary breach discussed on page 10, the Directors acknowledge that the Investment Adviser has enhanced the internal control process with regards to the specific matter.

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss. This process has been in place for the year under review and up to the date of approval of this Annual Report and Consolidated Financial Statements. It is reviewed by the Board and is in accordance with the FRC's internal control publication: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Adviser, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards Shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Report of the Audit and Risk Management Committee



“The committee performs a vital role with regards to financial reporting, monitoring and reviewing internal controls and assessing the principal risks facing the Company.”

Dear Shareholder,

I am pleased to present the Audit and Risk Management Committee report for the year ended 31 March 2021, which has been approved by both the Audit and Risk Management Committee and the Board.

The committee has continued to support the Board by ensuring the integrity of the Company’s financial reporting providing independent scrutiny and challenging the judgments made by the Investment Adviser. The main aspects considered by the committee included valuations of catalogues, change in presentation and functional currency and a review of the Company’s risk matrix.

These topics will remain key areas for the year ahead and the committee will continue to support the Board.

Purpose and Aim

The terms of reference of the Audit and Risk Management Committee, which are reviewed annually, are set out on the Company’s website (www.hipgnosisongs.com) and include all matters indicated by Disclosure and Transparency Rule 7.1, the AIC Code and the UK Code. The Company complies with the provisions of the Competition and Markets Authority’s (CMA) Order 2014.

The primary functions of the Audit and Risk Management Committee are:

- reviewing and monitoring the integrity of the Financial Statements of the Group and any formal announcements relating to the Group’s financial performance, reviewing significant financial reporting judgments contained in them;
- reporting to the Board on the appropriateness of the Group’s accounting policies and practices including critical judgment areas;
- reviewing the valuations of the Group’s investments as prepared and presented in report format by the independent valuer, and making a recommendation to the Board on value of the Group’s investments;
- meeting regularly with the external auditor to review their proposed audit plan and the subsequent audit report and assessing the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor and approving their remuneration and the terms of their engagement;
- monitoring and reviewing annually the auditor’s independence, objectivity, expertise, resources, qualification and non-audit work;
- considering annually whether there is a need for the Group to have its own internal audit function;
- monitoring the internal financial control and risk management systems on which the Group is reliant;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on audit committees; and
- reviewing the risks facing the Group and monitoring the risk matrix.

The Audit and Risk Management Committee formally reports its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and makes recommendations on the steps to be taken.

Membership and Meetings

Composition of the Audit and Risk Management Committee

As at 31 March 2021, given the current size of the Board, the composition of the committee is all Directors.

Mr Andrew Wilkinson (Chair of the committee)
Mr Paul Burger
Ms Sylvia Coleman
Mr Simon Holden
Mr Andrew Sutch

The Chair of the Board is currently a member of the Audit and Risk Management Committee and the Board as a whole considers Mr Sutch to be an independent Non-executive Director. Due to the further expansion of the Board the composition and membership of the Audit and Risk Management Committee is under review by the Nomination Committee and the membership will be adjusted, if considered advisable, following that review. The varied backgrounds of the committee's members and their collective skills, experience and knowledge of the Company allow them to fulfil the committee's remit. Mr Andrew Wilkinson, as Chair, is a chartered accountant and is deemed to have recent and relevant experience. The other members have significant business experience, both within the music industry and in the asset management industry. Detailed information on the experience, qualifications and skillsets of all committee members can be found on pages 87-89. The Audit and Risk Management Committee's performance is evaluated as part of the overall evaluation of the Board and the Board committees as further disclosed on page 86.

Meeting Schedule

The committee has an annual work plan, developed from its terms of reference, with standing items that the committee considers at each meeting, in addition to any specific matters arising and topical items on which the committee has chosen to focus.

During the year the Audit and Risk Management Committee met formally on three occasions, on 2 July 2020, 3 December 2020 and 29 January 2021, and attendance at those meetings is shown on page 84 of the Corporate Governance Report. The committee also provides a formal update on their work to the Board at each scheduled quarterly Board meeting.

During the year the committee:

- reviewed the terms of reference of the Audit and Risk Management Committee for approval by the Board;
- conducted a detailed review of the Interim Report and recommended it for approval by the Board;
- reviewed the Group's risk matrix and made observations for further consideration;
- reviewed and approved the audit plan and final Audit and Risk Management Committee report of the auditor;
- reviewed and approved the fee for the external audit as well as non audit services and associated fees;
- assessed the independence of the external auditor;
- assessed the effectiveness of the external audit process as described below;
- reviewed the Group's key risks and internal controls; and
- after the interim financial statements were released, reviewed the accounting policies and format of the Interim Financial Statements, which included approving a change in presentation and functional currency.

Financial Reporting

The primary role of the Audit and Risk Management Committee in relation to financial reporting is to review with the Administrator, the Investment Adviser and the external auditor the appropriateness of Interim Reports and Annual Reports, concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgments have been applied or there has been discussion with external consultants;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy; and
- any correspondence from regulators in relation to the Group's financial reporting.

To aid its review, the Audit and Risk Management Committee considers reports from the Investment Adviser and the external auditor.

Significant issues considered by the Audit and Risk Management Committee during the year:

Presentation and Functional Currency Change

As disclosed in Note 2n) on pages 134-135, the Company changed its presentation and functional currency from Sterling to Dollars with effect from 1 October 2020. The Board approved this change following consultation with the Investment Adviser, the Administrator and the external auditor. Following assessment, the Board agreed with the conclusion that as the majority of catalogues, revenues and transactions are denominated in Dollars, the primary economic environment in which the Company operates had fundamentally shifted. The share capital of the Company is denominated in Sterling and dividends will continue to be paid in Sterling. Under IFRS these are considered to be secondary indicators of functional currency and the Company was acquiring proportionally more Dollar than Sterling catalogues. The fundamental shift was triggered by the acquisition of Big Deal Music Group (which has since been rebranded Hipgnosis Songs Group) and the Kobalt Music Copyrights Sarl on 10 September 2020 and 30 September 2020 respectively. The acquisition of the former has led to a Dollar operating company being part of the Group. The restructuring of the debt facility from Sterling to Dollars pays further testament to this fundamental shift and is a result of the Company's strategic objective of deeper expansion in the US market. The Board also reviewed and approved the methodology applied to effect this change as disclosed on page 80.

Valuations of Catalogues

The Board engaged the Portfolio Independent Valuer, Massarsky Consulting, Inc., to value the Catalogues as at 30 September 2020 and as at 31 March 2021. Each income type from each Catalogue was analysed and forecast to derive the fair value of the Catalogues by adopting a DCF valuation methodology using a discount rate of 8.5%, unchanged since the interim results of 30 September 2020 (31 March 2020: 9.0%). Income was analysed and forecast at the level of each individual Catalogue (Kobalt was analysed at a Fund level) and by income type. Future revenues were also estimated, often at the level of individual Songs, and incorporated into their valuation. Massarsky Consulting, Inc., has also taken into consideration

macro factors including the growth of streaming revenue, the global growth of the recorded music industry and the short- and medium-term impact of COVID-19 in their analysis. The Board received a report from Massarsky Consulting, Inc., and held two meetings with them to discuss the fundamental changes emerging over the year influencing the value of catalogues, the discount rate methodology and further factors impacting the movements in valuations before approving the valuation. Further detail is disclosed within Note 6 on pages 141-142..

Internal Control and Risk Management

The Board has overall responsibility for risk management. The risk management process is designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

On behalf of the Board, the Audit and Risk Management Committee reviewed the effectiveness of the Group's risk management processes and the way in which significant business risks are managed. The work of the Audit and Risk Management Committee is driven primarily by the Company's assessment of its principal risks and uncertainties as set out in the Strategic Report on page 62. The Audit and Risk Management Committee has established a set of ongoing processes designed to meet the particular needs of the Company in managing the risks to which it is exposed. The process is one whereby the Investment Adviser identifies the principal risks to which the Company is exposed and records them on a risk matrix together with the controls employed to mitigate these risks. It has a process in place to identify emerging risks and determines whether any actions are required. A residual risk rating has been applied to each risk. The Audit and Risk Management Committee is responsible for reviewing the risk matrix and associated controls before recommending to the Board for consideration and approval, challenging the Investment Adviser's assumptions to ensure a robust internal risk management process.

During the year the Audit and Risk Management Committee reviewed the risk matrix and made some observations for further consideration, in respect of cyber security, expansion into USA exchange rate risk and the impact of the COVID-19 pandemic. More details on all of these key risk management activities are provided on pages 62-65.

During the year, the Audit and Risk Management Committee discussed and reviewed the internal controls frameworks in place at the Investment Adviser, the Administrator and Hipgnosis Songs Group. The Administrator holds the International Standard on Assurance Engagements (ISAE) 3402 Type 2 certification. This entails an independent rigorous examination and testing of their controls and processes. The Audit and Risk Management Committee concluded that these frameworks were appropriate for the identification, assessment, management and monitoring of financial, regulatory and other risks, with particular regard to the protection of the interests of the Company's Shareholders.

Internal Audit

The Audit and Risk Management Committee continues to review the need for an internal audit function and has decided that the systems, processes and procedures employed by the Company, Investment Adviser and Administrator, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control is maintained. The Audit and Risk Management Committee has therefore concluded that an internal audit function specific to the Company is considered unnecessary. The Chair of the Audit and Risk Management Committee is available on request to meet investors in relation to the Company's financial reporting and internal controls.

Primary Areas of Judgment and Estimation

The Board, alongside the Investment Adviser, is involved in various estimates and judgments, as noted below:

- Forecasting income for each Catalogue that is acquired in order to appraise investment opportunities. These judgments are based on detailed reports and management accounts prepared by the Investment Adviser showing historical earnings as well as industry projections, published by verified third parties. For the income that is driven by 'active management', judgments are made based on a Song by Song assessment by the Investment Adviser;
- Accruals, as estimates, are booked in the financial period based on historical analysis from royalty statements and a prudent calculation. These calculations are reviewed by the Board with the Investment Adviser and the Auditors;
- The estimated amortisation booked per annum is based on 20 years which is the Company's judgment of the useful life of the asset; and

- Indicators of impairment are considered on a timely basis and a judgment would be made as to whether a Catalogue should be written down.

Fair, Balanced and Understandable

At the request of the Board, the committee has considered whether in its opinion the 31 March 2021 Annual Report and Financial Statements are fair, balanced and understandable and whether they provide the information necessary for Shareholders to address the Group's position and performance, business and strategy.

The committee was provided with a full draft of the report and provided feedback highlighting the elements that would benefit from further clarity. The draft report was amended ahead of providing final approval to ensure that the report reflected the key strategic messages without diluting the overall transparency in the disclosures. Following its review, the committee was of the opinion that the 2021 Annual Report and Financial Statements are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for the Shareholders to assess the position, performance, business model and strategy.

External Audit

The Audit and Risk Management Committee is the formal forum through which the external auditor reports to the Board. The external auditor is invited to attend the Audit and Risk Management Committee meetings as the Board deems appropriate. The external auditor also has the opportunity to meet with the Audit and Risk Management Committee without representatives of the Investment Adviser or the Administrator being present at least once per year.

The external audit contract is required to be put to tender at least every 10 years. The Audit and Risk Management Committee shall give advance notice of any retendering plans within the Annual Report. The Audit and Risk Management Committee has considered the re-appointment of the Auditor and decided not to put the provision of the external audit out to tender at this time.

PricewaterhouseCoopers CI LLP were appointed on 14 January 2019 as the Company's external auditor with Mr Roland Mills as the lead audit partner who can serve as such until the year ended 31 March 2024 in accordance with normal audit partner rotation arrangements at which point a new audit partner will be introduced to the Company. The Companies Law requires the reappointment of the external auditor to be subject to Shareholders' approval at the AGM.

Effectiveness of the External Auditors

The committee evaluated the performance of PricewaterhouseCoopers CI LLP during the year and also reviewed the effectiveness of the external audit process.

The following factors were considered:

- the quality of the interactions between the audit team and the committee and other Board members involved in the preparation of the accounts;
- the external auditors' progress achieved against the agreed audit plan and communication of any changes to the plan, including changes in perceived audit risks;
- the competence with which the external auditors handled the key accounting and audit judgments and communication of the same with management and the committee;
- the external auditors' compliance with relevant regulatory, ethical and professional guidance on the rotation of partners;
- the external auditors' qualifications, expertise and resources and their own assessment of their internal quality procedures; and
- the stability and continuity that would be provided by continuing to use PricewaterhouseCoopers CI LLP.

Independence of External Auditor

The objectivity of the external auditor and the terms under which the external auditor may be appointed to perform non-audit services and the level of non-audit fees is reviewed by the Audit and Risk Management Committee. In order to safeguard external auditor independence and objectivity, the Audit and Risk Management Committee ensures that no other advisory and/or consulting services are provided by the external auditor. Any non-audit services conducted by the external auditor outside of these areas require the consent of the Audit and Risk Management Committee before being initiated.

The external auditor may not undertake any work for the Company in respect of preparation of the financial statements, preparation of valuations used in financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

To fulfil its responsibility regarding the independence of the external auditor, the Audit and Risk Management Committee considered:

- the audit personnel in the audit plan for the current period;
- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

Non-audit Services

The Audit and Risk Management Committee seeks to ensure that any non-audit services provided by the external Auditor do not conflict with their statutory and regulatory responsibilities, as well as their independence, before giving written approval prior to their engagement.

The Audit and Risk Management Committee regularly monitors non-audit services being provided by PricewaterhouseCoopers CI LLP to ensure there is no impairment to their independence or objectivity. The only non-audit services provided by PricewaterhouseCoopers CI LLP related to their role as reporting accountant for the Prospectus issued in January 2021 and respective comfort letters in September 2020 for a retail offer via PrimaryBid of up to 3,642,583 new Ordinary Shares and the non-pre-emptive placing of Ordinary Shares under the Company's existing placing programme pursuant to the previous prospectus, published by the Company in September 2019.

Nature of service	Fee (\$'000)	Threat(s) to independence	Safeguard(s) in place
C Share conversion	\$11	There may exist a self-interest threat where the fees from non-audit services are in excess of the statutory audit fee or otherwise considered material to PricewaterhouseCoopers CI LLP.	The total non-audit fees for the year are less than the total proposed audit fee for the year ended 31 March 2021, and the total fees paid to the Group for both audit and non-audit services is immaterial to total PricewaterhouseCoopers CI LLP firm revenue.
Reporting accountant services	\$346	There may exist a self-interest threat where the fees from non-audit services are in excess of the statutory audit fee or otherwise considered material to PricewaterhouseCoopers CI LLP. A self review threat may exist where the audit team places reliance on work performed by the reporting accountant team.	The total non-audit fees for the year are less than the total proposed audit fee for the year ended 31 March 2021, and the total fees paid to the Group for both audit and non-audit services is immaterial to total PricewaterhouseCoopers CI LLP firm revenue. The reporting accountant services rendered are delivered and supervised by a separate independent team, including a partner and manager fully independent of the audit team, to ensure appropriate segregation.
Interim review	\$54	There may exist a self-interest threat where the fees from non-audit services are in excess of the statutory audit fee or otherwise considered material to PricewaterhouseCoopers CI LLP.	The total non-audit fees for the year are less than the total proposed audit fee for the year ended 31 March 2021, and the total fees paid to the Group for both audit and non-audit services is immaterial to total PricewaterhouseCoopers CI LLP firm revenue.
\$411			

All approved non-audit services are discussed and sanctioned at meetings of the Audit and Risk Management Committee.

Audit fees were \$732,000 and non audit fees were \$411,000 for the year ending 31 March 2021. Details of Auditor's Remuneration are set out in Note 21, on page 157. The ratio of audit to non-audit work is 1.78:1

Notwithstanding such services, the Audit and Risk Management Committee considers PricewaterhouseCoopers CI LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit. The Audit and Risk Management Committee was satisfied that PricewaterhouseCoopers CI LLP had adequate safeguards in place and that provision of these non-audit services did not provide threats to the Auditor's independence.

Non audit services are all pre approved by the Chair of the Audit and Risk Management Committee, and were limited to reporting accountant work regarding the fund raising in December 2020 and the execution of the Company's first Interim Review Report. Both these non-audit services are permissible under the FRC's Revised Ethical Standard 2019. Additionally, the level of audit fees to non-audit fees was considered appropriate and in line with the acceptable threshold applicable to the Company as a Guernsey domiciled company.

Review of External Auditor

Details of fees paid to PricewaterhouseCoopers CI LLP during the year are disclosed in Note 21 on page 157. The Audit and Risk Management Committee approved these fees after a review of the level and nature of work to be performed, and is satisfied that they are appropriate for the scope of the work required.

The Audit and Risk Management Committee is satisfied with PricewaterhouseCoopers CI LLP's effectiveness and independence as external auditor having considered the degree of diligence and professional scepticism demonstrated by them. As such, the Audit and Risk Management Committee has not considered it necessary this year to conduct a tender process for the appointment of its external auditor. Having carried out the review described above and having satisfied itself that the external auditor remains independent and effective, the Audit and Risk Management Committee has recommended to the Board that PricewaterhouseCoopers CI LLP be reappointed as external auditor for the year ending 31 March 2022.

A resolution to reappoint PricewaterhouseCoopers CI LLP as independent external auditor to the Company will be proposed at the forthcoming AGM.

2022 Objectives

It is the Audit and Risk Management Committee's intention to continue to oversee the Company's governance framework, providing valuable independent challenge and oversight.

The proposed activities for the Committee for the year ahead, in line with the core functions, include but are not limited to:

- reviewing and monitoring the integrity of the Financial Statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgments contained in them;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices including critical judgment areas;
- reviewing the valuations of the Group's investments as prepared and presented in report format by the Portfolio Independent Valuer, and making a recommendation to the Board on value of the Group's investments;

- meeting regularly with the external auditor to review their proposed audit plan and the subsequent audit report and assessing the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor and approving their remuneration and the terms of their engagement;
- monitoring and reviewing annually the auditor's independence, objectivity, expertise, resources, qualification and non-audit work;
- considering annually whether there is a need for the Group to have its own internal audit function;
- monitoring the internal financial control and risk management systems on which the Group is reliant;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on audit committees; and
- reviewing the risks facing the Group and monitoring the risk matrix.

I will be available at the AGM to answer any questions about the work of the Audit and Risk Management Committee.

On behalf of the Audit and Risk Management Committee,

Andrew Wilkinson

Chair of the Audit and Risk Management Committee

4 July 2021

Report of the Management Engagement Committee



“The committee continues to monitor and review the performance of the Investment Adviser and the Company’s other third-party service providers ensuring that their terms are competitive, fair and reasonable for Shareholders.”

Dear Shareholder,

I am pleased to present to you the Management Engagement Report for the year ended 31 March 2021, which has been approved by both the Management Engagement Committee and the Board.

During the year, the Committee reviewed the performance of and contractual arrangements with the Investment Adviser and the Company’s other third-party service providers. Overall, the Committee agreed that the services currently provided by the Company’s key service providers continued to be delivered in line with their respective terms of engagement.

The Committee’s work for the year ahead will be focussed on the ongoing review of the performance of the Investment Adviser and the Company’s other third-party service providers.

Purpose and Aim

The terms of reference of the Management Engagement Committee, which are reviewed annually, are set out on the Company’s website (www.hipgnosissongs.com).

The Management Engagement Committee provides a formal mechanism for the review of the performance of the Investment Adviser and the Company’s other advisers and service providers. It carries out this review through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisers’ appointments with the aim of evaluating performance, identifying any weaknesses and ensuring that their terms are competitive, fair and reasonable for Shareholders.

Membership and Meetings

As at 31 March 2021, the Committee comprised:

Mr Andrew Sutch (Chair of the Committee)
Mr Paul Burger
Ms Sylvia Coleman
Mr Simon Holden
Mr Andrew Wilkinson

The Management Engagement Committee meets at least once a year pursuant to its terms of reference. During the year the Management Engagement Committee met on two occasions, on 16 June 2020 and 16 March 2021. Attendance is disclosed on page 84. A quorum is two members.

Investment Adviser

The Board is responsible for the determination of the Company’s Investment Objective and Policy and has overall responsibility for its activities. The Company has, however, entered into an Investment Advisory Agreement dated 27 June 2018 with the Investment Adviser under which the Investment Adviser will advise the Company in relation to the acquisition, holding, disposal and management of Songs, whether organised into Catalogues or otherwise.

The Company is responsible for paying an advisory fee to the Investment Adviser in return for their services, and, subject to the fulfilment of certain conditions, an additional performance fee.

The Board is responsible for monitoring and evaluating the Investment Adviser's performance annually. During the year the Board reviewed the terms of the Investment Advisory Agreement, the termination clause and the level of remuneration including the performance related element. In accordance with Listing Rule 15.6.2(2)R and having formally appraised the performance and resources of the Investment Adviser, in the opinion of the Directors the continuing appointment of the Investment Adviser on the terms agreed is in the interests of the Shareholders as a whole.

Third-Party Service Provider Review

The Company works closely with and has delegated the provision of services to a number of service providers (the Administrator, Company Secretary, brokers and other professional advisers) whose interests are aligned to the success of the Company. The quality and timeliness of their service provision is critical to the success of the Company. The Management Engagement Committee reviews all material contracts for service quality and value and on an annual basis conducts a detailed review of the performance of key third-party service providers pursuant to their terms of engagement, with the exception of the external auditor as their performance review is conducted by the Audit and Risk Management Committee and is discussed on page 94.

A service provider evaluation was undertaken in March 2021. The review was based on a questionnaire which also gave service providers an opportunity to provide feedback to the Company. Each service provider completed the questionnaire outlining how they had fulfilled their responsibilities and detailed their relationship with the Board, the Investment Adviser and other service providers. These were reviewed and discussed by the Management Engagement Committee who communicated their conclusions to the Investment Adviser and requested the Investment Adviser to advise the service providers areas of the service they believed worked well and areas they believed could be improved or enhanced. Overall, the Management Engagement Committee agreed that the services currently provided by the Company's key service providers continued to be delivered in line with their respective terms of engagement and concluded that the services were of a satisfactory level, providing assurance to the Board.

2022 Objectives

It is the Management Engagement Committee's intention to continue to oversee the terms and conditions of the advisers' appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Shareholders.

The proposed activities for the Committee for the year ahead are:

- review the terms of the Investment Advisory Agreement between the Company and the Investment Adviser, and to ensure that the terms are competitive, fair and reasonable for the Shareholders;
- review the performance of the Investment Adviser including the on-going suitability of the Investment Adviser to manage the assets of the Company, on at least an annual basis;
- review the performance of, and the terms of the Company's arrangements with, other third-party service providers (other than the external auditors), and to ensure that the terms are competitive, fair and reasonable for Shareholders.

On behalf of the Management Engagement Committee,

Andrew Sutch

Chair of the Management Engagement Committee

4 July 2021

Report of the Portfolio Committee



“The Committee continues to monitor, review and provide approval regarding the acquisitions or disposals of Catalogues of Songs.”

Dear Shareholder,

I am pleased to present to you the Report of the Portfolio Committee for the year ended 31 March 2021, which has been approved by both the Portfolio Committee and the Board.

During the year, the Committee reviewed and recommended the acquisition of 84 Catalogues of Songs. No disposals occurred during the year.

The Committee’s work for the year ahead will be focussed on the ongoing review of recommendations from the Investment Adviser on the acquisitions and if applicable disposals of Catalogues of Songs, reviewing the pipeline as provided by the Investment Adviser, and on a quarterly basis reviewing the investment performance reports as prepared by the Investment Adviser.

Purpose and Aim

The terms of reference of the Portfolio Committee, which are reviewed annually, are set out on the Company’s website (www.hipgnosissongs.com).

The Portfolio Committee provides a formal mechanism for the following functions:

- making the final decision as to the acquisition of Catalogues of Songs based on a comprehensive investment paper, financial model, and legal due diligence report as presented by the Investment Adviser along with an Independent Valuation Report;
- determining, in collaboration with the Company’s legal, tax or corporate finance advisers, the most appropriate means for acquiring the Catalogues of Songs in the event that such Catalogues of Songs are not directly transferable, but are available in an intermediated form (such as a special purpose company, or similar) including determining any adjustments to the price if necessary or appropriate;
- making enquiries, at any stage, of the Investment Adviser with regards to the pipeline opportunities identified by the Investment Adviser from time to time;
- making the final decision as to the disposal of any Catalogues of Songs; and
- determining, in collaboration with its legal, tax or corporate finance advisers, the most appropriate means for disposal of the Catalogues of Songs in the event that such Catalogues of Songs are not directly transferable but are held in an intermediated form (such as a special purpose company, or similar).

Membership and Meetings

As at 31 March 2021, given the current size of the Board the composition of the committee is all Directors. Due to the further expansion of the Board the composition and membership of the Portfolio Committee is under review by the Nomination Committee and the membership will be adjusted, if considered advisable, following that review.

Mr Paul Burger (Chair of the Committee)
Ms Sylvia Coleman
Mr Simon Holden
Mr Andrew Sutch
Mr Andrew Wilkinson

The Portfolio Committee meets on an ad hoc basis when requested on reasonable prior notice from the Investment Adviser. The quorum for any meeting of the Portfolio Committee shall be at least two Directors. All Board members shall use reasonable endeavours to attend each meeting of the Portfolio Committee.

Meeting Schedule

During the year ended 31 March 2021, the Portfolio Committee met formally on 33 occasions and attendance at those meetings is shown on page 84 of the Corporate Governance Report. The committee also provides a formal update on their work to the Board at each scheduled quarterly Board meeting.

During the year the committee:

- reviewed the terms of reference of the Portfolio Committee for approval by the Board;
- assessed all investment proposals against the investment policy and restrictions;
- made enquiries, throughout the year, of the Investment Adviser regarding the pipeline opportunities as identified by the Investment Adviser;
- provided approval on the acquisition of 84 Catalogues of Songs during the year based on comprehensive investment papers as provided by the Investment Adviser which included:
 1. a summary of the due diligence findings;
 2. the financial history of the Song or Catalogue;
 3. the Portfolio Independent Valuer's report;
 4. the Investment Adviser's strategy for managing the Songs in the Catalogue and potential exploitation opportunities;
 5. details of any structuring arrangements that the Investment Adviser considers necessary;
 6. details of any conflicts of interest of the Investment Adviser or its Advisory Board in relation to the acquisition;
 7. details on the financial consideration structure; and
 8. any other information that the Investment Adviser considers relevant to the Board in deciding to acquire the particular Song or Catalogue.

2022 Objectives

The proposed activities for the Committee for the year ahead are:

- review the Terms of Reference of the committee to ensure they reflect best practice under the Code;
- review the recommendations from the Investment Adviser on the acquisitions and if applicable disposals of Catalogues of Songs;
- review the quarterly investment performance reports as prepared by the Investment Adviser, including the pipeline report.

On behalf of the Portfolio Committee,

Paul Burger

Chair of the Portfolio Committee

4 July 2021

Directors' Remuneration Report



"The Committee oversees the remuneration of the independent Board of Directors. Board remuneration must align the intellectual capital and time commitments required of Directors in fulfilling their fiduciary responsibilities, overseeing key operational projects, and ensuring the Company achieves strategic milestones and robust performance for Shareholders and stakeholders alike."

Dear Shareholder,

I am pleased to present to you the Directors' Remuneration Report for the year ended 31 March 2021, which has been approved by both the Remuneration Committee and the Board.

The Committee reviews its Terms of Reference annually to re-confirm it reflects best practice under the AIC Code including periodic, independent review of Director Remuneration.

The Directors of the Company, a constituent member of the FTSE250 Index since March 2020, have enhanced fiduciary responsibilities as the Board of a self-managed fund and collectively, provide a diverse body of expertise relevant to the acquisition, management and value enhancement of intangible music copyright assets.

The Committee's work for the year ahead will continue to ensure there is a clear linkage between the Board's work and Shareholder outcomes so that Directors are remunerated fairly for the particular commitments of time, skill and effort required of them by your Company.

Simon Holden

Chair of the Remuneration Committee

4 July 2021

Purpose and Aim

The terms of reference of the Remuneration Committee, which are reviewed annually, are set out on the Company's website (www.hipgnosissongs.com). The Remuneration Committee is responsible for recommending and monitoring the level and structure of remuneration for all the Directors, taking into account the time commitments and responsibilities of Directors and any other factors which it deems necessary, including the recommendations of the AIC Code.

The Remuneration Committee is also responsible for the review of any workforce remuneration and related policies, and the alignment of incentives and rewards with culture and taking these into account when setting the policy for any executive director remuneration. At the moment this involves oversight of the arrangements for the employees of Hipgnosis Songs Group, managed by The Family (Music) Limited. As at the year ended 31 March 2021, although the Company has employees within HSG, none of the employees are classified as Senior Executives as they do not report directly to the Board of Hipgnosis Songs Fund Ltd. At the time of the acquisition of HSG the Board clarified certain elements of both the Investment Advisory Agreement and the Financial Position and Prospects Procedures Memorandum. This introduced delegated controls over HSG's executive remuneration (amongst financial budget and performance management) to the Investment Adviser consistent with their policies, procedures and knowledge of the rights administration industry.

Membership and Meetings

As at 31 March 2021, the Committee comprised:

Mr Simon Holden (Chair of the Committee)
Mr Paul Burger
Ms Sylvia Coleman
Mr Andrew Sutch
Mr Andrew Wilkinson

The Remuneration Committee meets at least once a year pursuant to its terms of reference. During the year the Remuneration Committee met on one occasion, on 16 June 2020. Attendance is disclosed on page 84. A quorum is two members. Members of the Committee are not involved in matters affecting their individual position.

Directors' Remuneration

The Directors continue to be paid in Sterling.

During the year ended 31 March 2021 the Directors' remuneration was as follows:

	Fixed Element £	Bonus Catch-up FY 2020 £	Additional Payment £	31 March 2021 Total £	31 March 2021 Total £	31 March 2020 £	31 March 2020 £
Andrew Sutch	85,000	25,000	15,000	125,000	163,458	64,375	81,801
Paul Burger	81,500	25,000	15,000	121,500	159,105	61,250	77,830
Andrew Wilkinson	81,500	25,000	15,000	121,500	158,865	61,250	77,830
Simon Holden	75,000	25,000	15,000	115,000	150,338	56,250	71,477
Sylvia Coleman	75,000	9,000	15,000	99,000	130,302	17,295	21,977

As disclosed in last year's report the Remuneration Committee commissioned Tyzack Associates in London to perform an independent remuneration review of appropriate levels and models for Directors' fees, from first principles based on the specific requirements of their roles and commitments for the Company rather than just benchmarked to other investment companies. An increase in Director fees was recommended by Tyzack Associates on 28 April 2020, backdated to 1 April 2020 following the Shareholder approval of the increase in the Directors' Remuneration cap, as contained in the Articles of Incorporation, at the AGM on 8 September 2020.

From 1 April 2020 the Chair was entitled to annual remuneration of £85,000 (1 April 2019: £45,000). The Chairs of the Audit and Risk Management Committee and the Portfolio Committee were entitled to annual remuneration of £81,500 (1 April 2019: £40,000). The other Directors were entitled to annual remuneration of £75,000 (1 April 2019: £35,000).

A supplement of £25,000 was paid to Andrew Sutch, Andrew Wilkinson, Paul Burger and Simon Holden on 29 April 2020 and a pro rata supplement of £9,000 was paid to Sylvia Coleman on 29 April 2020. This one-off payment was in past recognition of the Directors workload throughout the financial year ending 31 March 2020 when the Directors fee cap provided no flexibility whilst the Company's scale, competencies, reporting processes and capital structure each developed significantly.

In light of the work undertaken for the publication of a new Prospectus to support subsequent fundraising, leading to the placing of 61,983,471 Ordinary Shares under the Company's Placing Programme pursuant to the prospectus published by the Company on 21 January 2021, a supplementary payment of

£15,000 was granted to each of the Directors on 12 February 2021. The Directors agreed to reinvest this amount, net of income taxes, in the Company's shares.

The Directors' remuneration, excluding disbursements, for the year amounted to £582,000/\$762,068 with outstanding fees of £nil due to the Directors at 31 March 2021 (31 March 2020: £260,420/\$296,292 with outstanding fees of £nil due at 31 March 2020).

The level of remuneration of the Directors reflects a high and sustained workload for the Company. There are limited direct comparisons between the operational mandate this Board has over the Company's business model for acquiring, integrating and managing a portfolio of song copyrights with the less operational and more predictable workload of the majority of investment company boards.

Key responsibilities include:

- Scrutinising, through due diligence, the status of both contractual and registration rights that require resolving as part of each acquisition;
- Oversight of a finance function that tracks and collects royalty and licence obligations from a complex supply chain of global revenue sources;
- Defining the disclosure and measurement of how well performance is tracking to the Investment Adviser's initial business case for each acquisition by income type, catalogue and as a portfolio overall;
- Assessing the business case for value enhancement from internalising certain functions (such as copyright administration via HSG);
- Ensuring assets are securely under the Company's custody within reasonable timeframes post acquisition;
- And finally, the efficient capitalisation of the Company to enhance and safeguard returns on investment for Shareholders.

The schedule of the Directors' attendance evidences the breadth and depth of investment, strategy and other project work they have supported or led during the year. Whilst deal volumes will not be consistent every quarter, in between periods of investment activity the Directors are closely involved in planning work to evolve the Company's capital structure to scale its asset base and improve Shareholder returns. The Remuneration Committee will continue to review the levels of remuneration in the light of the level of the commitment and involvement of the Directors beyond quarterly Board meetings.

For the avoidance of doubt, Directors are reimbursed for out of pocket expenses incurred in fulfilling their roles, including costs of travel and accommodation (as required).

2022 Objectives

It is the Remuneration Committee's intention to continue to oversee the remuneration arrangements in a manner which is aligned with the delivery of key operational goals and continued positive strategic outcome for our Shareholders and stakeholders.

The proposed activities for the Committee for the year ahead are:

- review the Terms of Reference of the Committee to ensure they reflect best practice under the Code;
- continue to monitor and assess Director remuneration and review any applicable workforce remuneration and related policies including the alignment of incentives and rewards with culture;
- engagement with Shareholders on any future review of the remuneration policy.

On behalf of the Remuneration Committee,

Simon Holden

Chair of the Remuneration Committee

4 July 2021

Report of the Directors

The Directors hereby present the Annual Report and Audited Consolidated Financial Statements for the Group, Hipgnosis Songs Fund Limited and its subsidiaries, for the year ended 31 March 2021. This Report of the Directors should be read together with the Strategic Report on pages 3-72, and the Corporate Governance Report on pages 74-104, which are both incorporated into this Report of the Directors by reference.

General Information

The Company is a company limited by shares incorporated on 8 June 2018 under the Companies Law. The Company's registration number is 65158, and it has been registered with the GFSC as a registered collective investment scheme. 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 promoted to the FTSE 250 Index on 20 March 2020. The Company's conversion to an investment trust company took effect from 1 April 2021. Subsequently the Company has been treated as being resident in the UK for tax purposes and ceased to be a Guernsey tax exempt vehicle under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, as amended.

The registered office address is Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

Principal Activities

The investment objective of the Group is to provide Shareholders with an attractive and growing level of income, together with the potential for capital growth, from investment in a portfolio of Songs and their associated musical intellectual property rights. The Group's principal activities are to invest in a diverse Portfolio of Song Catalogues, to collect income generated across a wide variety of sources from the ongoing exploitation of those copyrights, and to manage the development of those assets as intensively as possible to broaden awareness and stimulate consumption.

Provision of information elsewhere in this annual report.

Business Review

A review of the Group's business and its likely future development is provided in the Strategic Report on pages 3-72.

Financial Risk Management Policies and Objectives

Financial risk management policies and objectives are disclosed in Note 17 on page 150.

Section 172(1) Statement

The Section 172(1) statement is made on page 72.

Going Concern and Viability Statements

Going Concern and Viability Statements are made on pages 68-69.

Principal and Emerging Risks

Principal and emerging risks are discussed in the Strategic Report on pages 62-65.

Subsequent Events

Significant subsequent events have been disclosed in Note 22 on page 157.

Alternative Performance Measures and/or Key Performance Indicators

The Directors believe that the performance indicators detailed in the Financial Highlights, on page 7, and Financial Review on page 28, will provide Shareholders with sufficient information to assess how effectively the Company is meeting its objectives. The alternative performance measures are described in the table on page 160.

Listing Requirements

Since being admitted to the Official List of the UK Listing Authority, as maintained by the FCA, the Company has been required to comply with the applicable Listing Rules.

Results and Dividends

The results for the year are set out in the Consolidated Financial Statements on page 122. Dividends are set out on Note 16 on page 150.

During the year, and since the year end, the Directors declared the following dividends to Ordinary Shareholders:

Dividend	Quarter Ended	Date of Declaration	Payment Date	Amount per Ordinary Share (pence)
Interim dividend	31 March 2020	29 April 2020	27 May 2020	1.25
Interim dividend	30 June 2020	3 July 2020	31 July 2020	1.25
Interim dividend	30 September 2020	28 October 2020	30 November 2020	1.3125
Interim dividend	31 December 2020	21 January 2021	18 February 2021	1.3125
Interim dividend	31 March 2021	27 April 2021	28 May 2021	1.3125

Share Capital

The Company has two classes of share capital:

(i) Ordinary Shares; and (ii) C Shares.

C Shares constitute a temporary and separate class of shares which can be issued at a fixed price determined by the Company. These are subsequently converted into Ordinary Shares, at NAV, once the proceeds of each C Share issue have been invested or substantially invested in accordance with the Company's investment policies. The Company's Prospectus currently accommodates C-share issuance and this authority expires on 25 September 2021. There were no C-shares in issue at 31 March 2021.

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 or C 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.

Shareholdings of the Directors

The Directors with beneficial interests in the Ordinary Shares of the Company as at 31 March 2021 are detailed below:

Director	Ordinary Shares held 31 March 2021	% holding at 31 March 2021	Ordinary Shares held 31 March 2020	% holding at 31 March 2020
Paul Burger	66,000	0.006	32,296	0.005
Sylvia Coleman	38,701	0.004	25,000	0.004
Simon Holden	100,796	0.009	64,796	0.010
Andrew Sutch	50,624	0.005	30,041	0.005
Andrew Wilkinson	79,522	0.007	51,462	0.008

In addition, the Company also provides the same information as at 29 June 2021, being the most current information available:

Director	Ordinary Shares held 2 July 2021	% holding at 2 July 2021
Paul Burger	66,000	0.006
Sylvia Coleman	38,701	0.004
Simon Holden	100,796	0.009
Andrew Sutch	59,435	0.006
Andrew Wilkinson	79,522	0.007
Vania Schlogel	10,000	0.001

Directors' Authority to Buy Back Shares

The Directors will consider repurchasing Ordinary Shares in the market if they believe it to be in the Shareholders' interests as a whole and as a means of correcting any imbalance between supply and demand for the Ordinary Shares.

The timing, price and volume of any buy back of Ordinary Shares will be at the absolute discretion of the Directors and is subject to the Company having sufficient working capital for its requirements and surplus cash resources available. Ordinary Shares acquired pursuant to this authority are subject to compliance with the solvency test and any other relevant provisions of the Companies Law.

Annually, the Company passes a resolution granting the Directors general authority to purchase in the market up to 14.99% of the number of Ordinary Shares in issue. The Directors intend to seek renewal of this authority from the Shareholders at the AGM.

In the event that the Board decides to repurchase Ordinary Shares, purchases will only be made through the market for cash at prices not exceeding the last reported Operative NAV per Share and such purchases will only be made in accordance with: (a) the Listing Rules, which currently provide that the maximum price to be paid per Ordinary Share must not be more than the higher of: (i) 5% above the average of the mid-market values of the relevant

Ordinary Shares for the five business days before the purchase is made; or (ii) the higher of: (1) the price of the last independent trade; and (2) the highest current independent bid for an Ordinary Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by that resolution will be carried out; and (b) the Companies Law, which provides among other things that any such purchase is subject to the Company passing the solvency test contained in the Companies Law at the relevant time.

The Directors will not buy back any Shares from any class of C Shares in issue prior to Conversion. Therefore, the Company will not assist any class of C Shares in limiting discount volatility or provide an additional source of liquidity.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of Directors' and Officers' liability in relation to their activities on behalf of the Group.

Substantial Shareholdings

As at 31 March 2021, the Company had been notified, in accordance with Chapter 5 of the Disclosure, Guidance and Transparency Rules, of the following substantial voting rights as Shareholders of the Company.

Shareholder	Shareholding	% holding
Newton Investment Management	106,802,379	9.95%
Cazenove Capital Management	77,295,547	7.20%
Investec Wealth & Investment	76,389,075	7.12%
Aviva Investors	72,911,952	6.79%
Brewin Dolphin Stockbrokers	46,866,484	4.37%
Heartwood Group	37,173,692	3.46%
CCLA Investment Management	35,349,344	3.29%
Swedbank Robur	33,000,000	3.07%
JO Hambro Capital	32,769,474	3.05%

In addition, the Company also provides the same information as at 31 May 2021, being the most current information available.

Shareholder	Shareholding	% holding
Newton Investment Management	106,802,379	9.87%
Investec Wealth & Investment	81,071,352	7.49%
Cazenove Capital Management	76,566,025	7.07%
Aviva Investors	72,733,306	6.72%
Brewin Dolphin Stockbrokers	48,654,408	4.48%
Handelsbanken Wealth & AM	36,594,763	3.38%
CCLA Investment Management	35,578,173	3.29%
Swedbank Robur	33,000,000	3.05%

The Directors confirm that there are no securities in issue that carry special rights with regard to the control of the Company.

Independent External Auditor

PricewaterhouseCoopers CI LLP has been the Company's external auditor since the Company's incorporation. The Audit and Risk Management Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Company, which includes monitoring the use of the external auditor for non-audit services and the balance of audit and non-audit fees paid, as included in Note 21 on page 157. Following a review of the independence and effectiveness of the external auditor, a resolution will be proposed at the AGM to re-appoint PricewaterhouseCoopers CI LLP. Each Director believes that there is no relevant information of which the external auditor is unaware. Each had taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that PricewaterhouseCoopers CI LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies Law. Further information on the work of the external auditor is set out in the Report of the Audit and Risk Management Committee on page 94.

Articles of Incorporation

The Company's Articles of Incorporation may only be amended by special resolution of the Shareholders.

AEOI Rules

Under AEOI Rules the Company continues to comply with both FATCA and CRS requirements to the extent relevant to the Company.

Annual General Meeting

The AGM is at 10am BST on 15 September 2021.

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

By order of the Board,

Andrew Sutch

Chair

4 July 2021

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and Consolidated Financial Statements in accordance with applicable law and regulations.

The Companies Law requires the Directors to prepare the Annual Report and Consolidated Financial Statements for each financial year. Under the Companies Law, the Directors must not approve the Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these Consolidated Financial Statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- prepare the Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Annual Report and Consolidated Financial Statements. The Directors have considered the immediate and potential impacts of COVID-19 on the Company as reflected in the Viability Statement on page 68.

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

The Directors are responsible for ensuring that the Annual Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's performance, business model and strategy.

The Directors are also responsible under the AIC Code to promote the success of the Group for the benefit of its members as a whole and in doing so have regard for the needs of wider society and other stakeholders.

As part of the preparation of the Annual Report and Consolidated Financial Statements the Directors have received reports and information from the Company's Administrator and Investment Adviser. The Directors have considered, reviewed and commented upon the Annual Report and Financial Statements throughout the drafting process in order to satisfy themselves in respect of the content.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website (www.hipgnosissongs.com).

Legislation in Guernsey governing the preparation and dissemination of the Consolidated Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report under the Disclosure, Guidance and Transparency Rules

Each of the Directors confirms to the best of their knowledge and belief that:

- the Consolidated Financial Statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries, together with a description of the principal risks and uncertainties faced; and
- the Annual Report and Consolidated Financial Statements include information required by the FCA ensuring that the Company complies with the provisions of the Listing Rules, Disclosure Guidelines and Transparency Rules of the FCA. With regard to corporate governance, the Company is required to disclose how it has applied the principles and complied with the provisions of the AIC Code applicable to the Company with which it has voluntarily agreed to comply. In addition, there is no information that is required to be disclosed under Listing Rules 9.8.4.

By order of the Board

Andrew Sutch

Chair

4 July 2021

Hipgnosis Songs Fund Limited

Independent Auditor's Report to the members of Hipgnosis Songs Fund Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Hipgnosis Songs Fund Limited (the "company") and its subsidiaries (together "the group") as at 31 March 2021, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of the group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach Overview

Audit scope

- The company is incorporated in Guernsey and has underlying subsidiaries incorporated in the United Kingdom ("UK") and the United States of America ("USA"). The consolidated financial statements are a consolidation of the company and all of the underlying subsidiaries.
- We conducted our audit of the consolidated financial statements based on information provided by Ocorian Administration (Guernsey) Limited (the "Administrator") and The Family (Music) Limited (the "Investment Adviser"), to whom the board of directors has delegated the provision of certain functions.
- We conducted our audit work in Guernsey and we tailored the scope of our audit taking into account the types of investments within the group, the involvement of the third parties referred to above, and the industry in which the group operates.
- The components of the group in Guernsey, UK and USA to which we applied full audit scoping and audit procedures accounted for 100% of the net assets and total comprehensive income.

Key audit matters

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

Materiality

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

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

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

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key audit matter

Risk of fraud in revenue recognition

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

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

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

In addition, because of the contractual reporting and revenue payment dates with the various portfolio administrators/royalty collection agents, the directors make an estimate of the revenue accrued to the group at the period end, but for which revenue reports from the portfolio administrators/royalty collection agents are unavailable at the time of reporting. The directors seek the input of the Investment Adviser in making these revenue estimates and accrual, which involves significant judgement (see Note 3). The period end accrual is based on the catalogues of songs' historic performance for previous periods, adjusted for the Investment Adviser's and directors' assessment of the expected performance of the various catalogues of songs and by taking into account the latest available music consumption information.

Revenue is also one of the key performance indicators for the group and changes to the contractual arrangements with the portfolio administrators/

How our audit addressed the key audit matter

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

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

Our procedures included:

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

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

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

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

We did not identify any material issues from our procedures.

Carrying value and fair value disclosure of intangible assets

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

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

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

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

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

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

The directors have, in consultation with the Investment Adviser, engaged the Portfolio Independent Valuer to assess the fair value of each catalogue. In general, the fair value of each catalogue is determined using a discounted cash flow model and incorporates assumptions that are subject to significant judgement by the Portfolio Independent Valuer, Investment Adviser and directors. These estimates and assumptions include future catalogue revenue and cash flow projections; aggregate catalogue maturity; music industry growth rates by revenue type (e.g. physical sales, downloads, streaming etc.); and the determination of an appropriate discount rate. The fair value of the catalogues of songs as disclosed in Note 6 reflects the fair value as calculated by the Portfolio Independent Valuer, recommended by the Investment Adviser and adopted by the board of directors.

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

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

- We obtained, discussed and challenged the directors and Investment Adviser on their impairment assessment undertaken with respect to each catalogue of songs.

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

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

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

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

Change in functional and presentation currency

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

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

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

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

We performed the following procedures:

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

We did not identify any material issues from our procedures.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The company is based in Guernsey and has subsidiaries in the UK and the USA. The consolidated financial statements are a consolidation of the company and all the subsidiaries.

Scoping was performed at the group level, irrespective of whether the underlying transactions took place within the company or within the subsidiaries. The group audit was led, directed and controlled by PricewaterhouseCoopers CI LLP and all audit work for material items within the consolidated financial statements was performed in Guernsey by PricewaterhouseCoopers CI LLP.

The transactions relating to the company and many of the subsidiaries are maintained by the Administrator (and its related group entities) or were made directly available to us by the management of the remaining subsidiaries, and therefore we were not required to engage with component auditors operating under our instruction. Our testing was therefore performed on a consolidated basis using thresholds which are determined with reference to the overall group materiality and the risks of material misstatement identified.

As noted in the overview, the components of the group for which we performed full scope audit procedures accounted for 100% of consolidated net assets and total comprehensive income.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative

considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Based on our professional judgement, we determined materiality for the consolidated financial statements as a whole as follows:

Overall group materiality	\$15.6 million (2020: \$7.9 million*)
How we determined it	1% of Adjusted Net Asset Value
Rationale for benchmark applied	We believe that Adjusted Net Asset Value represents the most appropriate benchmark given the nature and activities of the group, and that this is a key consideration for investors when assessing the financial performance. The group's Adjusted Net Asset Value is calculated as \$1,556 million (2020: \$791 million**)

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to \$11.6 million for the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above \$778,000 (2020: \$395,000***) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

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

Reporting on other information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the consolidated financial statements and the audit

Responsibilities of the directors for the consolidated financial statements

As explained more fully in the Directors' Responsibilities' Statement, the directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements,

including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Company Law exception reporting

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

The company has reported compliance against the 2019 AIC Code of Corporate Governance (the "Code") which has been endorsed by the UK Financial Reporting Council as being consistent with the UK Corporate Governance Code for the purposes of meeting the company's obligations, as an investment company, under the Listing Rules of the FCA.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the consolidated financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any

material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statement is consistent with the consolidated financial statements and our knowledge and understanding of the group and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the Audit and Risk Management Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Roland Mills

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

5 July 2021

Financial Statements

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Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	1 April 2020 to 31 March 2021 \$'000	1 April 2019 to 31 March 2020 \$'000
Income			
Total revenue	13	160,752	82,207
Interest income		88	1,254
Royalty costs		(22,450)	(132)
Net revenue		138,390	83,329
Expenses			
Advisory, performance and administration fees	19	(13,236)	(6,881)
Amortisation of Catalogues of Songs	6	(67,875)	(23,462)
Directors' remuneration	18	(666)	(331)
Brokers' fees		(81)	(132)
Auditor remuneration	21	(732)	(365)
Legal and professional fees		(7,840)	(2,491)
Finance charges for deferred consideration		(339)	–
Loan Interest	9	(9,931)	(1,065)
Subscriptions and Licences		(236)	–
Charitable Donations		(307)	–
HSG FV Gain	3	2,139	–
Other operating expenses	14	(10,561)	(1,940)
Foreign exchange gains/(losses)	15	15,814	(5,151)
Operating expenses		(93,851)	(41,818)
Operating profit for the year before taxation		44,539	41,511
Taxation	5	(5,604)	(9,498)
Profit for the year after tax		38,935	32,013
Total comprehensive income for the year		38,935	32,013
Basic Earnings per Share (cents)	20	4.72	8.13
Diluted Earnings per Share (cents)	20	4.72	8.13

All activities derive from continuing operations.

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

Consolidated Statement of Financial Position

As at 31 March 2021

	Notes	31 March 2021 \$'000	31 March 2020 \$'000
Assets			
Catalogues of Songs	6	1,878,924	857,506
Other assets		3,740	–
Goodwill	3	272	–
Trade and other receivables	8	107,628	52,354
Cash and cash equivalents	7	112,634	17,391
Total assets		2,103,198	927,251
Liabilities			
Loans and borrowings	9	565,860	69,182
Other payables and accrued expenses	10	74,493	47,384
Total liabilities		640,353	116,566
Net assets		1,462,845	810,685
Equity			
Share capital	11	1,466,851	801,844
Other reserves	19	234	–
Foreign currency translation reserve		(419)	(412)
Retained earnings		(3,821)	9,253
Total equity attributable to the owners of the Company		1,462,845	810,685
Number of Ordinary Shares in issue at year end		1,073,440,268	615,851,887
IFRS Net Asset Value per Ordinary Share (cents)	12	136.28	131.64
Operative Net Asset Value per Ordinary Share (cents)	12	168.29	151.14

Approved and authorised for issue by the Board of Directors on 4 July 2021 and signed on their behalf by:

Andrew Sutch Chair

Andrew Wilkinson Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Note	Number of Ordinary Shares	Share capital \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
As at 1 April 2020		615,851,887	801,844	(412)	9,253	-	810,685
Shares issued	11	457,588,381	677,056	-	-	-	677,056
Share issue costs	11	-	(12,049)	-	-	-	(12,049)
Performance fees to be paid in shares	19	-	-	-	-	234	234
Dividends paid	16	-	-	-	(52,009)	-	(52,009)
Profit for the year		-	-	-	38,935	-	38,935
Foreign currency translation reserve movement		-	-	(7)	-	-	(7)
As at 31 March 2021		1,073,440,268	1,466,851	(419)	(3,821)*	234	1,462,845

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

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

For the year ended 31 March 2020

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

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Notes	1 April 2020 to 31 March 2021 \$'000	1 April 2019 to 31 March 2020 \$'000
Cash flows generated in operating activities			
Operating profit for the year before taxation		44,539	41,511
Adjustments for non-cash items:			
Loan interest		9,931	1,065
Movement in trade and other receivables	8	(54,005)	(34,985)
Movement in other payables and accrued expenses	10	38,712	(4,251)
Movement in equity for share-based payments	19	234	295
Amortisation of Catalogues of Songs and borrowing costs		67,875	23,462
Foreign exchange (losses)/gains	15	(15,814)	5,151
Taxation		(5,604)	(9,498)
Net cash generated from operating activities		85,868	22,750
Cash flows used in investing activities			
Purchase of Catalogues of Songs	6	(1,089,293)	(726,466)
Purchase of other assets		(3,740)	-
Goodwill paid on acquisition		(272)	-
Net cash used in investing activities		(1,093,305)	(726,466)
Cash flows generated from financing activities			
Proceeds from issue of shares	11	677,056	548,805
Issue costs paid	11	(12,049)	(10,176)
Dividends paid	16	(52,009)	(23,123)
Interest paid	9	(8,942)	(777)
Borrowing costs	9	(9,199)	(5,421)
Bank loan	9	503,278	74,014
Net cash generated from financing activities		1,098,135	583,322
Net movement in cash and cash equivalents		90,698	(120,394)
Cash and cash equivalents at the start of the year		17,391	141,492
Effect of foreign exchange rate changes on cash and cash equivalents	15	4,545	(3,707)
Cash and cash equivalents at the end of the year	7	112,634	17,391

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

1. General information

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

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

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

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

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

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

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

2. Accounting policies

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

New and amended standards and interpretations applied

On incorporation, the Company adopted all of the IFRS standards and interpretations that were in effect at that date and are applicable to the Group. No new standards during the year ended 31 March 2021 had a material impact on the Consolidated Financial Statements.

Amended standards and interpretations not applied

The following are amended standards and interpretations in issue effective from years beginning on or after 1 June 2020:

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

The Group has considered the IFRS standards and interpretations that have been issued but are not yet effective. None of these standards or interpretations are likely to have a material effect on the Group, as it is the belief of the Board that the activities of the Group are unlikely to be affected by the changes to these standards, although any disclosures recommended by these standards, where applicable, will be provided as required.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2. Accounting policies (continued)

a) Group information

As at 31 March 2021, the details of the Company's subsidiaries are as follows:

Name of the subsidiary	Place of incorporation and operation	% of voting rights	% Interest	Consolidation method	Functional Currency
Hipgnosis Holdings UK Limited	UK	100	100	Full	USD
Hipgnosis SFH I Limited	UK	100	100	Full	USD
Hipgnosis SFH XIII Limited	UK	100	100	Full	USD
Hipgnosis SFH XIX Limited	UK	100	100	Full	USD
Hipgnosis SFH XX Limited	UK	100	100	Full	GBP
RubyRuby (London) Limited†	UK	100	100	Full	GBP
Big Deal Music Group, rebranded Hipgnosis Songs Group LLC*	US	100	100	Full	USD
BDM Acquisition Corp, LLC, rebranded Hipgnosis Acquisition Corp	US	100	100	Full	USD
Kennedy Publishing & Productions Limited†	UK	100	100	Full	GBP
F.S. Music Limited†	UK	100	100	Full	USD
Robot of the Century Music Publishing Inc	US	100	100	Full	USD
C H Publishing Limited†	UK	100	100	Full	GBP
Deamon Limited†	UK	100	100	Full	GBP
PB Songs Ltd†	UK	100	100	Full	GBP

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

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

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

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

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

b) Going concern

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

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

c) Basis of preparation

Basis of accounting

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

Consolidation

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

The Company is not considered to be an Investment Entity, as defined in IFRS 10. Whilst the Company evaluates the Portfolio on a fair value basis as demonstrated by the Operating NAV provided as an alternate performance measure, the Company also actively manages the Songs to add further value.

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

- a parent company has power over a subsidiary when the parent company has existing rights that give it the current ability to direct the relevant activities of the subsidiary, i.e. the activities that significantly affect the subsidiary's returns. Power may arise from existing or potential voting rights, or contractual arrangements. Voting rights must be substantial, i.e. they shall be exercisable at any time without limitation, particularly during decision making related to significant activities. The assessment of the exercise of power depends on the nature of the subsidiary's relevant activities, the internal decision-making process, and the allocation of rights among the subsidiary's other shareowners;
- the parent company is exposed, or has rights, to variable returns from its involvement with the subsidiary which may vary as a result of the subsidiary's performance. The concept of returns is broadly defined and includes, among other things, dividends and other economic benefit distributions, changes in the value of the investment in the subsidiary, economies of scale, and business synergies; and
- the parent company has the ability to use its power to affect the returns. Exercising power without having any impact on returns does not qualify as control.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2. Accounting policies (continued)

Segmental reporting

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

d) Revenue recognition

Bank interest income

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

Revenue from operations and associated costs

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

- i) Mechanical royalties – these are collected by PROs worldwide which represent songwriters and other copyright owners. Mechanical royalties are also collected by royalty collection agents or the portfolio administrators with whom the Group contracts;
- ii) Performance royalties – these are collected by various PROs worldwide which represent songwriters and other copyright owners; and
- iii) Synchronisation fees – these are typically paid directly to the owner of the relevant copyright or its publisher, on the terms and in the amounts agreed with the relevant film or television production company, advertising agency or end customer.

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

As royalty income is typically reported by the royalty collection agents/performance rights organisations on an arrears basis via statement (3-6 months for mechanical royalties and 6-12 months for performance royalties) and where statements have not been received at the year end, the Group accrues for those reporting delays by assessing historic and forecasted earnings over the equivalent reporting period based on evidenced historic revenue reporting, seasonality and industry consumption and growth rates since the last statement date.

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

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

Revenue arising from licences entered into with collection agents is therefore recognised in the period. Payment is made upon reporting of those usages within royalty statements delivered typically 3-6 months after usage. The significant payment terms are 60-90 days.

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

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

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

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

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

e) Royalty costs

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

f) Expenses

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

g) Dividends to Shareholders

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

h) Assets

Catalogues of Songs

Catalogues of Songs include music catalogues, artists' contracts and music publishing rights and are recognised as intangible assets measured initially at the fair value of the consideration paid. Catalogues of Songs are subsequently amortised in expenses over the useful life of the asset and shown net of any impairment considered. This amortisation is shown in the Statement of Comprehensive Income as 'amortisation of Catalogues of Songs'. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with industry standard.

Asset impairment

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2. Accounting policies (continued)

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

The fair value (less costs to sell) is considered to be equal to the fair value determined by the Portfolio Independent Valuer, which is also the discounted value of future cash flows by using cash flow projections consistent with the expected Portfolio cash flows and the most recent forecasts as at that time cross referenced, where appropriate, against market multiples for recent transactions for similar assets. The Portfolio Independent Valuer use their own proprietary analysis to project out income streams, which is based on independent market reports and third-party sources. The discount rate used by the Portfolio Independent Valuer is 8.50% and unchanged since the interim results of 30 September 2020 (31 March 2020: 9.0%)

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

If the recoverable amount is still lower than the carrying value of an asset or group of assets and the qualitative and quantitative aspects do not support a recoverable amount higher than the carrying amount, an impairment loss equal to the difference is recognised in profit and loss. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

Loans and receivables

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

Derecognition of assets

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

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

On derecognition of an asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

i) Contingent consideration

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

j) Deferred consideration

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

k) Financial liabilities and equity

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

Equity instruments

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

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

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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

Derecognition of financial liabilities

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

l) Share-based payments**Investment Adviser's performance fee**

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

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

m) Cash and cash equivalents

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

2. Accounting policies (continued)

n) Functional and foreign currency

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

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

Period since 1 October 2020

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

Period from 1 April 2020 to 30 September 2020

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

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

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

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

Periods ending before or on 31 March 2020

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

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

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

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

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

Determination of functional currency

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

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

Treatment of foreign currency

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

3. Business combinations

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

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

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

The excess of the:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

3. Business combinations (continued)

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

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

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

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

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

4. Significant accounting judgments, estimates and assumptions

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

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

Functional currency

Functional currency is defined as the currency of the primary economic environment in which the Company operates, and IAS 21 outlines primary and secondary factors a Company should consider when determining its functional currency. The functional currency of the Company on incorporation was determined to be Sterling, primarily because share capital was issued in Sterling, dividends were payable in Sterling, the RCF was in Sterling, there was a high concentration of Sterling expenses and Catalogue purchases and associated royalties and

revenue streams were a mixture of Sterling, Dollar and Euro. As the Company has grown and expanded there has been an increase in Dollar denominated acquisitions and therefore a larger proportion of royalties and other revenues have been received in Dollars.

During the year the Directors concluded that there had been a fundamental shift in the primary economic environment in which the Company operates and that the Company's functional currency had changed from Sterling to Dollars with effect from 1 October 2020. It was agreed that after considering the primary and secondary indicators of functional currency per IFRS that the criteria as outlined in IAS 21 indicated that the Company's functional currency had changed to Dollars due to a significant increase in the proportion of transactions denominated in Dollars. The Board concluded that Dollars had become the predominant currency, triggered by the Kobalt Music Copyrights S.à.r.l., and Big Deal Music Group acquisitions which occurred on 30 September 2020 and 10 September 2020 respectively and the restructuring of the debt facility from Sterling to Dollars on 23 July 2020. Shares will continue to be issued in Sterling and dividends will continue to be paid in Sterling, however the majority of Catalogue revenue and cash receipts are denominated in Dollars, and there is a higher concentration of Dollar expenses, and a strong indication that this trend will continue. Furthermore, the BDM Acquisition (which has since been rebranded Hipgnosis Songs Group) has led to a US operating company being part of the Group, which is consistent with the Company's strategic objective of expansion and growth in the US market. The Directors have also elected to change the Company's presentation currency from Sterling to Dollars; this represents a change in accounting policy in terms of IAS 8 and requires the restatement of comparative information. Accordingly, these Consolidated Financial Statements are prepared in Dollars and the comparative information for the 12 months period ended 31 March 2020 is presented in Dollars. The methodology used to apply the presentation currency change is outlined in Note 2(n).

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

In calculating accruals, the Investment Adviser makes judgments around seasonality, over or under performance, and commercial factors based on historical performance, and its knowledge of each Catalogue through its regular correspondence with the various administrators, record labels and international societies.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

4. Significant accounting judgments, estimates and assumptions (continued)

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

Royalty earnings for accruals and receivables recognised in the year ending 31 March 2021 are distributed by PROs, Publishers and Record Labels who collect royalties at the source of usage and distribute those earnings directly to Hipgnosis.

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

The Company's current risk assessment includes analysis of the exposure to commercial risk by PROs, Publishers and Record Labels, and the likely impact of their credit risk on Hipgnosis' revenue streams.

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

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

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

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

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

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

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

- \$29.5 million for calendar Q1 2021 earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q3 and Q4 2021;
- \$16.9 million for calendar Q4 2020 earnings which are not reported to the Company until calendar Q2 2021;
- \$9.9 million relating to calendar Q2 2020 to Q3 2020 earnings for Catalogues where royalty reporting is still in the process of being redirected/switched over to the Company. These accruals are based on royalty statements received with invoices due to be raised on completion of the Letter of Direction;

- \$4.4 million for 2020 earnings on deals acquired more than six months ago yet to be reported;
- \$7.5 million income accrual relating to time-lagged international reporting on PRO earnings. International PRO reporting has a significant time lag due to the additional collection time taken for PROs to collect and distribute income from territories. The lag in collection is due to the nature of collecting and processing royalties locally, then distributing them to the domestic PRO, which will in turn process and distribute these royalties to the Group. Six months of international PRO earnings are accrued, although can typically result in an earnings lag of up to 24 months; and
- \$5.2 million HSG gross revenue accrual, bringing the Group in line with IFRS, which includes the accrued PRO lag. Separately, a \$4.2 million royalty creditor representing contractual royalties due to writers has been recognised, resulting in net revenue (NPS) for HSG of \$1 million.

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

Assessment of useful life of intangible assets

In order to calculate the amortised cost of the intangible assets it is necessary to assess the useful economic life of the copyright interests in Songs. This requires forecasts of the expected future revenue from the copyright interests, which contains significant uncertainties as the ongoing popularity of a Song can fluctuate unexpectedly. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with industry standard.

Assessment of impairment and the calculation of Operative NAV

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

5. Taxes

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

Current income tax

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

Deferred taxation

Origination and reversal of timings differences	–	–
Total tax	5,604	9,498

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

Whilst the Company is incorporated in Guernsey, the majority of the Company's subsidiaries are incorporated and tax resident in the UK and the majority of the Group's income and expenditure is incurred in these UK entities. Therefore, it is considered most appropriate to prepare the tax reconciliation below at the standard UK tax rate for the year of 19% (2020: 19%).

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

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

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

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

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

6. Catalogues of Songs

	\$'000
Cost	
At 1 April 2020	882,906
Additions	1,089,293
At 31 March 2021	1,972,199
Amortisation and impairment	
At 1 April 2020	25,400
Amortisation	67,875
Impairment	–
At 31 March 2021	93,275
Net book value	
At 1 April 2020	857,506
At 31 March 2021	1,878,924
Fair value as at 31 March 2021 (used in Operative NAV)	2,213,719
Cost	
At 1 April 2019	156,441
Additions	726,465
At 31 March 2020	882,906
Amortisation and impairment	
At 1 April 2019	1,938
Amortisation	23,462
Impairment	–
At 31 March 2020	25,400
Net book value	
At 1 April 2019	154,502
At 31 March 2020	857,506
Fair value as at 31 March 2020 (used in Operative NAV)	933,593

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

6. Catalogues of Songs (continued)

The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years (other than in exceptional circumstances for specific Catalogues of Songs). At 31 March 2021 the Portfolio consisted of Catalogues of Songs held for no longer than 3 years. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with industry standard. At 31 March 2021 accumulated amortisation for Catalogue of Songs is \$93,274,850 (31 March 2020: \$25,400,148) and the accumulated impairment to date is \$nil (31 March 2020: \$nil).

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

The sensitivity to the discount rate used in the Operative NAV is as follows:

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

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

7. Cash and cash equivalents

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

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

8. Trade and other receivables

	31 March 2021 \$'000	31 March 2020 \$'000
Accrued income	73,398	35,717
Royalties receivable	8,687	15,287
HSG net recoupable advances	10,095	–
Prepayments and other debtors	15,448	1,350
	107,628	52,354

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

9. Loans and borrowings

On 2 September 2019 the Company entered into a Revolving Credit Facility (RCF) with JPMorgan Chase Bank (JPM) as Lead Arranger of £100 million. On 29 May 2020, the Company announced that it was seeking Shareholder support to increase the Company's current borrowing limit of 20% of its Operative NAV to a maximum of 30% of its Operative NAV, given that the Company's assets and their associated income streams are well suited to supporting leverage. This approval was given by Shareholders at an Extraordinary General Meeting on 11 June 2020. During the year, the Company entered into an agreement with a syndicated group of lenders, with JPM as Lead Arranger, to increase its RCF from £150 million to \$400 million. On 6 January 2021 it was announced that the facility was upsized to \$600 million subject to total borrowings not exceeding 30% of Net Asset Value. On 26 March 2021, the Company drew down \$90.0 million under its RCF resulting in gross indebtedness of \$577 million and net indebtedness of \$465 million. This gross indebtedness represented approximately 32.8% of the last published Adjusted Operative Net Asset Value at that time and therefore constituted an inadvertent breach of the Company's borrowing restriction under its investment policy of 30% of Net Asset Value. The amounts drawn down were held by the Company as cash and were unutilised, and on 5 April 2021 \$50 million of these drawings were repaid thereby curing the temporary breach. Since this date the Company has complied with all of its investment restrictions.

The loan bears interest at LIBOR Rate of 3.375% on the utilised facility and 0.375% on the unutilised facility. The RCF, which had its maturity date extended to 2 April 2025 on 15 April 2020, provides the Company with greater flexibility to fund investments and provide additional working capital. The RCF's key covenant imposes a loan to value test and a liquidity test reviewed quarterly and is secured by, inter alia, a charge over the shares in all the subsidiaries of the Company and over all of their assets including all Catalogues of Songs of the Company held through these subsidiaries, a charge over the bank accounts of the Company and a floating charge at the fair value deemed by J.P. Morgan. The Company has also provided a parent company guarantee. In accordance with the Investment Policy, any borrowings by the Company will not exceed 30% of the value of the net assets of the Company.

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

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

10. Other payables and accrued expenses

	31 March 2021 \$'000	31 March 2020 \$'000
Amounts owed to Songwriters	18,522	128
VAT payable	2,609	15
Accrued borrowing costs	–	3,538
Loan interest payable	1,277	288
Administration fees	227	209
Legal and professional fees	1,932	484
Advisory fees	–	675
Audit fees	523	298
Corporation tax	4,798	3,241
Other expenses	2,568	166
Deferred investment payables	42,037	38,342
	74,493	47,384

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

11. Share capital and capital management

The share capital of the Company may consist of an unlimited number of: (i) Ordinary Shares of no par value which upon issue the Directors may classify as Ordinary Shares; and (ii) C Shares denominated in such currencies as the Directors may determine.

Ordinary Shares of no par value

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

\$

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

No. of Units

Issued and fully paid:

Shares as at 1 April 2019	202,176,800
Shares issued on 17 April 2019	138,750,000
Shares issued on 29 August 2019	48,429,541
Shares issued on 30 December 2019 ²	207,946
Shares issued on 10 February 2020 ³	226,287,600

Shares as at 31 March 2020**615,851,887**

\$

Issued and fully paid:

Share capital at 1 April 2019	262,919,089
Shares issued on 17 April 2019	184,649,721
Share issue costs	(3,723,462)
Shares issued on 29 August 2019	62,378,117
Share issue costs	(1,198,561)
Shares issued on 30 December 2019 ²	296,078
Share issue costs	–
Shares issued on 10 February 2020 ³	301,776,642
Share issue costs	(5,253,750)

Shares as at 31 March 2020**801,843,874**

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

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

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

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

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

Reconciliation of IFRS NAV to Operative NAV

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

13. Revenue

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

There is an inherent time lag with royalties between the time a Song is performed, and the revenue being received by the Copyright owner. The time lag ranges from 3-6 months on domestic income and 12-18 months on international income. The revenue accruals booked in the year are disclosed in detail within the Accruals and Receivables.

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

14. Other operating expenses

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

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

15. FX Gains and losses in Profit or Loss

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

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

Currency risk is discussed further in Note 17.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

16. Dividends

A summary of the dividends is set out below:

1 April 2020 to 31 March 2021	Dividend per share Pence	Total Dividend \$'000
Interim dividend in respect of quarter ended 30 March 2020	1.25	9,485
Interim dividend in respect of quarter ended 30 June 2020	1.25	10,108
Interim dividend in respect of quarter ended 30 September 2020	1.3125	13,979
Interim dividend in respect of quarter ended 31 December 2020	1.3125	18,437
	5.125	52,009

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

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

17. Financial risk management

Financial risk management objectives

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

Fair values

Management assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables and royalty advances approximate their carrying amount largely due to the short-term maturities and high credit quality of these instruments.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the capital return to Shareholders. The capital structure of the Group consists of issued share capital and retained earnings, as stated in the Statement of Financial Position.

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

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

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

Market risk

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

a) Currency risk

Currency risk is the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The revenue earned from the Catalogue of Songs may be subject to foreign currency fluctuations. Royalties are earned globally and paid in a number of currencies, therefore the Group may be impacted by adverse currency movements. The Group will convert the majority of overseas currency receipts into Sterling by agreeing to currency exchange arrangements with collection agents, or otherwise itself undertaking foreign exchange conversions. The Group may engage in full or partial foreign currency hedging and interest rate hedging. The Group will not enter into such arrangements for investment purposes.

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

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

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

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

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

*At the reporting date 31 March 2020, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the net assets and movement in profit and loss would have been \$6,388,831 higher/lower.

**At the reporting date 31 March 2020, if the EUR had strengthened/weakened by 10% against Dollar with all other variables held constant, the net assets and movement in profit and loss would have been \$115,401 higher/lower.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

17. Financial risk management (continued)

b) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk on cash and cash equivalents and also on the interest bearing RCF. The RCF bears interest at 3.375% which when annualised for the \$577.3 million drawn down at the year end would have been covered 5.4 times by the closing cash balance at 31 March 2021. This interest rate is the London Interbank Offered Rate (LIBOR) rolling over at 7 November 2020, the Group is able to elect 1, 3 or 6 month rollovers, with no change expected.

Credit risk

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

As reported in Note 4, there is no impairment of the receivables balance, credit risk of third parties has been taken into account when calculating accruals, and expected credit loss has been deemed close to nil.

The Group is exposed to credit risk through its balances with banks and its indirect holdings of money market instruments through those money market funds which are classified as cash equivalents for the purposes of these Consolidated Financial Statements.

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

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

*Rated by Standard & Poor's

** Rated by Moody's

Liquidity risk

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

Liquidity risk is also the risk that the Group may not be able to meet their financial obligations as they fall due. The Group maintains a prudent approach to liquidity management by maintaining sufficient cash reserves to meet foreseeable working capital requirements. In order to mitigate liquidity risk, the Group aims to have sufficient cash balances to meet its obligations for a period of at least 12 months.

The Group prepares a 12 month rolling cash forecast, which is reviewed by the Board on a monthly basis. The cash flow forecast includes a sensitivity analysis with downside scenarios on income streams impacted specifically relating to COVID-19. Cash is delivered with royalty statements, and the majority are delivered quarterly or semi-annually. A small number of collections are delivered monthly. Cash is collected and processed throughout calendar quarters or half years by the administrators and paid out on either 60/90 day accounting.

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

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

	Carrying amount assets \$'000	Less than 1 month \$'000	1-3 months \$'000	3-12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Trade and other receivables								
Income receivable	8,687	7,270	348	1,069	-	-	-	8,687
Accrued income	73,398	-	13,289	57,811	2,298	-	-	73,398
HSG net recoupable advances	10,095	-	-	9,095	1,000	-	-	10,095
Prepayments and other debtors	15,448	-	-	15,448	-	-	-	15,448
Total	107,628	7,270	13,637	83,423	3,298	-	-	107,628
Other payables, accrued expenses, loans and borrowings								
Bank loan	(565,860)	-	-	-	-	(565,860)	-	(565,860)
Investment acquisition payable	(42,037)	(28,135)	(2,126)	(10,188)	(1,588)	-	-	(42,037)
Royalty creditor	(18,522)	-	-	(18,522)	-	-	-	(18,522)
Loan interest payable	(1,277)	(1,277)	-	-	-	-	-	(1,277)
Administration fees	(227)	(227)	-	-	-	-	-	(227)
Legal & professional fees	(1,932)	(988)	(944)	-	-	-	-	(1,932)
Audit fees	(523)	-	(523)	-	-	-	-	(523)
VAT	(2,609)	-	(2,609)	-	-	-	-	(2,609)
Corporation tax	(4,798)	-	(1,500)	(3,298)	-	-	-	(4,798)
Other expenses	(2,568)	(2,568)	-	-	-	-	-	(2,568)
Total	(640,353)	(33,195)	(7,702)	(32,008)	(1,588)	(565,860)	-	(640,353)
Net receivable/(payable)	(532,725)	(25,925)	(5,935)	51,415	1,710	(565,860)	-	(532,725)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

18. Related party transactions and Directors' remuneration

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

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

19. Material agreements

Investment Adviser

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

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

Advisory fee

The advisory fee is calculated at the rate of:

- (i) 1% per annum of the Average Market Capitalisation up to, and including, £250 million;
- (ii) 0.90% per annum of the Average Market Capitalisation in excess of £250 million and up to and including £500 million; and
- (iii) 0.80% per annum of the Average Market Capitalisation in excess of £500 million.

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

Performance Fee

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

The Excess Total Return for an accounting period is calculated by reference to: (i) the difference between the Performance Share Price at the end of that Accounting Period and the higher of: (a) the Performance Hurdle (being issue price compounded by 10% per annum from initial Admission subject to appropriate adjustments

in certain situations); and (b) high watermark (being the Performance Share Price at the end of the last Accounting Period where a Performance Fee was payable); multiplied by (ii) the weighted average of the number of Ordinary Shares in issue (excluding any shares held in treasury) at the end of each day during that accounting period.

For the purposes of calculating the Performance Fee:

“Performance Share Price” means, in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the 1 month period ending on the last business day of that accounting period (which shall be adjusted as appropriate: (i) to include any dividend declared but not paid where the Ordinary Shares are quoted ex such dividend at any time during that month; (ii) to exclude any dividend paid in respect of the shares during that month; and (iii) for the PSP Adjustments). During the period, the average of the middle market quotations was 108.27p; and

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

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

The Performance Shares are subject to 18 month lock-up arrangements.

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

Administration Agreement

Pursuant to the Administration Agreements: (i) Ocorian Administration (Guernsey) Limited has been appointed as Administrator of the Company; and (ii) Ocorian Administration (UK) Limited has been appointed as administrator to the subsidiaries. The Administrator or Ocorian Administration (UK) Limited (as applicable) are responsible for the day to day administration of the Company and the subsidiaries which accedes to the relevant Administration Agreement (including but not limited to the calculation and publication of the semi-annual NAV, the IFRS NAV and Operative NAV) and general secretarial functions required by the Companies Law (including but not limited to maintenance of the Company’s accounting and statutory records). For the purposes of the RCIS Rules, the Administrator is the designated manager of the Company.

Under the terms of the Administration Agreement between the Administrator and the Company, the Administrator is entitled to a fixed fee as at 31 March 2021 of £172,500 (\$236,977) (31 March 2020: £172,500, \$219,195) per annum for services such as administration, accounting, corporate secretarial, corporate governance, regulatory compliance and stock exchange continuing obligations. Additional ad hoc fees are payable in respect of certain additional services, these amounted to £275,300 (\$345,829) (31 March 2020: £246,160, \$312,795). Administration fees for the year to 31 March 2021 amounted to £447,800 (\$582,806) (31 March 2020: £418,660, \$531,990) of which £20,822 (\$28,593) (31 March 2020: £50,045, \$61,734) was outstanding at the year end.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

19. Material agreements (continued)

Under the terms of the Administration Agreement between Ocorian Administration (UK) Limited and the subsidiaries the Administrator is entitled to a fixed fee as at 31 March 2021 of £14,000 (\$19,233) per subsidiary and a variable incremental fee per annum per additional Catalogue held by a subsidiary for services such as administration, corporate secretarial and accounting. Administration fees for the subsidiaries for the year amounted to £455,877 (\$602,770) (31 March 2020: £398,336, \$506,165) of which £145,117 (\$196,743) (31 March 2020: £140,521, \$173,343) was outstanding at the year end.

Registrar Agreement

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

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

20. Earnings per share

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

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

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

There are no dilutive shares at 31 March 2021.

21. Auditor's Remuneration

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

	1 April 2020 to 31 March 2021 \$'000	1 April 2019 to 31 March 2020 \$'000
PricewaterhouseCoopers CI LLP annual audit fees	732	365
PricewaterhouseCoopers CI LLP annual audit fees	732	365
Pricewaterhouse Coopers CI LLP project accounting fees relating to the migration to premium segment		187
Pricewaterhouse Coopers CI LLP C Share conversion fees	11	13
Pricewaterhouse Coopers CI LLP reporting accounting services	346	
Pricewaterhouse Coopers CI LLP Interim review fees	54	
PricewaterhouseCoopers CI LLP non audit fees	411	200

22. Subsequent events

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

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

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

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

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

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

Additional Information

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Alternative Performance Measures

Performance measure	Definition	Reason for use
Annualised ongoing charges	Adjusted Operating Costs (\$39,681,824) less Non Recurring administrative expenses (\$16,582,485) over a 12-month period	Ongoing Charges are a good indicator of expenses likely to recur in the foreseeable future
Adjusted Operating Costs	Operational expenses (\$93,851,062) less the Amortisation of Catalogues of Songs (\$67,874,702) plus Foreign exchange gains/losses (\$15,814,243) plus HSG FV Gain (\$2,138,624) less Provision for HSG Advances (\$4,247,404)	Ongoing Charges are a good indicator of expenses likely to recur in the foreseeable future
Average Operative NAV	Average of the Operative NAV as at 31 March 2021 (\$1,806,463,000) the Operative NAV as at 30 September 2020 (\$1,627,552,468) and the Operative NAV as at 31 March 2020 (\$930,814,994)	The average was taken given that share issuance has grown rapidly over the year
EBITDA	The Operating Profit before Tax (\$44,538,411) plus Amortisation, Loan interest, Depreciation and FX gain/loss (\$62,128,010)	A strong indicator of company performance and profitability removing accounting adjustments
EPS excluding total Amortisation	Profit after Tax excluding total amortisation (\$109,409,495) divided by Weighted average number of Ordinary Shares in issue (825,090,869)	The Operating profit adjusted for Amortisation aligns with the Operative NAV which reflects that the values of Catalogues of Songs are based on fair values produced by the Portfolio Independent Valuer
Leveraged Free Cash Flow	Net Cash from Operating Activities (\$85,868,120) less the Purchase of other assets (\$3,739,548)	A good indicator of the cash position of the Company and the availability of cash flows to fund interest and dividend payments
NAV Return	Latest published Operative NAV per share (\$1.6829 as at 31 March 2021) increase as a percentage of the initial published Operative NAV per share (\$1.5114 as at 31 March 2020) equals 11.34%	To show how the assets have performed over time to Shareholders
Net Debt	Loan facility amount (\$577,292,000) utilised less cash held at bank (\$112,634,179)	Liquidity metric used to determine how well a company can pay all of its debts if they were due immediately

Performance measure	Definition	Reason for use
Non Recurring administrative expenses	Exceptional Costs included within Legal and professional fees (\$5,270,215) plus Aborted deal expenses (\$848,057) plus Interest Costs (\$9,930,591) plus Performance fee (\$533,622)	Good indicator of expenses not likely to recur in the foreseeable future
Ongoing Charges %	Annualised Ongoing Charges (\$23,099,339) divided by Average Operative NAV (\$1,456,466,998)	To monitor the expenses, which are likely to recur, relative to the fund size over time
The Operative NAV Profit before Tax	Operating profit for the year before taxation (\$44,538,411) plus total amortisation (\$70,474,716)	The Operating profit adjusted for Amortisation aligns with the Operative NAV which reflects that the values of Catalogues of Songs are based on fair values produced by the Portfolio Independent Valuer
Total NAV Return	Operative NAV as at 31 March 2021 (\$1.6829) plus cumulative dividends paid up to 31 March 2021 (\$0.1433), divided by the Operative NAV as at 11 July 2018 (\$1.2983)	To show how the assets have performed since IPO to Shareholders

Glossary of Capitalised Defined Terms

“Administrator” means Ocorian Administration (Guernsey) Limited;

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

“AEOI” means Automatic Exchange of Information;

“AIC” means the Association of Investment Companies;

“AIC Code” means the AIC Corporate Governance Code 2019;

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

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

“Apple Music” means the music and video streaming service developed by Apple Inc.;

“Articles of Incorporation” or **“Articles”** means the articles of incorporation of the Company;

“ASCAP” means the American Society of Composers, Authors and Publishers;

“Audit Committee” or **“Audit and Risk Management Committee”** means a formal committee of the Board with defined terms of reference;

“Average Market Capitalisation” means, in relation to each month where the advisory fee is payable, (“A” multiplied by “B”) plus (“C” multiplied by “D”), where:

“A” is the average of the middle market quotations of the Ordinary Shares for the five day period ending on the last business day of that month (adjusted as appropriate to exclude any dividend where the Ordinary Shares are quoted ex such dividend at any time during that five day period); “B” is weighted average of the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the end of each day during that month; “C” is the average of the middle market quotations of a class of C Shares in issue for the five day period ending on the last business day of that month (adjusted as appropriate to exclude any dividend where the C Shares of that class are quoted ex such dividend at any time during that five day period); and “D” is weighted average of the number of that class of C Shares in issue (excluding any Shares held in treasury) at the end of each day during that month;

“Board” or **“Directors”** means the Directors of the Company;

“BMI” means Broadcast Music, Inc;

“BPI” means the British Phonographic Institute;

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

“Catalogue” means one or more Songs acquired from a single Songwriter, artist or company;

“CBS” means a US commercial broadcast television and radio network;

“CD” means compact disc;

“Closing Market Capitalisation” means, in relation to each Accounting Period, “E” multiplied by “F”, where:

“E” is the Performance Share Price; and “F” is the weighted average of the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the end of each day during the Accounting Period;

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

“Company” means Hipgnosis Songs Fund Limited. 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;

“Conversion” means the conversion of C Shares to Ordinary Shares;

“Copyright Royalty Board” means the US Copyright Royalty Board;

“Corporate Brokers” means Singer Capital Markets Advisory LLP, J.P. Morgan Securities plc and RBC Europe Limited;

“COVID-19” means the global coronavirus pandemic;

“DCF” means discounted cash flow;

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

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

“Downloads” means royalties for the permanent digital mechanical transfer of music;

“DSP” means digital service providers;

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

“EU” means European Union;

“FCA” means the UK Financial Conduct Authority (or its successor bodies);

“FRC” means the UK Financial Reporting Council;

“FSMA” means the UK Financial Services and Markets Act 2000;

“GFSC” means the Guernsey Financial Services Commission;

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

“Group” means Hipgnosis Songs Fund Limited and its subsidiaries;

“HSG” means Hipgnosis Songs Group, which was rebranded from Big Deal Music Group (BDM) on acquisition;

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

“IFPI” means International Federation of the Phonographic Industry;

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

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

“Interim Report” means the Company’s half yearly report and unaudited condensed consolidated financial statements for the period ended 30 September;

“Investment Adviser” means The Family (Music) Limited;

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

“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 recognized reference number for the identification of musical works;

“Kobalt” means Kobalt Music Copyrights S.à.r.l.;

“Kobalt Fund 1” Following the equity fundraise in July 2020 the Company, as at 30 September, acquired a portfolio of 42 Catalogues from Kobalt Music Copyrights S.à.r.l., an investment fund advised by Kobalt Capital Limited;

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

“LGBTQIAAP” means the abbreviation of ‘lesbian, gay, bisexual, transgender, transsexual, queer, questioning, intersex, asexual, allies, and pansexual’;

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

“Listing Rules” means the Listing Rules made by the UK Listing Authority under section 73A FSMA;

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

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

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

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

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

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

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

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

“NFT” means Non Fungible Token;

“Nomination Committee” means a formal committee of the Board with defined terms of reference;

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

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

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

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

“Performance Right Organisations” or “PROs” means a performing rights organisation, such as PRS or BMI, which represents and collects performance royalties for and on behalf of each of its members;

“Performance Share Price” means in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the 1 month period ending on the last business day of that accounting period;

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

“Portfolio Committee” means a committee which approves all purchases of Catalogues of Songs;

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

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

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

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

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

“Pro-Forma Annual Revenue” or “PFAR” – Pro-forma Annual Revenue (PFAR) means the royalty revenue earned in a calendar year by the portfolio of songs held by the Company at a specific date, based on royalty statements received, irrespective of whether the songs were owned by the Company over the period analysed.

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

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

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

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

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

“Remuneration Committee” means a formal committee of the Board with defined terms of reference;

“RIAA” means Recording Industry Association of America;

“Right To Income” The Company sometimes receives a right to income as part of the Catalogue acquisition, which is typically dependent on the timing of the negotiations and relates to royalty income paid over to the Company on closing of the acquisition. This right to income is related to the period before the start of the financial year;

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

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

“Song” means a Songwriter’s and/or publisher’s share of copyright interest in a song, being a musical composition of words and/or music and the Songwriter’s proportion of the publishing rights of a single musical track, and when construction permits, the collection of words and/or music as purchased by consumers;

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

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

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

“TV” means television;

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

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

“UKLA” means UK Listing Authority;

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

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

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

“YouTube” means the US video-sharing website;

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

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

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

Directors and General Information

Company Registration Number: 65158

Board of Directors

Andrew Sutch, Chair
Paul Burger, Senior Independent Director
Andrew Wilkinson
Simon Holden
Sylvia Coleman
Vania Schlogel (*Appointed 11 June 2021*)

Founder

Merck Mercuriadis

Advisory Board

Nile Rodgers
The-Dream
Giorgio Tuinfort
Starrak
David A. Stewart
Poo Bear
Bill Leibowitz
Ian Montone
Rodney Jerkins

Investment Adviser

The Family (Music) Limited
Merck Mercuriadis, CEO
Björn Lindvall, COO
Chris Helm, CFO

United House
9 Pembridge 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
25 Bank Street, Canary Wharf
London
E14 5JP

RBC Europe Limited
(Appointed 17 September 2020)
100 Bishopsgate
London EC2N 4AA

Independent Auditor

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glatigny Esplanade
St Peter Port
Guernsey
GY1 4ND

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: www.hipgnosissongs.com
LEI: 213800XJIPNDVKXMOC11
GIIN: 5XGPC8.99999.SL.831

Managing your account online

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

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

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

Corporate Summary

Structure

The Company is an investment company limited by shares, registered and incorporated in Guernsey under the Companies Law on 8 June 2018. 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, 1987, as amended. The Company is not authorised or regulated by the Financial Conduct Authority.

The Company makes and manages its investments directly or indirectly through a number of wholly owned subsidiary companies incorporated in England & Wales and the US, together referred to as the Group.

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

Investment Process

The Company's Investment Adviser, The Family (Music) Limited, was founded by Merck Mercuriadis. Merck is the manager and/or former manager of globally successful recording artists such as Elton John, Guns N' Roses, Morrissey, Iron Maiden, Nile Rodgers and Beyoncé, and hit Songwriters such as Diane Warren, Justin Tranter and The-Dream. Merck is the former CEO of The Sanctuary Group plc.

The Family (Music) Limited has been appointed by the Board to source Songs and provide recommendations to the Board on acquisition and disposal strategies. The Investment Adviser is also responsible for managing

and monitoring royalty and/or fee income due to the Company from its copyrights and collection agents, and developing strategies to maximise the earnings potential of the Songs in the portfolio through improved placement and coverage of Songs.

The Investment Adviser continues to assemble an Advisory Board of highly successful music industry experts which include award winning members of the artist, Songwriter, publishing, legal, financial, recorded music and music management communities, all with in-depth knowledge of music publishing and access to a significant network of relationships in the music industry.

The Board has formed a Portfolio Committee which considers the recommendations of the Investment Adviser before granting its approval to purchase the Catalogues of Songs, as well as an Asset Management Committee which considers the ongoing management and revenue maximisation of the Catalogues of Songs. These committees are chaired by Mr Burger and Mr Sutch, respectively.

AIC

The Company is a member of the Association of Investment Companies, complies with the AIC Code and is the sole constituent of the AIC's "Royalties" Specialist Investment Trusts sector classification. The Company's page on the AIC's website is at <https://www.theaic.co.uk/companydata/0P0001BL9D>

Website

The Company's website, which can be found at www.hipgnosissongs.com, includes information on the Company, such as its Prospectus, past reports and accounts, policies, media coverage and regulatory news announcements.

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 For further helpful information about investment scams and how to avoid them please visit 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

REMINDER

what happened to us?



#blacklivesmatter
#antiracist



• **21 Questions** • Honest • **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** • Green Light • **Memories** • Good Times • **Freaky Friday** • 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** • 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** • Nada • **Count On Me** • Swalla • **Just Give Me A Reason** • Don't Be So Hard On Yourself • **Kiss And Make Up** • Carry On • **Girls Girls Girls** • When You're Gone • **Tennis Court** • Turn Down For What • **Fresh Eyes** • Nervous • **Someone To You** • Dynamite • **Rusty Cage** • Sign Of The Times • **Supercut** • Come Lord Jesus (Even So Come) • **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 • **Young** • Scary Monsters And Nice Sprites • **Don't Come Around Here No More** • Thorn In My Side • **Lay Your Hands On Me** • Fake Love • **Dance For You** • It Won't Kill You • **Where Are U Now** • Bailamos • **Who Says** • Something Big • **Hunger** • Kiss And Make Up • **Where Are Ü Now** • Sixteen • **Crying In The Club** • Human • **Ain't Your Mama** • Bad Liar • **Love** • The Same Power • **Eastside** • E.I. • **El Perdon** • Wak It • **Open Up The Heavens** • Can't Find My Way Home • **Birthday Cake** • Stereo Hearts • **Superposition** • Loco • **Disco Inferno** • Setting Fires • **Glitter And Gold** • How Can It Be • **Sexual** • Want U Back • **Black Magic** • Swish Swish • **Here's My Heart** • Green Onions • **Life Of The Party** • **Last Friday Night (TGIF)** • Everytime • **No Money** • Nunca Te Olvidare • **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 • **Wild Horses** • Objection • **Mr. Rager** • 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 • **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** • 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** • Ciega Sordomuda • **Girl Like You** • Lie To Me • **Nothing Else Matters** • Ruby Ruby • **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 • **End Of Time** • The Things We Do For Love • **Billionaire** • **Don't** • Bad Idea • **Enter Sandman** • My Story • **Raise Your Hands** • Strawberries & Cigarettes • **Inevitable** • Think Before I Talk • **Night Changes** • Suerte • **Ascension (Don't Ever Wonder)** • Just A Dream • **Purpose** • Who Says You Can't Go Home • **Kiss The Sky** • Feel The Love • **Talking To The Moon (Album Version)** • Baby, You Make Me Crazy • **Sexy Bitch** • Run It • **Nina** • Sky Full Of Song • **Ride** • Ghostin • **Partition** • Yellow Flicker Beat • **Wings** • Everything • **Be The Man** • King Of The Clouds • **2 Phones** • Chain Breaker • **1 + 1** • Lovin', Touchin', Squeezin'



HIPGNOSISSONGS FUND

Hipgnosis Songs Fund Limited

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

www.hipgnosissongs.com