

• **Go Your Own Way** • Don't Stop Believin' • **Something Just Like This** • Shape Of You • **Closer** •
 Girls Like You • **Don't Let Me Down** • Castle on the Hill • **Sweet Dreams (Are Made Of This)** •
 • Whatever It Takes • **New Rules** • 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 • **Dark**
Necessities • A Thousand
 Years • **Set Fire To**
The Rain • Super Freak
 • **Skin** • Bangarang •
Chantaje • Holiday
 Road • **Snow (Hey Oh)** •
 Can't Stop • **U Can't**
Touch This • Close To Me
 • **Green Light** • Galway
 Girl • **Dani California**
 • Baby • **Feels** •
When I Was Your Man • Waka Waka (This Time for Africa) • **Eraser** • ME! • **Bailando** • Dive
 • **Cold Water** • 2002 • **Everywhere** • **Symphony** • Issues • **Moves Like Jagger** • Issues • **Nothing**
Breaks Like A Heart • Perro Fiel • **Open Arms** • Believe • **I'll Stand by You** • Let Me Love You •
Drag Me Down • SUBEME LA RADIO • **New Man** • Trumpets • **Back To Black** • Know No Better
 • **By The Way** • Rise • **You Make Loving Fun** • 2U • **DUELE EL CORAZON** • Beautiful Now • **What**
Do You Mean? • Candy Shop • **Mama** • Marry You • **For You (Fifty Shades Freed)** • Judas • **So Far**
Away • **Don't Wanna Know** • Now Or Never • **Lost In Japan** • Hey Look Ma, I Made It • **DJ Got**
Us Fallin' In Love • Stitches • **All We Know** • Barracuda • **Heart Of Glass** • Wait • **Torn** • Live In
 The Moment • **Here Comes The Rain Again** • Hips Don't Lie • **Lonely Together** • Let's Stay
 Together • **Treasure** • Wheel in the Sky • **Hearts Don't Break Around Here** • Despacito – Remix •



HIPGNOSIS SONGS FUND

Hipgnosis Songs Fund Limited

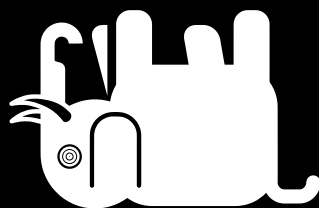
Interim Report

For the period ended 30 September 2021

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 • **HandClap**
 • Great Are You Lord •







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.

Review

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Introduction From Merck Mercuriadis

It's incredible to believe we are half way through our fourth year!

The last 9 months, including this Interim reporting period from 1 April to 30 September 2021, have been a very important and exciting time in our maturation as you will see throughout this report.

I am delighted to report year-on-year net revenue growth of 31%, EBITDA growth of 16% and most importantly NAV growth of 2.5% over the past six months driven by an increase in the fair value of our Catalogues. This takes our Total NAV Return delivered since IPO less than four years ago to an incredible 46.7%.

In July, we were delighted to complete another over-subscribed placing, raising over \$215 million (£156 million) and immediately deployed this capital into some of the



most influential Song Catalogues of all time including:

- The Red Hot Chili Peppers – Flea, John Frusciante, Anthony Kiedis and Chad Smith, one of the most important and best-selling bands of all time, with 100 million records sold worldwide.
- Christine McVie – best known as one of the principal writers and vocalists of Fleetwood Mac, one of the most successful bands of all time. With Lindsey Buckingham, we now own the Song Catalogues of two of the three principal Songwriters of the most successful version of Fleetwood Mac.
- Ann Wilson – one half of Heart, the female led US rock band who had multi-platinum success in the 70's and 80's.
- Rhett Akins – who was just inducted into the Nashville Songwriters Hall Of Fame.
- Stefan and Jordan Johnson – The Monsters & Strangerz, who have had enormous pop success with Zedd, Justin Bieber, Miley Cyrus, Dua Lipa, The Jonas Brothers and Katy Perry.

Our thesis has always been that songs of extraordinary success and cultural importance produce long term and reliable income streams and therefore are highly investible assets. With these acquisitions, Hipgnosis now owns 146 Catalogues, 65,413 Songs, with a fair value of \$2.55 billion. Most importantly the Hipgnosis Portfolio is built around songs that have achieved the highest level of success and influence as can be measured on any basis.

Some examples are as follows:

- 47 out of 190 songs in Spotify's Billions Club
- 51 of Rolling Stone's The 500 Greatest Songs of All Time
- 20 out of Billboard's Greatest of All Time Hot 100 Songs
- 10 of the Top 30 YouTube's Most Viewed Videos of All Time
- 4 of the Top 5 Billboard Songs of the Decade

Whilst we are in an incredibly strong position with our catalogue of iconic songs, this period has been

Introduction From Merck Mercuriadis

challenging. As we have previously stated, the time lag between the consumption of songs and the royalty statements being processed, which is the point at which we recognise revenues, means that the impact of COVID-19 is now being fully felt within these results. In particular, and along with the wider music industry, the closure of live music venues, pubs, bars and restaurants during various lockdowns impacted like-for-like performance earnings of our Catalogues during the period. This has been felt most in our younger Catalogues that rely on promotion and live music events to drive consumption. Our vintage Catalogues have made up for a fall in their performance earnings with outstanding streaming earnings as consumers turned to listening to classics during lockdown. Overall, our Catalogues' revenue fell by 7.9% in 2020 on a like-for-like basis as a result of the impact of the pandemic, in line with our internal expectations.

Despite this, we still delivered a fully covered dividend – a validation of the reliability of Songs as an asset class in what has been the most economically challenging time of our lives.

Going forward we see promising signs for the music industry and our portfolio of iconic Songs.

Over the last six months we have seen that live venues (bookings are at capacity through 2023!), pubs, bars, restaurants, shops and gyms are full and streaming growth continues to exceed all expectations. This is compounded by the constant and now paid use of music in social media, lifestyle and games as best evidenced by TikTok, Peloton and Roblox respectively. This optimism in future growth is shared by our independent valuer who has increased future earnings for our catalogues in their valuation models resulting in a 3% growth in the fair value of our Catalogue.

This valuation growth has led to a 2.5% increase in our Operative NAV to \$1.7242 per Share over the six-month period. When including the dividends we have paid to our Shareholders, we have delivered a Six-Month Total NAV Return of 4.63%, taking our Total NAV Return since IPO to 46.7%.

However, we are proactive and we do not take this recovery for granted, something highlighted by the continued uncertainty caused by the Omicron variant. Therefore, in order to ensure our Catalogues outperform, no matter the wider market conditions, we continue to increase our Song Management efforts. We have hired experts in all parts of Song Management as we explore every opportunity to innovate and maximise earnings from our songs. Our focused and conscientious model provides the bandwidth to be able to manage great songs responsibly, as we maximise their revenues while enhancing their long term legacies. Highlights of our Song Management in the period include:

- A 20% increase in the number of synch deals in July-September 2021 compared to April-June 2021 alone including:
 - Eurythmics' *Sweet Dreams (Are Made of This)*, co-written by David A. Stewart, is the main trailer for MGM's major worldwide Q4 release 'House of Gucci', directed by Ridley Scott and starring Lady Gaga & Adam Driver.
 - The initial trailer for the same movie was also soundtracked by a Hipgnosis song, *Heart Of Glass* by Blondie, written by Debbie Harry and Chris Stein.
 - Mariah Carey's *All I Want For Christmas Is You* co-written by Walter Afanasieff is the focus of McDonald's' Christmas 2021 campaign.
 - *There's Nothing Holding Me Back* by Shawn Mendes, co-written by Teddy Geiger and Scott Harris, is the main song for the trailer of Universal Studios' upcoming 'SING 2' feature film.
 - Our classic Bond theme *Nobody Does it Better* by Carly Simon, co-written by Carole Bayer Sager, is the soundtrack for DHL's global advertising campaign, which was launched in conjunction with the long-awaited James Bond blockbuster film '007: No Time To Die'.
- Hipgnosis now has the largest presence on TikTok as a Song Management company, with over 334,000 followers.
- The Peloton exercise classes featuring our great songs by Beyoncé, Bon Jovi, Britney Spears, The Chainsmokers,

Ed Sheeran, Justin Bieber, Lady Gaga, Red Hot Chili Peppers, Shakira and Chris Cornell are a massive success.

- We launched our first NFT *Hack The Borders*, a crypto art collaboration between Blondie and Hackatao.
- Continued adoption of innovative technologies to deliver maximum value across all parts of Song Management.
- The US Administration of a further 19 Catalogues have been transferred to Hipgnosis Songs Group (HSG), taking us to a total of 30.
- Continued progress with our advocacy for Songwriters, most notably with the House of Commons' Digital, Culture, Media & Sport (DCMS) Committee. Following their report into the Economics of Music Streaming, the Government referred the case to the Competition and Markets Authority (CMA), to undertake a full market study into the economic impact of the major music groups' dominance.

In the last two months we have seen some of the largest and most sophisticated investors globally committing capital to invest in Songs. This was the final step in establishing Songs as an asset class, as was our goal when we started three and a half years ago. Most importantly, with your support, Hipgnosis is the first mover and our Catalogue is therefore perfectly positioned to experience the growth in valuations that will come through as more institutional money joins the market.

Following the period end, your Investment Adviser, now called Hipgnosis Song Management Limited, formerly The Family (Music) Limited, entered into a partnership with Blackstone, one of the most highly thought of private equity companies in the world. Key to the partnership with Blackstone was their significant investment into the Investment Adviser in order to expand our capabilities across the board including Song Management and data science. I am very grateful to all of our Shareholders that have helped us create Hipgnosis and equally to the songwriters who have entrusted us with custody of their iconic songs. This new partnership allows us to bring new scale and world leading investment and data expertise into the Investment Adviser with a core goal of maximising the returns for our Shareholders and enhancing the legacies of our great songs.

In summary, despite the recent disruptive events of COVID-19, the outlook for the asset class remains as strong and resilient as ever.

Again, we are grateful to all of you for helping us to establish Songs as an asset class, to define Song Management as a new paradigm for how Songs should be managed with responsibility and to have created a structure where what's in the best interest of the Songwriter is also in the best interest of you, our Shareholders. For that we thank you!

It remains our mission that the Board and the Investment Adviser will continue to work tirelessly to ensure that the implementation of the Company's investment strategy continues to deliver strong returns for Shareholders.

Finally, I would like to wish you and all the Songwriters who have entrusted us with their great work a Merry Christmas and a Happy, Healthy and Prosperous 2022! It would not be Christmas without Mariah Carey's *All I Want For Christmas Is You* single and Michael Bublé's *Christmas* album at the top of the charts. I am delighted that at the time of writing the former is Number 1 on the Spotify Global Chart, Number 2 on the Billboard Global Chart, Number 3 on the Billboard Hot 100 and Number 3 on the Official UK Singles Chart, and the latter is Number 3 on the Apple Music Global Chart, Number 3 on the Billboard Top 200 in the US, Number 4 on the Spotify Global Chart and Number 5 on the Official UK Albums Chart with 10 days to go until the big day.

All I Want for Christmas Is You has just hit 1 billion streams on Spotify, been certified diamond for sales of 10 million copies and has been named the Number 1 of Greatest Of All Time Holiday 100 Songs! We also own the rights on 12 of the top 50 Top albums in the UK this week. That's almost 25% of the chart! Merry Christmas!

Merck Mercuriadis

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

15 December 2021

Financial and Operational Highlights¹

Six months ended 30 September 2021

As at 30 September 2021, the Company had raised a total of over £1.3 billion (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent placings in April 2019, August 2019, September 2020, February 2021 and July 2021, as well as C-Share raises in October 2019 (which converted in January 2020) and July 2020 (which converted in December 2020). Our revolving credit facility stands at \$600 million, and is fully drawn.

Catalogue acquisitions during the period

As at 30 September 2021, the Company had deployed approximately \$2.20 billion in total since IPO on 146 Catalogues and 65,413 Songs. The Catalogues acquired during the period are below:

Catalogue	Acquisition Date	Interest Ownership	Total Songs
Red Hot Chili Peppers	14 Jul 2021	100%	220
Kaiser Chiefs	15 Jul 2021	100%	136
Christine McVie	21 Jul 2021	100%	115
Jordan Johnson	22 Jul 2021	100%	58
Stefan Johnson*	22 Jul 2021	100%	58
Rhett Akins	23 Jul 2021	100%	564
Ann Wilson	29 Jul 2021	50%	152
Elliot Lurie	24 Aug 2021	100%	70
Total Songs during the period			1,315

* Not counted in total song count

1. A number of Alternative Performance Measures are used within the Report and details can be found on page 61. Prior Year comparatives have been restated from Sterling. Full methodology was stated in Note 2n) on page 134 of the 2021 Annual Report, available on our website.
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. Based on the Sterling to Dollar exchange rate at 30 September 2021 of 1.3695.
5. Since IPO on 11 July 2018. See page 62 for definition.
6. Calculated using the middle market share price (SONG) of 122p on 30 September 2021 (30 September 2020: 117.0p).
7. Adjusted EPS excludes Total Amortisation, FX losses and provision for HSG advances. See page (62) for definition.

IFRS NAV²

\$1,625,241,848

(31 March 2021: \$1,462,844,327)

IFRS NAV per Ordinary Share

\$1.3418

(31 March 2021: \$1.3628)

Operative NAV³

\$2,088,390,799

(31 March 2021: \$1,806,462,664)

Operative NAV per Ordinary Share (\$)

\$1.7242

(31 March 2021: \$1.6829)

Operative NAV per Ordinary Share (p)⁴

125.90p

(31 March 2021: 122.50p)

Total NAV Return since inception ⁵

46.66%

Six-Month Total NAV Return

4.63%

(Discount)/Premium to Operative NAV ⁶

(3.1%)

(30 September 2020: (6.6%))

Ongoing charges figure (%)

1.77%

(30 September 2020: 1.35%)

Total dividends declared in respect of the period

2.625p

(30 September 2020: 2.5p)

Net Revenue

\$74,041,338

(30 September 2020: \$56,687,808)

EBITDA

\$54,589,393

(30 September 2020: \$46,984,520)

Leveraged Free Cash Flow

\$42,539,230

(30 September 2020: \$16,607,112)

EPS

(1.69)¢

(30 September 2020: 2.04¢)

Adjusted EPS ⁷

3.85¢

(30 September 2020: 6.76¢)

Portfolio at a Glance

146
+8
Catalogues

65,413
+1,315
Songs

156
+5
Grammys

3,854
+116
Number 1s

\$2.09bn
+\$0.28bn
Operative NAV

\$74.0m
+31%¹
Net Revenue

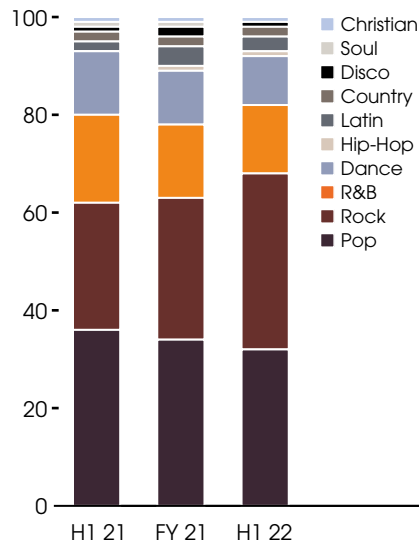
15.93x
+0.61x
Acquisition Multiple

14,381
+413
Top 10s

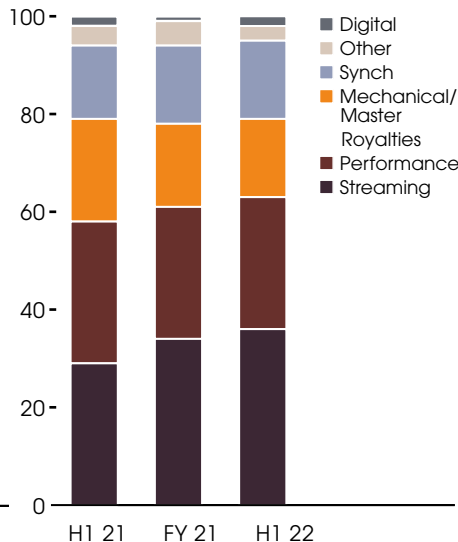
+ Change in portfolio since 31 March 2021

¹ Financial period ended 30 September 2020

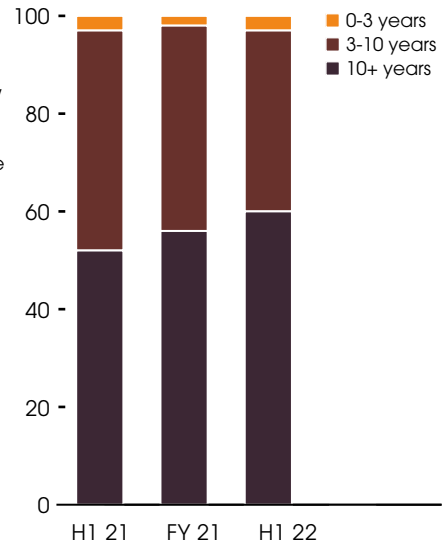
Portfolio by genre (%)
(based on fair value)



Portfolio income by source (%)



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



The Chair's Statement



Andrew Sutch, Chair

Introduction

This interim report covers the six months ended 30 September 2021 and these results continue to show the effects of the COVID-19 pandemic.

The closure of live music venues, bars, gyms and restaurants in response to lockdowns introduced globally in 2020 and 2021 caused a decrease in performance earnings across the music industry and the impact of this on the Company is discussed in more detail in the Financial Review.

Despite these challenges seen in performance earnings across the industry, streaming as seen through paid music subscription has continued to go from strength to strength, with major Digital Service Providers consistently reporting growth ahead of expectations throughout lockdowns and the recovery in 2021.

Looking forward, in the second half of 2021, we have seen anecdotal evidence of a return to a "new normal" in the music industry with the re-opening of bars, restaurants, gyms as well as live concerts going ahead. Whilst this gives us cause for optimism, we must remain alert to continuing macro economic events – the new Omicron variant reminding us of the uncertainty as to how COVID-19 will impact live performance in the near future.

Fundraising and Investments

In July 2021, the Company raised a further £156 million of equity capital, bringing the total equity raised since launch to £1.3 billion. I am delighted to see the continued support of our investors; the overall shareholder base has remained stable since the IPO, with 50% of the shares held by the top 10 holders and 40% of holders classified as retail investors.

The Company has fully deployed the equity capital raised during the period and closed acquisitions for a total consideration of c\$260 million. In total, the Company acquired 8 Catalogues and over 1,300 Songs in the six months to 30 September 2021.

Prior to the last equity raise, a strategic decision was taken, in consultation with our brokers and after discussion with our major Shareholders, that the Company does not intend to offer further shares for cash consideration until after publication of the net asset value per share as at 31 March 2022.

Consequently, as detailed in the Investment Adviser report, the Company is focusing increasingly on a wide range of Song Management activities to optimise and enhance the Portfolio earnings.

Revolving Credit Facility

Following the acquisitions during the period, the Company has drawn down the full amount of its \$600 million credit facility.

The Company's Net Debt as at 30 September 2021 was \$550.9 million (31 March 2021: Net Debt \$464.6 million), which represents 28.7% of Operative NAV as at 30 September 2021 (31 March 2021: 25.7% of Operative NAV).

Performance

The IFRS NAV per share as at 30 September 2021 was \$1.3418, which is a decrease from \$1.3628 as at 31 March 2021.

However, the Board considers that the most relevant NAV for Shareholders is the 'Operative NAV' which reflects

The Chair's Statement

the fair value of the Company's Catalogues as valued by the Independent Portfolio Valuer and adds back the material amortisation charge.

The Operative NAV per Share increased by 2.5% to \$1.7242 during the period (31 March 2021: \$1.6829) which, when including dividends paid, represents a Six-Month Total NAV Return of 4.63% over the prior six month period and 46.7% since IPO on 11 July 2018.

EPS for the six months ended 30 September 2021 is -1.69¢ (six months ended 30 September 2020: 2.04¢) because of the high amortisation charged during the period. The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years.

Adjusted EPS, as defined within the Alternative Performance Measures for the six months ended 30 September 2021, is 3.85¢ (six months ended 30 September 2020: 6.71¢).

Dividend

In the first half of the financial year, the Company has paid dividends totalling 2.625p over two instalments as declared in April and July 2021.

Since the period end, on 20 October 2021 the Company declared a further dividend of 1.3125p, which was paid on 30 November 2021. The Company continues to target a total dividend of 5.25p for the current financial year ending 31 March 2022.

The Board

We welcomed Vania Schlogel as an additional member of the Board when she was appointed on 11 June 2021 as an independent Non-executive Director. Vania, who is based in the US, has considerable private equity, media and entertainment sectors experience.

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.

AGM

The Annual General Meeting for the Company took place on 15 September 2021 and was our first in-person event for some time. I am pleased to announce that all ordinary and special resolutions were passed without amendment by the requisite majority.

Post period events

Since the period end, we announced that our Investment Adviser, Hipgnosis Song Management Limited, formerly known as The Family (Music) Ltd, had been appointed to act for a second client, Blackstone, with Blackstone also taking an ownership stake in the Investment Adviser. This new partnership will provide new exciting co-investment opportunities for the Company.

The investment into our investment Adviser, Hipgnosis Song Management, will bring new scale and resource that will help drive enhanced returns for our Shareholders.

Overall, we view Blackstone's investment as a vote of confidence in the strength of our Investment Adviser, and in Songs as an attractive and investible asset class.

Outlook

Over the past months we have seen some of the largest global investors committing funds to invest in Songs. In this increasingly competitive market, Hipgnosis is uniquely well placed having already acquired a portfolio with a value of approximately \$2.55 billion.

In addition, we believe our Investment Adviser's responsible approach to Song Management will maximise our first mover advantage and focus on growing our revenues, whilst new entrants are competing for assets.

Andrew Sutch

Chair

15 December 2021



...47 out of 190 songs in Spotify's Billions Club

1-800-273-8255 • Logic • Andrew Taggart	In the end • Linkin Park • Andy Wallace	Something Just Like This • The Chainsmokers, Coldplay • Andrew Taggart
A Thousand Years • Christina Perri • Christina Perri	If Ain't Me (feat. Selena Gomez) • Kygo • Andrew Watt	Sorry • Justin Bieber • Julia Michaels, Skrillex
All I Want For Christmas Is You • Mariah Carey • Walter Afanasieff	Just The Way You Are • Bruno Mars • Ari Levine	Stitches • Shawn Mendes • Teddy Geiger
Castle On The Hill • Ed Sheeran • Benny Blanco	Lean On (feat. DJ Snake & MO) • Major Lazer, MØ, DJ Snake • Martin Bresso	Sugar • Maroon 5 • Jacob Kasher Hindlin
Closer (feat. Halsey) • The Chainsmokers • Andrew Taggart	Let Me Love You (feat. Justin Bieber) • DJ Snake • Andrew Watt	Symphony (feat. Zara Larsson) • Clean Bandit • Ammar Malik
Cold Water (feat. Justin Bieber & MØ) • Major Lazer • Benny Blanco	Love Yourself • Justin Bieber • Benny Blanco	Titanium (feat. Sia) • David Guetta, Sia • Giorgio Tuinfort
Despacito - Remix • Luis Fonsi, Daddy Yankee, Justin Bieber • Poo Bear	Me, Myself and I • G-Eazy • TMS	The Middle • Zedd, Maren Morris, Grey • Stefan Johnson
Don't Let Me Down (feat. Daya) • The Chainsmokers • Andrew Taggart, Scott Harris	Memories • Maroon 5 • Stefan Johnson	There's Nothing Holdin' Me Back • Shawn Mendes • Teddy Geiger, Scott Harris
Don't Stop Believin' • Journey • Jonathan Cain, Neal Schon	New Rules • Dua Lipa • Caroline Ailin, Ian Kirkpatrick	Treat You Better • Shawn Mendes • Teddy Geiger, Scott Harris
Eastside (with Halsey & Khalid) • Benny Blanco, Nathan (Happy) Perez	no tears left to cry • Ariana Grande • Savan Kotecha	Uptown Funk (feat. Bruno Mars) • Mark Ronson • Mark Ronson, Jeff Bhasker
Girls Like You (feat. Cardi B) • Maroon 5 • Starrah	Photograph • Ed Sheeran • Johnny McDaid	What Do You Mean? • Justin Bieber • Poo Bear
Happier • Ed Sheeran • Benny Blanco	Rockabye (feat. Sean Paul & Anne-Marie) • Clean Bandit • Ammar Malik	Wolves • Selena Gomez, Marshmello • Andrew Watt
Havana (feat. Young Thug) • Camila Cabello • Andrew Watt, Starrah	Señorita • Shawn Mendes, Camila Cabello • Andrew Watt	Young Dumb & Broke • Khalid • Joel Little
High Hopes • Panic! At The Disco • Sam Hollander	Shallow • Lady Gaga, Bradley Cooper • Mark Ronson	Youngblood • 5SOS • Andrew Watt
I Don't Wanna Live Forever (50 Shades) • ZAYN, Taylor Swift • Jack Antonoff	Shape Of You • Ed Sheeran • Johnny McDaid	When I was Your Man • Bruno Mars • Ari Levine
In The Name Of Love • Martin Garrix, Bebe Rexha • Ilsey Juber	Smells Like Teen Spirit • Nirvana • Andy Wallace	

Source: Spotify, 13 Dec 2021



...51 of Rolling Stone's The 500 Greatest Songs of All Time

#5 Smells Like Teen Spirit • Nirvana • Andy Wallace	#217 Edge Of Seventeen • Stevie Nicks • Jimmy Iovine	#385 I'm Coming Out • Diana Ross • Bernard Edwards, Nile Rodgers
#8 Get Ur Freak On • Missy Elliot • Timbaland	#228 Single Ladies (Put a Ring on It) • Beyoncé • The-Dream, Tricky Stewart	#389 Brass In Pocket • Pretenders • Chrissie Hynde
#25 Runaway • Kanye West (feat. Pusha T) • Jeff Bhasker, Emile Haynie, Pusha T	#238 Are You That Somebody? • Aaliyah • Timbaland	#390 Enter Sandman • Metallica • Bob Rock
#30 Royals • Lorde • Joel Little	#259 Heart Of Gold • Neil Young • Neil Young	#394 Grace • Jeff Buckley • Andy Wallace
#38 Sitting On The Dock Of The Bay • Otis Redding • Al Jackson Jr	#274 Love and Happiness • Al Green • Al Jackson Jr	#401 Go Your Own Way • Fleetwood Mac • Lindsey Buckingham
#56 Work It • Missy Elliot • Timbaland	#281 Grindin • Clipse • Pusha T	#414 Dreaming • Blondie • Debbie Harry, Chris Stein
#68 Good Times • Chic • Bernard Edwards, Nile Rodgers	#285 Say My Name • Destiny's Child • Rodney Jerkins	#417 Uptown Funk! (feat. Bruno Mars) • Mark Ronson • Mark Ronson
#79 Back To Black • Amy Winehouse • Mark Ronson	#290 Yeah! • Usher (feat. Lil John & Ludacris) • Sean Garrett	#418 Green Onions • Booker T and the MGs • Al Jackson Jr
#84 Let's Stay Together • Al Green • Al Jackson Jr	#300 Rock Lobster • B-52's • B-52's	#427 Rapper's Delight • Sugar Hill Gang • Bernard Edwards, Nile Rodgers
#107 C.R.E.A.M. • Wu Tang Clan • RZA	#309 Ain't No Sunshine • Bill Withers • Al Jackson Jr	#428 Sign Of The Times • Harry Styles • Jeff Bhasker
#114 Toxic • Britney Spears • Christian Karlsson	#322 After The Gold Rush • Neil Young • Neil Young	#444 In Da Club • 50 Cent • Curtis Jackson
#127 Waterfalls • TLC • Sleepy Brown	#328 Under The Bridge • Red Hot Chili Peppers • Red Hot Chili Peppers	#450 Powderfinger • Neil Young • Neil Young
#133 Don't Stop Believin' • Journey • Jonathan Cain, Neal Schon	#332 Umbrella (feat. Jay-Z) • Rihanna • The-Dream, Tricky Stewart	#453 The Rain (Supa Dupa Fly) • Missy Elliot • Timbaland
#136 Try a Little Tenderness • Otis Redding • Al Jackson Jr	#337 Believe • Cher • Paul Barry, Brian Higgins	#456 Summertime Sadness • Lana Del Ray • Emile Haynie
#138 Heart Of Glass • Blondie • Debbie Harry, Chris Stein	#353 Sweet Dreams (Are Made of This) • Eurythmics • David A. Stewart	#457 Livin' On A Prayer • Bon Jovi • Richie Sambora
#153 Super Freak • Rick James • Rick James	#358 Because The Night • Patti Smith • Jimmy Iovine	#467 Come As You Are • Nirvana • Andy Wallace
#167 Lose Yourself • Eminem • Jimmy Iovine	#368 Black Hole Sun • Soundgarden • Chris Cornell	#482 Bad Romance • Lady Gaga • RedOne

Source: Rolling Stone, Sep 2021

Investment Adviser's Report



Merck Mercuriadis, Founder of Hipgnosis Songs Fund Limited and CEO of Hipgnosis Song Management Limited

Introduction

The closure of live music venues, bars, gyms and restaurants in response to lockdowns introduced globally in 2020 and 2021 caused a decrease in performance earnings across the music industry and this is seen in these results.

Whilst our accruals reflect the impact of COVID-19 on revenue, the natural lag time in the music industry from the collections and subsequent cash payments from PROs and Publishers to Hipgnosis Songs Fund, means that we continue to feel the full effect of COVID-19 in these interim results, particularly on Performance income.

Despite the short-term impact of COVID-19 on revenue, we're hopeful that as the world continues to come out of the pandemic, this will reverse out quickly. We've already seen successful tours from Nile Rodgers & Chic, Journey, Enrique Iglesias, David Guetta and many of our other artists over the past few months, and we are expecting to have the biggest touring years of all time (it's virtually impossible to book a venue over the next three years!).

Whilst we never would have wished it to be the case, the COVID-19 pandemic has proven our investment thesis. Despite the most challenging time of our lives, our hit songs have continued to be consumed by billions

of people all over the globe allowing us to maintain our targeted and fully covered dividend throughout the pandemic. The music industry is also in a better place for long term growth than ever with streaming accelerating through the pandemic and there are now more than 500 million people paying for music subscriptions globally compared to 30 million in the US when we launched in 2018. On top of this, technological innovation continues to bring ever new ways to monetise our Songs, including from TikTok, Roblox and Peloton over the last few years and looking to the future, NFTs and the Metaverse. We are in a golden age when almost all music consumption, no matter where or how it is consumed, is paid for.

We have also proven our responsible approach to Song Management, which has the resource and bandwidth to manage great songs to their full potential. As we detail later in this report, we have immediately been able to improve the promotion, synch activity and catalogue management of our Songs which had been left to languish in the hands of publishers.

As a result, we are incredibly excited for the future. Since the period end, we have seen a number of global investors entering the market for Songs, and we are delighted that with the support of our Shareholders, Hipgnosis is uniquely positioned with a portfolio of over 65,000 Songs, acquired at a blended multiple of less than 16x net revenue and an established Song Management platform already working to maximise the value of its Portfolio.

Hipgnosis Song Management

Subsequent to the period end, the Investment Adviser, formerly The Family (Music) Ltd, changed its name to Hipgnosis Song Management Ltd. At the same time, it entered into an agreement with Blackstone who will invest up to \$1 billion over the course of the next year in music assets. Blackstone has also taken an ownership stake in Hipgnosis Song Management in the context of this agreement.

This was made possible following several months of extensive negotiations with the Board of Hipgnosis Songs

Investment Adviser's Report

Fund and discussions with major Shareholders. This has ensured robust and well thought out Co-Investment and Conflicts policies. These have been designed to allow Hipgnosis Songs Fund to participate in every Catalogue we source when it has sufficient funding. Additionally, the increased capabilities in the Investment Adviser will allow us to provide an even better service to Hipgnosis. Blackstone's expertise will help build on our success by bringing in additional knowledge and skills specifically in areas such as data analysis, technology, financial reporting and asset management.

The Portfolio

Over the last six months, Hipgnosis closed eight acquisitions, including Red Hot Chili Peppers, Christine McVie of Fleetwood Mac, Rhett Akins, The Monsters & Strangerz (Stefan and Jordan Johnson), Elliot Lurie, Ann Wilson and Kaiser Chiefs, for a total consideration of c\$260 million.

As a result of these acquisitions, the portfolio as at 30 September 2021 comprises of 146 Catalogues, 65,413 Songs, with an aggregate value of \$2.55 billion (as determined by the Independent Portfolio Valuer),

reflecting a multiple of 19.03x historical annual net publisher share income, compared to the blended acquisition multiple of 15.93x.

Our investment strategy has always been only to focus on songs that are incredibly successful and of great cultural importance, therefore we are delighted to now own:

- 47 out of 190 songs in Spotify's Billions Club
- 51 of Rolling Stone's The 500 Greatest Songs of All Time
- 20 out of Billboard's Greatest of All Time Hot 100 Songs
- 10 of the Top 30 YouTube's Most Viewed Videos of All Time
- 4 of the Top 5 Billboard Songs of the Decade

Hipgnosis now owns 3,854 Songs that have held Number 1 positions in global charts, 14,381 Songs that have held Top 10 positions in global charts and 156 Grammy award winning Songs.

Songs performed by globally successful and culturally important artists include:

10,000 Maniac, 10cc, **2Pac**, 5 Seconds of Summer, **21 Savage**, 50 Cent, **8 Mile**, A\$AP Rocky, **AC/DC**, Adele, **AI Green**, Alan Jackson, **Alicia Keys**, Aluna George, **Amy Winehouse**, Andrea Bocelli, **Anitta**, Ann Wilson, **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**, Christine McVie, **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, **Ke\$ha**, **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**, Pink, **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, **Red Hot Chili Peppers**, 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**.

Investment Adviser's Report
Portfolio as at 30 September 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

Catalogue	Acquisition Date	Interest Ownership	Total Songs
Ed Drewett	9 Dec 2019	100%	109
Kaiser Chiefs (Masters)	9 Dec 2019	100%	48
Jeff Bhasker	11 Dec 2019	100%	436
Johnny McDaid	11 Dec 2019	100%	164
Emile Haynie	13 Dec 2019	100%	122
Brendan O'Brien	13 Dec 2019	100%	1,855
Savan Kotecha	18 Dec 2019	100%	49
Tom DeLonge	23 Dec 2019	100%	157
Journey (Masters)	10 Jan 2020	65%	389
Rebel One	10 Jan 2020	100%	157
Scott Harris	10 Jan 2020	100%	129
Brian Higgins	22 Jan 2020	100%	362
Gregg Wells	10 Feb 2020	100%	11
Jonathan Cain	28 Feb 2020	100%	216
Jonny Coffer	28 Feb 2020	100%	85
Mark Ronson	28 Feb 2020	100%	315
Richie Sambora	4 Mar 2020	100%	186
Rodney Jerkins	16 Jul 2020	100%	982
Barry Manilow	16 Jul 2020	100%	917
RedOne	16 Jul 2020	100%	334
Eliot Kennedy	16 Jul 2020	100%	217
Closer (J King & I Slade)	27 Jul 2020	100%	2
NO I.D.	24 Jul 2020	100%	273
Pusha T	24 Jul 2020	100%	238
Ian Kirkpatrick	29 Jul 2020	100%	137
Blondie	30 Jul 2020	100%	197
Chris Cornell	10 Aug 2020	100%	241
Robert Diggs "RZA"	12 Aug 2020	50%	814
Ivor Raymonde	13 Aug 2020	100%	505
Nikki Sixx	3 Sep 2020	100%	305
Big Deal Music "BDM"	10 Sep 2020	100%	4,400
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

Catalogue	Acquisition Date	Interest Ownership	Total Songs
LA Reid	30 Sep 2020	100%	162
50 Cent	30 Sep 2020	100%	388
Aristotracks	30 Sep 2020	100%	152
B-52's	30 Sep 2020	100%	96
Bonnie McKee	30 Sep 2020	100%	78
Brill Building	30 Sep 2020	100%	234
Christina Perri	30 Sep 2020	100%	68
Dierks Bentley	30 Sep 2020	100%	113
Editors	30 Sep 2020	100%	64
Eman	30 Sep 2020	100%	97
Enrique Iglesias	30 Sep 2020	100%	157
Evan Bogart	30 Sep 2020	100%	229
George Benson	30 Sep 2020	100%	107
George Thorogood	30 Sep 2020	100%	40
Good Soldier	30 Sep 2020	100%	760
Holy Ghost	30 Sep 2020	100%	62
J-Kash	30 Sep 2020	100%	90
John Rich	30 Sep 2020	100%	7
Kojak	30 Sep 2020	100%	148
Lateral	30 Sep 2020	100%	248
Lindsey Buckingham (Kobalt)	30 Sep 2020	100%	174
LunchMoney Lewis	30 Sep 2020	100%	116
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 (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

Catalogue	Acquisition Date	Interest Ownership	Total Songs
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 Share)	31 Dec 2020	100%	139
Andrew Watt	17 Feb 2021	100%	105
Christian Karlsson	2 Mar 2021	100%	255
Carole Bayer Sager	17 Mar 2021	100%	983
Paul Barry	18 Mar 2021	100%	510
Espionage	26 Mar 2021	100%	151
Martin Bresso	31 Mar 2021	100%	51
Andy Wallace	31 Mar 2021	100%	1,242
David Sitek	31 Mar 2021	100%	230
Happy Perez	31 Mar 2021	100%	192
Red Hot Chili Peppers	14 Jul 2021	100%	220
Kaiser Chiefs	15 Jul 2021	100%	136
Christine McVie	21 Jul 2021	100%	115
Jordan Johnson	22 Jul 2021	100%	58
Stefan Johnson*	22 Jul 2021	100%	58
Rhett Akins	23 Jul 2021	100%	564
Ann Wilson	29 Jul 2021	50%	152
Elliot Lurie	24 Aug 2021	100%	70
Total Songs			65,413

* Not counted in total song count

Market Conditions

Throughout 2021, the music publishing market has been reporting on the impact of COVID-19 on the Performance income.

PRS For Music, the Performance Rights Organisation in the UK, reported a decline in revenue of 19.7% year-on-year in 2020, with a 60% year-on-year decline in public Performance revenues. CISAC, the International Confederation of Societies of Authors and Composers, are estimating a global decline in overall collections by 20-35% for 2020 with further declines to continue in 2021.

Warner Music Group, who report their music publishing revenues separately from their recorded music revenues, showed a constant currency decline in Performance income of 17%, for the 12 months ending 30 September 2021, due to the ongoing COVID-19 related impact on bars, restaurants, concerts and live events.

In the second half of calendar 2021, we are seeing evidence of the music industry bouncing back strongly from COVID-19 and it is well positioned for long term growth. In particular, we have seen strong evidence of a recovery in the US recorded music market which grew 27% year-on-year in the first half of 2021 to \$7.1 billion (RIAA). Growth in streaming continues at a rapid pace and now accounts for 84% of total recorded music revenues. In addition, the revival of vinyl shows no signs of slowing, effectively doubling year-on-year and now accounting for 68% of the physical format revenues.

As restrictions are easing globally, live music is also quickly recovering with Joe Berchtold, president of Live Nation, the biggest global promoter, telling CNBC in September 2021 that 8 million people attended its live shows during August 2021, that 2022 "will be bigger than 2019," and noting that their concert pipeline is up double digits from this time two years ago. He also said that consumers, who had been unable to gather at live concerts and shows for more than a year, were "showing up and spending money".

Putting the lag in collection times aside the signs of a bounce back are also clear in Performance income for the music publishing market and rights owners like ourselves. Notably the latest results from Warner Music Group, for the three months ended 30 September 2021, which as a publisher has less of a time delay on earnings than the underlying rights holder, showed that Performance income has increased 3.4% on a constant currency basis, compared to the prior year period driven by the continued recovery from the COVID-19 disruption.

However, the live industry is still heavily reliant on a continued easing of world-wide COVID-19 related government restrictions, with the new Omicron variant highlighting the possibility of a re-implementation of restrictions which could once again close live venues as well as bars, gyms and restaurants.

Fundraising

In July 2021, the Company raised \$215 million, £156 million, in an oversubscribed placing. This takes the total amount raised by the Company in investment to date to £1.3 billion in equity and \$600 million in debt.

Prior to the raise a strategic decision was taken in conjunction with our brokers and major Shareholders to make this the last fundraise for a 12-month period. The statement that Hipgnosis Songs Fund does "not currently intend to offer further shares for cash consideration until after publication of the net asset value per Share as at 31 March 2022" was agreed in advance and made an important impact on the success of the fundraise with all of our major Shareholders participating.

This strategy has removed the impact of fundraises from the share price and we believe it will continue to encourage secondary market trading and allow a re-rating of the share price. The success of the strategy is perhaps best demonstrated by the share price hitting its highest levels over the last few weeks.

Song Management

With the decision to have a moratorium on fundraising, we have continued our focus on managing the iconic Songs we have acquired over the past three and a half years.

Song Management is a new paradigm that we established at Hipgnosis Song Management, where we manage proven hit songs with responsibility and ensure that they're on playlists, being put into movies, TV commercials, video games, that new artists are covering them and that new Songwriters are interpolating them. This adds significant value for our Shareholders and enhances the legacies of the great Songwriters that have entrusted us with their work. In addition to streaming, the beauty of today's environment is that almost all consumption of music is being paid for. If the Song is being used for social media, then fees are being paid via TikTok, Instagram, and the other social media outlets. If it's exercise, the same is true of the likes of Peloton. Same with Games and Roblox. YouTube, despite remaining an anaemic payer, is the world's biggest platform for the consumption of music. Payments from this source have already improved nearly fivefold, compared to when Hipgnosis was created less than four years ago and YouTube paid \$4 billion to rights holders like ourselves this year.

Synch team fully operational and revenues growing

Hipgnosis' Synch operation is now fully operational, with a world class team being developed and expanded into more and more key territories around the world. As well as establishing an in-house, global synch team for our Songs, we have built direct relationships with the world's biggest film studios, advertising agencies, broadcasters and music supervisors. These relationships are repeatedly getting our Songs to the front of the queue in the creative and commercial decision making process. It also means that we are not reliant on the administrators of our Songs to generate opportunities for our catalogue.

Our vision of a global, in-house '24/7' synch licensing operation has now also been realised, with our executives able to respond to the opportunities being generated within a matter of minutes, right around the clock. For the vast majority of our repertoire – regardless of who administers the song – we are the sole approval party for all synch requests. This has allowed us to comprehensively slash approval/response times on the world's most iconic songs. Music Supervisors, Studios and Agencies are no longer being made to wait weeks-on-end for an answer and as a result favour working with us.

The number of Hipgnosis Songs Fund synch deals generated in the period July-September 2021 was up some 20% over April-June 2021 alone and our custom-built, internal systems now enable the 'live' tracking of these opportunities and revenues for the Company.

We have a newly-created, dedicated, in-house sales function, tasked solely with curating our Catalogue from a synch perspective. By comprehensively profiling our Catalogue, unearthing previously underused repertoire, we are enabling our global synch pitching teams to be ahead of the game, and chase down high-profile opportunities.

Our own in-house creative studio partnership operation continues to grow, with new Company-owned master recordings being delivered each week and in addition, we are entering into a worldwide label distribution deal for our recorded repertoire, allowing us to release these master recordings globally.

Here are some of our recent Synch successes from across the Catalogue:

Film

- Eurythmics' *Sweet Dreams (Are Made of This)*, co-written by David A. Stewart, is the main trailer for MGM's major worldwide Q4 release 'House of Gucci', directed by Ridley Scott and starring Lady Gaga & Adam Driver.
- The initial trailer for the same movie was also soundtracked by a Hipgnosis song, *Heart Of Glass* by Blondie, written by Debbie Harry and Chris Stein.
- *There's Nothing Holding Me Back* by Shawn Mendes, co-written by Teddy Geiger and Scott Harris, is the main song for the trailer of Universal Studios' upcoming 'SING 2' feature film.
- The trailer for DC's hotly-anticipated 'Black Adam' is soundtracked by a remix of the Soundgarden song *Black Hole Sun*, which was written by Chris Cornell.
- *Love Shack* by the B-52's is featured in Netflix's hugely successful and critically acclaimed new musical, 'Tick, Tick... Boom!'.

TV/Streaming

- The first episode of CBS' 'The Equalizer' features an on-screen performance of Neil Young's timeless song, *Old Ma'*.
- *Bad To The Bone* by George Thorogood is the soundtrack to a major promotion for Amazon's global Prime Video streaming platform.
- Ciara's *Girl Gang*, written by Tricky Stewart, soundtracks the trailer for Amazon Prime's forthcoming comedy, 'Harlem'.
- *Getting Jiggy Wit It* by Will Smith (which samples the Nile Rodgers & Bernard Edwards' *He's The Greatest Dancer*) has featured in the brand new season of popular Paramount comedy, 'PEN15'.
- ABC's brand new musical drama series 'Queens' features Diana Ross's *I'm Coming Out*, which was written by Nile Rodgers & Bernard Edwards.

- HBO Max's re-boot of 'Gossip Girl' features numerous Hipgnosis songs, including Jessie Ware's *Spotlight* and *B.O.M.B.* by St. Panther – and a cast performance of Lady Gaga's *Shallow*, which was written with Mark Ronson.
- Season two of HBO's 'We're Here' features *Swish Swish* by Katy Perry feat. Nicki Minaj, written by Starrah.
- Blondie's '*One Way Or Another*' was featured in the second season of Jerry Bruckheimer's TV series, 'Hightown'.
- BBC's 'Reclaiming Amy' documentary about Amy Winehouse features *Back To Black*, which was written by Mark Ronson.
- In the current season of HBO Max's 'Sex Lives of College Girls', the cast perform Camila Cabello's *Havana (feat. Young Thug)*, which was written by Andrew Watt and Starrah.
- The latest season of 'Supergirl' features *We Are Family* by Sister Sledge, which was written by Nile Rodgers and Bernard Edwards.
- Season 10 of Disney's long-running show 'American Horror Story' featured Heart's *Magic Man*, written by Hipgnosis' Ann Wilson.

Advertising

- Mariah Carey's *All I Want For Christmas Is You*, co-written by Walter Afanasieff, is the focus of McDonald's' Christmas 2021 campaign.
- Our classic Bond theme *Nobody Does It Better* by Carly Simon, co-written by Carole Bayer Sager, is the soundtrack for DHL's global advertising campaign, which was launched in conjunction with the long-awaited James Bond blockbuster film '007: No Time To Die'.
- *It's My Life* (written by Richie Sambora) was selected by German supermarket chain Penny for their Christmas campaign 2021. The commercial, which speaks about the difficult times especially teenagers are going through during the pandemic, went viral immediately, amassing close to 14 million views on YouTube alone in the first four weeks after its launch.

- Burberry's global campaign for their 'Hero' fragrance – starring Adam Driver, features *Two Weeks* by FKA Twigs (written by Emile Haynie) as its soundtrack.
- Hipgnosis songwriter Birdy has re-recorded Ivor Raymonde's *I Only Want To Be With You* (which is owned by Hipgnosis), for a major Deutsche Telekom advertising campaign.
- Michael Kors' Christmas commercial for 2021 is soundtracked by Sister Sledge's *We Are Family*, which was written by Nile Rodgers and Bernard Edwards.
- Tokio Myers' version of Ed Sheeran's *Bloodstream* (written by Johnny McDaid) was used as the soundtrack to the NHS' Live 1,000 Lives campaign.
- Eurythmics' *Sweet Dreams (Are Made Of This)*, written by David A. Stewart, has been selected for use in a major television commercial for Kaufland, one of Europe's biggest supermarket chains.
- Wells Fargo are using Fitz & The Tantrums' *HandClap* (written by Sam Hollander) for their North American brand campaign.
- Nelly's *Hot In Herre* is currently running on Burger King's North American advertising campaign.
- Lissie's cover version of *Go Your Own Way* (written by Lindsey Buckingham) is soundtracking Swedish financial institution, Svea Ekonomi's 2021 advertising campaign.
- Global luxury brand Swarovski have selected Emile Haynie's *Two Weeks* by FKA Twigs to soundtrack their worldwide 2021 advertising campaign.
- Global car brand Genesis are using two of Hipgnosis' songs for their GV70 and GV80 brand campaigns: FKA Twigs' *Video Girl* (written by Emile Haynie) and Ólafur Arnalds' *Particles*.
- French fashion brand Celio are using El Michels Affair's cover of *Shimmy Shimmy Ya* (written by RZA) for their 2021 advertising campaign.
- DJ Snake & Lil' Jon's *Turn Down For What* (written by Martin Bresso) is currently soundtracking British Gas' 2021 brand campaign, encouraging customers to reduce their overall domestic energy usage.
- Global fashion brand Moncler is using *Planet Claire* by the B-52's for the launch of their MONDOGENIUS campaign.
- In the UK, National Rail are using *Love Me Again* by John Newman for their nationwide 2021 brand campaign.
- *Rumours* by Lizzo (written by Steve Cheung) is featured in the YouTube Shorts 'Awareness Campaign'.
- BMW selected *Get After It* by The Cadillac Three as the soundtrack for one of their key 2021 brand campaigns.
- At the launch of the 2021 Formula E event in London, Raye performed *Call On Me*, written by Steve Winwood.
- Chrissie Hynde's Pretenders song *My City Was Gone* has been renewed for its long-standing deal to be used on 'The Rush Limbaugh Show'.

Games

- The El-P remix of *Supercut* by Lorde (written by Jack Antonoff) features in the soundtrack to EA's 'FIFA 22' video game.
- *Most* by Phoelix as well as *The Light* and *The Fit* by Mick Jenkins all feature in the official soundtrack for 'NBA 2K22', the newest instalment in 2K Games' hit basketball video game series.
- Hipgnosis has now approved the use of over 70 songs in the mobile game *Beatstar*, which launched globally in August 2021.
- Hundreds of songs from across the Hipgnosis catalogue are also being licensed for use in an array of other games, including: *Grand Theft Auto*, *Fortnite*, *The Sims*, *Call of Duty*, *Let's Sing*, *NHL '22*, *Gran Turismo*, *WWE 2K22*, *Roblox*, *Beat Saber*, *Rocket League*, *Dance Church*, *Riders Republic*, *Rock Band* and many more.

NFTs

There is no doubt that Non Fungible Tokens (NFTs) are an important part of the future. They offer new ways for audiences to connect with the artists and the Songs that they love, which we believe will in time create valuable new revenue streams for the Company. There is however still no consensus within the music industry on what commercial models and royalty streams should be standardized, and there are still significant questions over governance and security of assets. Therefore, we are taking our time and being very selective in our approach. We are working on a few very special and multi-layered projects which will see some of our top tier artists collaborating with some of the leading creators in the crypto art space.

We are in communication with all the leading platforms including Nifty Gateway, Makers Place, SuperRare, Crypto.com and have also been reviewing the various options for minting NFTs in the most carbon friendly way.

Our first NFT 'drop' by Hipgnosis launched on 6 August 2021. It was a very special and unique collaboration between Blondie's Debbie Harry and Chris Stein with pioneers of Crypto Art 'Hackatao'. *Hack the Borders* itself symbolizes a true act, from both Hackatao and Blondie, of hacking all borders and boundaries, and ultimately the limits of narrow-mindedness. And like Warhol's iconic image of Debbie Harry, Hackatao's digital artwork showcased Debbie's legacy with pop-art colours, albeit with their own signature style, covered in drawings that often represent our inner demons and most hidden voices.

Hipgnosis earns revenue on both the primary and secondary sales, and, at present, the Company has no crypto holdings.

Song Promotion

Given Hipgnosis is focused only on acquiring proven, timeless, globally iconic Songs, the Song Management team is able to leverage off the high concentration of platinum-level hits in its portfolio, which is completely unique in today's music business.

The team works with all the traditional outlets and emerging areas of 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 the profile/value/opportunity for licensing our Songs to film, television, gaming, and advertising.

We have focussed heavily on TikTok as a platform, which now has a user base of over 1 billion people. We have found that the platform is about a mindset, not a demographic and therefore old songs are likely to find traction just as much as new releases. We are pleased to say that we have the largest presence on the platform as a Song Management company better than most traditional publishers by quite some margin, with over 334,000 followers. Key breakout activity on Tik Tok leads directly to YouTube views and additional streaming of songs. It is an entirely connected ecosystem.

Song 'Mashups', where very contrasting songs are put together to create a new version of a song are very popular on social networks and have the capacity of generating whole new audiences. One such collaboration we have mentioned before is the mashup of the B52's *Love Shack* and Britney Spears' *Toxic*. A very high percentage of these songs are controlled by Hipgnosis, and so rather than leaving this as an unofficial version languishing in the corners of platforms, we have been able to create a superbly and professionally created version of this "new" song, securing approval from our writers in the B52's, Christian Karlsson as well as the final missing piece from Cathy Dennis. We were able to reproduce the song and we own 75% of the mashup on the Publishing side and 100% on the Master side. The unique 'mashup' has now exceeded 1 billion video creations across all platforms. The song won the Best Audio Mashup at the 2021 MTV Video Music Awards.

The Song Management team has also been very focussed on showcasing various albums by our Songwriters that are celebrating major anniversaries. We fully marked the 40th anniversaries of the Journey album *Escape* in the

summer of 2021, Rick James' *Street Songs* and Mötley Crüe's *Too Fast For Love* as well as the 30th Anniversary of Nirvana's *Nevermind*, Red Hot Chili Peppers' *Blood Sugar Sex Magik* and Soundgarden's *Badmotorfinger*. We are currently celebrating the 20-year anniversary of Shakira's *Laundry Service* album.

To celebrate the *Laundry Service* album, we had Facebook campaigns, a new version of the album, new interviews with the artist, Twitter listening parties, YouTube shorts campaigns and Face Swap filters. We saw a nearly 50% increase in streams across the album during the actual 'birthday week'. More importantly, that major spike has then helped to increase the base level of streaming for these key tracks within our catalogue.

We are already looking ahead into 2022. Key album anniversaries include: Neil Young's *Harvest* (1972) in February as well as those by Nelly's *Nellyville* (2002), Steve Winwood's *Talking Back To The Night* (1982), George Thorogood's *Bad To The Bone* (1982), Booker T's *Green Onions* (1962), Neil Young's *Harvest Moon* (1992), Bon Jovi's *Keep The Faith* (1992) and Audioslave's *Audioslave* (2002) later on in the year.

Our team also looks to maximise the natural promotion and excitement around live tours, and we are delighted that four dates for many artists that are part of the Hipgnosis family are coming through. For example, Red Hot Chili Peppers's Global Stadium Tour starts in June 2022 and is selling out fast. Ed Sheeran's stadiums shows are selling even faster. Shakira, Journey, Fleetwood Mac, Taylor Swift, Beyoncé, Justin Bieber and Neil Young all have global tours in the final stages of planning.

Copyright Management

Our initiatives within Copyright Management, which centre on searching for missing revenues, continue unabated.

This has involved designing an in house system gathering every piece of data available around every Song that we own, to help us build a true picture of our Catalogue. The aim is to make sure our Synch and Copyright teams have immediate and accurate access to all relevant information.

Disputes occur when the aggregate compositional shares are greater than 100% within a song. We flag where the compositional shares are greater than 100% in order to unlock disputes, which leads to higher revenues for Hipgnosis.

Having accurate data enables us to continue searching for missing revenue across some of our major platforms. The average uplift on revenue found to date on YouTube is 30%.

YouTube remains the world's biggest streaming service, where 25% of time spent is watching music video. YouTube boasts 50 million global paid for subscribers and \$5 billion was paid to music industry rights holders last year. We are well positioned to benefit from growth in this platform, as we have an interest in 11 out of the Top 30 most viewed videos globally on YouTube.

Song Administration

Hipgnosis Songs Group (HSG) has been part of the Group for a year now and its strategic importance has been felt. It has allowed the Fund to benefit from its own in-house administration function in the US, leading to significant savings, as well as giving us controlled and limited exposure to Song Creation, which will lead to the Catalogues of tomorrow.

Hipgnosis Songs Group has ingested 19 of the Company's Catalogues within this financial period alone. These include the US sourced income from catalogues by Neil Young, Brian Higgins, Sam Hollander, Johnita Austin, Al Jackson Jr, Neal Schon and Paul Barry. We anticipate administration for US sourced income for an additional 6 Catalogues to be brought in-house under HSG in the coming months, which would optimise copyright registrations and enhance revenues for US sourced income.

HSG now administers 30 of the Company's Catalogues.

Song Creation

Song Creation additionally delivers 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 Kenny MacPherson, Casey Robison,

Investment Adviser's Report

Jamie Cerreta, Dave Ayers and Pete Robinson. 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.

The HSG Song Creation Team continued to attract front line contemporary writers, in new signings, options and renewals during the period April to September 2021. Highlights from the period include signings with The Monsters & Strangerz, Hippo Campus, and an extension with three-time Grammy winner Annie Clark, AKA St. Vincent.

HSG has enjoyed US Billboard chart success across its roster of writers, scoring hits with Olivia Rodrigo, Justin Bieber, Dua Lipa and Miley Cyrus.

HSG writers have been included within an incredible 18 Grammy nominations for 2021, including 3 nominations for Album of the Year with Jon Batiste's *We Are* (which included Sing co-written by King Garbage), Justin Bieber's *Justice* (which included 5 songs co-written or produced by The Monsters & Strangerz) and Olivia Rodrigo's *SOUR* (which included *Deja Vu* co-written by Annie Clark).

HSG's The Monsters & Strangerz, who are the writing duo Stefan and Jordan Johnson, have written songs for Justin Bieber's album *Anyone*, which has been nominated across 3 Grammys. As an example of the opportunities that HSG provides, Hipgnosis Songs Fund acquired the Catalogue of The Monsters & Strangerz in July 2021 and used the leverage of that deal to sign the writers for their new songs too.

We were delighted to see that *Telepatia* by Kali Uchis (co-written by Albert Hype) was just announced in Billboard magazine as Number 8 in the 'Best Songs of 2021' chart.

DCMS

The UK Government has responded to the Department for Digital, Culture, Media & Sport (DCMS) Committee report positively with their decision to refer the major music companies to the Competition and Markets Authority (CMA) to investigate "the dominance of the major music

companies". We have advocated since our inception to improve the Songwriter's position within the economic equation and we consider this to be a significant and important move in achieving that. It is a very positive next step in our collective efforts to rebalance the industry in favour of Songwriters and artists. The government's recognition of the imbalance that exists for the Songwriters, artists and producers, without whom there is no music business, and its willingness to invest 12 months into ensuring it comes to the right conclusions gives us many reasons to be cheerful.

The CMA and the government must now act rapidly to tackle these issues and we are committed to playing an active role in the important discussions ahead, advocating on behalf of Songwriters and artists to ensure that the necessary steps are taken to give them a bigger slice of the economic pie.

During the course of all this we sadly lost our beloved Sara John Nevrkla to her battle with cancer. She was instrumental in our relations with the DCMS but many of her friends (aided by important words from our board member Sylvia Coleman) including strategist Arlene McCarthy and Esther McVey MP have stepped in to help us continue the important work she was assisting us in bringing to fruition.

CRB

In the US we are working closely with both the National Music Publishers' Association (NMPA) and the Nashville Songwriters Association International (NSAI) to ensure the appeal against the Copyright Royalty Board (CRB) 3 is denied and that the 44% increase for Songwriters passed into law in 2019 is upheld and paid retroactively. Concurrently CRB 4 which will determine songwriter payments for 2023–2027 is also underway and is expected to reach a conclusion by the summer of next year.

It is worth repeating: the song is the currency of our business. Yet the Songwriter – who delivers the most important component to the success of a record company, publisher, promoter, manager, agent, music venue, radio station, broadcaster et al – is the lowest paid person in the economic equation. An equation that has made the modern music industry a juggernaut.

Hipgnosis has...



...10 of the top 30 from YouTube's Most Viewed Videos of All Time

- #4 **Shape Of You**
• Ed Sheeran • Johnny McDaid
- #9 **Uptown Funk! (feat. Bruno Mars)**
• Mark Ronson • Mark Ronson, Jeff Bhasker
- #13 **Sugar**
• Maroon 5 • Jacob Kasher Hindlin
- #14 **Sorry**
• Justin Bieber • Skrillex
- #15 **Roar**
• Katy Perry • Bonnie McKee
- #20 **Girls Like You (feat. Cardi B)**
• Maroon 5 • Starrah
- #22 **Bailando (feat. Descemer Bueno, Gente De Zona)**
• Enrique Iglesias • Enrique Iglesias
- #23 **Lean On (feat. DJ Snake & MO)**
• Major Lazer, MØ, DJ Snake • Martin Bresso
- #28 **Mi Gente**
• J Balvin, Willy William • The-Dream
- #29 **Waka Waka (This Time for Africa) (The Official 2010 FIFA World Cup™ Song)**
• Shakira • Shakira

Source: YouTube, Dec 2021



...20 out of the Greatest of All Time Hot 100 Songs

- #3 **Smooth (feat. Rob Thomas)**
• Santana • Itaal Schur
- #5 **Uptown Funk! (feat. Bruno Mars)**
• Mark Ronson • Mark Ronson, Jeff Bhasker
- #10 **Shape of You**
• Ed Sheeran • Johnny McDaid
- #14 **Closer (feat. Halsey)**
• The Chainsmokers • Isaac Slade, Joseph King, Andrew Taggart
- #15 **We Belong Together**
• Mariah Carey • Jhnta Austin
- #17 **Yeah! (feat. Lil John & Ludacris)**
• Usher • Sean Garrett
- #26 **Le Freak**
• Chic • Bernard Edwards, Nile Rodgers
- #30 **Girls Like You (feat. Cardi B)**
• Maroon 5 • Starrah
- #37 **Despacito - Remix (feat. Justin Bieber)**
• Luis Fonsi, Daddy Yankee • Poo Bear
- #43 **One Sweet Day (feat. Boyz II Men)**
• Mariah Carey • Walter Afanasieff
- #61 **End Of The Road**
• Boyz II Men • LA Reid
- #64 **Call Me**
• Blondie • Debbie Harry, Chris Stein
- #71 **Apologize (feat. One Republic)**
• Timbaland • Timbaland
- #77 **Royals**
• Lorde • Joel Little
- #78 **The Boy Is Mine**
• Brandy & Monica • Rodney Jerkins
- #84 **Moves Like Jagger (feat. Christina Aguilera)**
• Maroon 5 • Ammar Malik
- #87 **That's What Friends Are For**
• Dionne Warwick & Friends • Carole Bayer Sager
- #89 **Upside Down**
• Diana Ross • Bernard Edwards, Nile Rodgers
- #91 **Just The Way You Are**
• Bruno Mars • Ari Levine
- #92 **Dilemma (feat. Kelly)**
• Nelly • Nelly

Source: Billboard, Nov 2021

Our Team

Our Team is comprised of HSM, its Advisory Board and HSG across multiple locations, including London, Los Angeles, New York and Nashville. In total we are now 86 strong.



Merck Mercuriadis
Founder & CEO, HSM



Björn Lindvall
COO, HSM



Chris Helm
CFO & Executive Vice
President Business
Development, HSM



Amy Thomson
Chief Catalogue
Officer, HSM



Ted Cockle
President, HSM



Kenny MacPherson
CEO, HSG



Richard Rowe
Executive Vice
President, HSM



Rosa Mercuriadis
Chief Creative,
Marketing & Culture
Officer, HSM



Nick Jarjour
Global Head of Song
Management, HSM



Tom Stingmore
Executive Vice
President Global
Synch & Creative, HSM



Joe Maggini
Executive Vice
President Global
Synch, HSG



Tony Barnes
Executive Vice President
of Digital & Innovation,
HSM



Jamie Cerreta
Co-President, HSG



Casey Robison
Co-President, HSG



Patrick Joest
Head of Synch
Management
International, HSM



Rufina Pavry
Director, Investor
Relations, HSM



Samantha Garcia
Commercial Finance
Director, HSM



Dave Ayers
Executive Vice
President, New York,
HSG



Pete Robinson
Senior Vice President,
Nashville, HSG



Adrienne Willen
Vice President of
Copyright, HSM



Shiv Prakash
Vice President of
Investments, HSM



Aaron Dunmore
Senior Management
Accountant, HSM



Emilie Massimiani
Investment Analyst,
HSM



Chris Wilson
Investment Analyst,
HSM



Martyn Mackenzie
Investment Associate,
HSM



Serkan Dervis
Royalties
Administration
Manager, HSM



Jordan Bent
Copyright Manger,
HSM



Oscar Shepherd
Copyright Data
Support, HSM



Harvey Cowburn
Synch & Audio
Coordinator, HSM



Sophie Benjamin
Accounts Payable
Manager, HSM

Financial Review

NAV

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

The Operative NAV per share increased by 2.5% to \$1.7242 over the six-month period (31 March 2021: \$1.6829), which, when including dividends paid, represents a Six-Month Total NAV Return of 4.63%. In total, the Company has delivered a 12-Month Total NAV Return of 10.82% (including dividends paid of 5.25p per share) and Total NAV Return of 46.7% (including dividends paid of 13.75p per share) since Hipgnosis' IPO on 11 July 2018.

The growth in the Operative NAV over the period shows a 3% like-for-like uplift in the Fair Value of Catalogues to \$2.55 billion as appraised by the Portfolio Independent Valuer. The growth in the value of the Catalogues was driven by:

- An upward revision of forecast streaming growth rates given strong growth in paid subscribers, in excess of expectations
- An anticipated recovery of Performance income, with FY 2023 income projected to recapture FY 2021 levels

The Portfolio Independent Valuer calculated the Catalogue Fair Value as at 30 September 2021 using a discount rate of 8.5% in line with 31 March 2021 (30 September 2020: 8.5%). The value uplift is therefore a function of the fundamental prospects for growth.

Operative NAV Bridge

from 1 April 2021 to 30 September 2021:

	\$
Opening Operative NAV per Ordinary Share	1.6829
Increase in Fair Value of Catalogues	0.0540
Net income (inc. Taxation)	0.0353
Dividends Paid	(0.0346)
FX impact	(0.0080)
Share issue costs*	(0.0054)
Closing Operative NAV per Ordinary Share	1.7242

* 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 exposure of the Company to revenue receipts in different currencies. Based on the Sterling to Dollar exchange rate at 30 September 2021 of 1.3695, the Operative NAV presented in Sterling would be 125.90p per Share.

Revenue

Gross revenue increased by 35% year-on-year to \$85.3 million (six months ended 30 September 2020: \$63.3 million), primarily due to the revenue from additional Catalogues acquired since 30 September 2020.

Net revenue of \$74.1 million increased by 31% year-on-year (six months ended 30 September 2020: \$56.7 million) which is stated after royalty cost deductions of \$11.2 million and which relate to contractual royalties due to writers of Hipgnosis Songs Group and Kobalt Fund One.

There is an inherent time lag with music 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.

The statements received in the six months to September 2021, which are reflected in this period's revenues, predominately relate to the earnings period for the second half of the calendar year 2020 for international

revenues and first half of calendar year 2021 for domestic publishing revenues. Therefore, these results reflect the disruption created by various lockdowns associated with the COVID-19 pandemic. As a result, the mix of revenues has changed against the comparative period.

There is a degree of estimation and uncertainty relating to the impact of COVID-19 which continues to affect this current period. In addition, our revenue accruals for this six-month period to 30 September 2021, which estimate the revenue to be paid on royalty statements yet to be received, takes into account the anticipated continued effect of the downturn in Performance income, which is not expected to fully reverse by the end of this financial period.

A breakdown of net revenue by source (after royalty cost) is set out below:

Income Source	Net Revenue \$'000	%
Streaming	26,895	36%
Performance	19,871	27%
Synchronisation	11,639	16%
Mechanical/Master Royalties	11,495	16%
Digital	1,725	2%
Other Income	2,415	3%
Total Net Revenue	74,041	

As set out in last year's annual report, Performance income, driven by songs performed in shops, bars, restaurant and live music was materially impacted by various lockdowns. As a result, Performance income declined as a percentage of overall net revenue to 27% (12 months ended 31 March 2021: 29%).

We have recently seen evidence implying a strong bounce back in Performance income with bars and restaurants full, Live Nation highlighting that their concert pipeline was up double digits from two years ago, and the calendar Q3 results from major music companies, including Warner Music Group, showing a partial recovery in certain COVID-impacted revenue streams.

Due to the differing timelines of income reporting, it is difficult to say exactly when the recovery from COVID-19 will be fully seen in our revenues. This expectation of a bounce back is shared by Massarsky, the Portfolio Independent Valuer, who is predicting a full recovery in Performance revenues by 2023.

Lockdowns have accelerated the change in consumer behaviour to consuming music by streaming which has driven an increase in the proportion of revenues derived from Streaming, from 32% to 36% of total net revenue. There has also been an increase in our earnings from Synchronisation income which includes digital streaming income from TikTok and Peloton. This is most evident on steady state Catalogues (where the average release year of the songs is over 10 years old and therefore have no further expected decay in revenue), where there was +15% growth on streaming and +34% growth on Synchronisation income, compared to the prior six-month period. This growth has offset the declines seen in Performance income for our steady state Catalogues.

It is still the case that the majority of settlements from emerging platforms are yet to be paid through by the Publishers, and we expect this to be reflected in future royalty statements. As an example, a major publisher has started paying through TikTok settlements within statements received by Hipgnosis Songs Fund in December 2021.

Digital downloads and Mechanical royalties from CDs, Vinyl etc continued to decline and now represent a combined share of 18% of Net Revenue (12 months ended 31 March 2021: 20%).

As a testament to the resilience of Hipgnosis, despite feeling the full force of COVID-19 during the period, dividends paid were fully covered by Adjusted Profit after Tax (Net revenue, less operating expenses, excluding Total Amortisation and excluding Foreign Exchange losses) by 1.03x. The Company continues to target a total dividend of 5.25p for the current financial year ending 31 March 2022.

Costs

Adjusted Operating Costs increased to \$31.2 million from \$12.4 million in the comparative period primarily due to recognising a full six months of operating costs for Hipgnosis Songs Group (HSG), compared to less than one month in the prior period as well as increased Investment Advisory fees due to the growth of the Company since the prior period. Within the period, there was also an increase in interest costs associated with the higher leverage facility to reflect the growth of the Company (now \$600 million compared to \$400 million in September 2020).

EBITDA for the six months ended 30 September 2021 increased by 16.2% to \$54.6 million (six months ended 30 September 2020: \$47.0 million), reflecting the growth in net revenue.

EPS for the six months ended 30 September 2021 is -1.69¢ (six months ended 30 September 2020: 2.04¢) because of the high amortisation charged during the period. The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years.

Similarly, adjusted EPS, as defined within the Alternative Performance Measures for the six months ended 30 September 2021 is 3.85¢ (six months ended 30 September 2020: 6.71¢).

Ongoing Charges as a percentage of the average Operative NAV increased from 1.59% as at the end of March 2021 to 1.77% primarily driven by the annualised impact of HSG operating costs and higher fees associated with the leverage facility. If HSG operating costs of \$4.2 million were removed, the ongoing charge ratio would be 1.39% (1.33% as at end of March 2021).

Net Debt

As at 30 September 2021, net debt had increased to \$550 million reflecting a net debt to Operative NAV of 28.7% (31 March 2021: 25.6%). The gross amount drawn down of \$600 million was equal to the cap on the facility.

Leveraged Free Cash Flow was \$42.5 million as at 30 September 2021 (30 September 2020: \$16.6 million), which covered dividends paid out during the period by 1.02 times.

Pro-Forma Annual Revenue (PFAR)

Due to the rapid growth of the Company since inception, historic comparative results do not provide a measure of like-for-like performance in the underlying Catalogues. In addition, when making new acquisitions in a period, the first year's revenue may often include Right To Income (RTI). A greater discussion about the RTI follows on page 33. The Company therefore discloses the PFAR which shows the royalty revenue earned in a calendar year based on royalty statements received, irrespective of the rights of ownership. The Company believes this provides a relevant like-for-like full year income comparison.

Due to the time lag on receiving international royalty statements, the latest PFAR reports the royalty earnings in the 12 months ending 31 December 2020 for Catalogues owned as at 30 September 2021.

As stated in the FY 21 Annual Results, restrictions related to COVID-19 resulted in a number of changes in the way that listeners consumed music. In particular, shops, bars, restaurants and live music venues all closed for long periods in 2020 and the beginning of 2021 as countries around the world enforced lockdowns to reduce the spread of COVID-19. Overall, we highlighted our expectations that this would result in earnings from Catalogues decreasing in the period on a like-for-like basis from the previous year.

In line with our expectations, the PFAR for 2020, which includes the most up to date earnings, was \$121.3 million compared to \$131.7 million from the 12 months ending 30 June 2020, a decline of -7.9%.

This was primarily driven by Performance income which fell by 19.5% over the same period, due to the disruption caused by lockdowns. This reduction in Performance income is expected to be temporary with bars, restaurants and live music bouncing back strongly in H2 2021 as COVID-19 restrictions have progressively eased.

	12 mths to Dec 19	12 mths to Jun 20	12 mths to Dec 20
Total PFAR for Catalogues owned as at 30 Sep 2021	138,139,909	131,680,182	121,263,041
<10 years	74,499,066	65,835,595	57,143,551
>10 years	63,640,843	65,844,587	64,119,489

Older or Younger than 10 years of a Catalogue is calculated as the average release year of a Catalogue as at 1 January 2021 weighted on earnings, at time of acquisition.

COVID-19 restrictions impacted younger Catalogues (<10 years old) worse than the older vintages (>10 years old) given that those younger Catalogues require relatively higher promotional activity around new releases and touring, in order to sustain their expected decay trajectory. With COVID-19 restrictions being lifted progressively in 2021, and the bounce-back of Live and promotional activities, we expect earnings from Performance income across all vintages to recover.

During the lockdowns in 2020, listeners quickly turned to consuming music via streaming with an acceleration of paid subscribers reported by the major streaming platforms. This was most evidently seen in our Steady State Catalogues (where growth isn't distorted by its expected decay) which showed streaming income growth of 4% compared to 12 months ended 30 June 2020. This shows continued growth after impressive calendar H1 2020 growth of 22.5% compared to H1 2019.

To provide additional analysis of performance across the catalogues, the table above splits out the PFAR allocated to those Catalogues that are less than 10 years i.e. in a decaying position and those above 10 years, which have reached Steady State.

Variance against Forecast (VAF)

The Variance against Forecast (VAF) is the difference between the total cash of the royalty statements received from each Catalogue since acquisition, and the internal acquisition model forecast over the same period.

In the period from acquisition up to 30 September 2021, the VAF was -7.9% (31 March 2021: -2.8%) reflecting:

- the decrease in Performance income as a result of the COVID-19 restrictions which could not have been anticipated in the original forecast acquisition models as the majority of Catalogues were acquired before the COVID-19 pandemic

- the original acquisition model forecast assumed that the uplifts from CRB ruling (which relates to mechanical US streaming income) would be fully paid through from acquisition. Due to the ongoing appeal against the ruling, royalty income is still being paid on a 10.5% share to songwriters (the CRB ruling increases Songwriters share to 15.1% in equal increments from 2017 to 2022). Should the CRB ruling be upheld, the unpaid income to the Company will be paid through as a retrospective settlement payment.

As highlighted above, the VAF compares the Catalogue performance against forecasts made at the time of acquisition and therefore in most instances does not take into account the significant changes in the music industry caused by COVID-19. These acquisition forecasts therefore also differ from the up to date forecasts prepared on a catalogue by catalogue basis by the Investment Adviser and the Portfolio Independent Valuer. As a result, the Company no longer considers the VAF to provide useful performance analysis against forecasts to investors.

Going forward the Company will no longer present the VAF and will introduce new additional disclosures at the time of the annual results which will provide a more insightful analysis of how the Company's Catalogues are performing against current expectations.

Accruals and Receivables

Despite the uncertainty of COVID-19 on earnings, we are pleased to report that royalty statements and cash receipts received in the second half of the year are in line with the revenue accruals recognised in the previous period.

The conservative accrual process has meant that accruals have been effectively managed over the earnings time lag, which can be as much as 24 months on some international income. The Investment Adviser will continue to manage accruals conservatively as we move towards full recovery.

Investment Adviser's Report

Accrued income and Royalty income receivable at 30 September 2021 was \$88.2 million, a breakdown of which is set out below:

- A \$11.6 million receivable, representing royalty receipts expected in October and November for royalties where statements were received in September.

Included in Trade and Other receivables is an accrued income balance of \$76.6 million which is made up of:

- \$36.0 million for calendar Q3 2021 earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q4 2021 and Q1 2022;
- \$12.9 million for calendar Q2 2020 earnings which are not reported to the Company until calendar Q4 2021;
- \$7.8 million relating to earnings for newly acquired 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;
- \$7.8 million relating to earnings on deals acquired before the current financial year, where royalty reporting is still in the process of being redirected/switched over to Hipgnosis;
- \$5.5 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 overseas 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
- \$6.6 million HSG gross revenue accrual, bringing the Group in line with IFRS, which includes the accrued PRO lag. Separately, a \$5.1 million royalty credit representing contractual royalties due to writers has been recognised, resulting in net revenue (NPS) for HSG of \$1.5 million.

Right to Income (RTI)

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

1. Income derived from cash receipts from the Vendor, representing royalties collected by the Vendor starting from the date determined by the purchase agreement, which precedes the date of acquisition.
2. Accrued receivables are recognised for any revenues generated by ownership of the IP to the extent that these are not yet collected.

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

In order to provide further clarity to investors on RTI we are providing additional disclosure of these revenues. Previously RTI was solely defined as including revenue that was recognised on the acquisition of a Catalogue that preceded the financial year, so that investors could clearly identify all revenues which were not from the financial period being reported on. We have re-defined RTI to show both revenue recognised in 'Pre-Financial Year RTI' and 'Within Financial Year RTI', which has been split out in the table opposite. Within Financial Year RTI is considered as recurring as it relates to a revenue period that will be collected and received by SONG in the following financial year.

The combined RTI recognised in the period was \$17.97 million (30 September 2020: \$12.8 million), of which the Pre-Financial Year RTI was \$14.09 million and the Within Financial Year RTI was \$3.88 million.

The opposite table shows Recurring revenue vs. Pre-Financial Year RTI for each financial year to date.

Financial year revenue (\$m)

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

- **Prior Year over/under accrual** is the residual amount recognised in each financial year for the unwinding of estimates made for statements yet to come
- **Pre-FY RTI** is revenue recognised in the current financial year where the entitlement to revenue arose prior to the commencement of that financial year. The pre-FY RTI is recognised on the date on closure of the deal
- **Within FY, pre-acq RTI** is revenue recognised in the financial year for periods within the same financial year, but before the date of acquisition and recognised on the date on closure of the deal
- **Within FY, post-acq** is revenue recognised in the financial year for periods after the date of acquisition

Investment Adviser's Report

In summary, despite the recent disruptive events of COVID-19, Hipgnosis Songs Fund remains dividend covered, and even though we expect further impacts to come in the short term, the outlook for the asset class remains as strong and resilient as ever.

We are grateful to all of you for helping us to establish Songs as an asset class, to define Song Management as a new paradigm for how Songs should be managed with responsibility and to have created a structure where what's in the best interest of the Songwriter is also in the best interest of you, our Shareholders.

For that we thank you and it remains only for me to wish you all a Merry Christmas and a Happy, Healthy and Prosperous 2022!

Merck Mercuriadis

Founder, Hipgnosis Songs Fund Ltd and Founder/CEO of Hipgnosis Song Management Ltd. (Investment Adviser to Hipgnosis Songs Fund Limited)

15 December 2021



HIPGNOSIS SONGS FUND

The Advisory Board

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



Nile Rodgers



The-Dream



David A. Stewart



Bill Leibowitz



Starrah



**Rodney "Darkchild"
Jerkins**



Giorgio Tuinfort



Poo Bear



Ian Montone

Investment Objective and Policy

Investment Objective

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

Investment Policy

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

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

- mechanical royalties – when a copy of a Song is made, whether physical (e.g. CDs, DVDs, vinyl) or digital (e.g. permanent downloads, streaming, webcast);
- performance royalties – when a Song is performed live or broadcast on TV or Radio, or when a song is streamed online; and
- synchronisation fees – when a Song is used in another form of media or moving picture (e.g. movie, TV show, video game, advertisement).

The Company also receives royalties and fees payable in respect of master recordings. Master recordings are the copyright in the master recording of a musical composition or Song. Master recordings earn synchronisation royalties and generate income from sales of both physical records and digital downloads as well as from DSPs.

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

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

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

Investment restrictions

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

- a) the Company holds interests in a minimum of 300 Songs;
- b) the Advances made to Songwriters in connection with the acquisition of rights over future Songs will not represent more than 5% of the Company's Gross Assets, calculated at the date of the relevant Advance;
- c) the value of any single Song does not, and will not, represent more than 10% of the Company's Gross Assets, calculated at the date of the acquisition of such Song (and re-calculated in the aggregate upon the acquisition of any additional interest in a Song). In the event this limit is breached at any point after the

relevant investment has been made or added to (for example due to a change in valuation of any Song), there is no requirement to sell any Song, in whole or in part; and

- d) the Company does not, and will not, invest in closed-ended investment companies or other investment funds.

Cash management

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

Hedging and derivatives

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

Leverage

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

Amendments to and compliance with the Investment Objective and Policy

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

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

Principal Risks and Uncertainties

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

Advance payments to Songwriters don't yield projected returns

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 may not be commercially successful or generate sufficient royalties to recoup the Advance over the forecast period or at all.

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

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

Cyber Risk

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

Due diligence risk

The due diligence process may not reveal all facts that may be relevant in connection with 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 such investment opportunities.

Exchange rate risk

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

Financial leverage risk

The Company uses leverage and may utilise borrowings for working capital and interest rate hedging purposes. In case of default under the relevant financing arrangement the Company may face adverse action from its lenders leading to operating constraints and increased controls. This may affect the Company's ability to pay dividends.

Impact due to the Covid-19 pandemic

The business and economic disruption as a result of the COVID-19 pandemic and associated lockdowns still 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.

Interest Rate risk

The Company is exposed to changes in global interest rates in several ways. Predominantly, but not exclusively, the fiscal and monetary decisions of the US Government and its Central Bank may affect the interest rates at which the Company can borrow money. It may also impact the discount rate, which is used to evaluate the current and forecast value of Catalogues it is purchasing, or has already invested in. Interest rates also have an impact on exchange rates, mentioned above.

Key person risk

The Company depends on the services of the Investment Adviser, in particular on Merck Mercuriadis, Chief Executive of the Investment Adviser. Subsequent to the period end, Blackstone Inc., which brings considerable investment experience and resources, has purchased a controlling stake in the Investment Adviser.

Market trends

The Company is heavily reliant on streaming (or an equivalent technology) remaining popular with consumers. Any adverse change in this would affect revenues. Conversely, technological advances could lead to a growth in royalties as consumers' access to music continues to improve.

Operational reliance on service providers

The Company relies primarily on third-party service providers for its core operations including oversight of its subsidiaries under the terms of its Investment Advisory Agreement.

Emerging Risks

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. These include regulatory/legislative change, macroeconomic and political change as well as new competitors entering the market.

The principal risks and uncertainties of the Company were identified in further detail in the Annual Report and Financial Statements for the year ended 31 March 2021. The Company's principal risk factors are fully discussed in the Company's Prospectus, available on the Company's website (www.hipgnosissongs.com) and should be reviewed by Shareholders.

Directors' Responsibilities

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

- The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting; and
- The Chair's Statement and Investment Adviser's Report include a fair review of the information required by:

i) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first period of the financial year; their impact on the condensed set of consolidated financial statements; and a description of the principal risks and uncertainties of the remaining six months of the year; and

ii) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first period of the current financial year and that have materially affected the financial position or performance of the Company during that period.

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

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

On behalf of the Board

Andrew Sutch
Chair

15 December 2021

Board of Directors

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.



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



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



Sylvia Coleman
Non-executive Independent
Director



Simon Holden
Non-executive Independent
Director and Chair of the
Remuneration Committee



Vania Schlogel
Non-executive Independent
Director



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

Independent Review Report to Hipgnosis Songs Fund Limited

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Hipgnosis Songs Fund Limited's condensed consolidated financial statements (the "interim financial statements") in the Interim Report of Hipgnosis Songs Fund Limited for the 6-month period ended 30 September 2021. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 September 2021;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is The Companies (Guernsey) Law, 2008 and International Financial Reporting Standards (IFRSs).

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers CI LLP

Chartered Accountants
Guernsey, Channel Islands

15 December 2021

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2021 (unaudited)

	Note	1 April 2021 to 30 September 2021 \$'000	1 April 2020 to 30 September 2020 \$'000
Income			
Total revenue	10	85,271	63,314
Interest income		2	70
Royalty costs	3	(11,232)	(6,696)
Net revenue		74,041	56,688
Expenses			
Advisory and performance fees	13	(8,220)	(4,497)
Administration fees		(639)	(591)
Amortisation of Catalogues of Songs	5	(52,124)	(24,100)
Amortisation of capitalised borrowing costs		(1,622)	(1,326)
Directors' remuneration	13	(315)	(252)
Brokers' fees		(1)	(40)
Auditor remuneration		(499)	(184)
Legal and professional fees		(2,955)	(4,129)
Finance charges for deferred consideration		(672)	(670)
Loan Interest		(10,002)	(2,037)
Subscriptions and Licences		(249)	-
Charitable Donations		(20)	-
HSG FV Gain		-	1,767
Other operating expenses	11	(6,885)	(1,791)
Foreign exchange (losses)		(7,841)	(3,663)
Operating expenses		(92,044)	(41,513)
Operating (loss)/profit for the period before taxation		(18,003)	15,175
Taxation	4	(1,240)	(2,206)
(Loss)/Profit for the period after tax		(19,243)	12,969
Total comprehensive income for the period		(19,243)	12,969
Basic and Diluted Earnings per Share (cents)	14	(1.69)	2.04
Adjusted Earnings per Share (cents)	14	3.85	6.61

All activities derive from continuing operations.

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	Note	30 September 2021 \$'000 (Unaudited)	31 March 2021 \$'000 (Audited)
Assets			
Catalogues of Songs	5	2,090,834	1,878,924
Other assets		1,182	3,740
Goodwill		272	272
Trade and other receivables		110,663	107,628
Cash and cash equivalents	7	49,108	112,634
Total assets		2,252,059	2,103,198
Liabilities			
Loans and borrowings	6	589,596	565,860
Other payables and accrued expenses	8	37,221	74,493
Total liabilities		626,817	640,353
Net assets		1,625,242	1,462,845
Equity			
Share capital	9	1,692,451	1,466,851
Other reserves		–	234
Foreign currency translation reserve		(2,245)	(419)
Retained losses		(64,964)	(3,821)
Total equity attributable to the owners of the Company		1,625,242	1,462,845
Number of Ordinary Shares in issue at period end	9	1,211,214,286	1,073,440,268
IFRS Net Asset Value per Ordinary Share (cents)		134.18	136.28
Operative Net Asset Value per Ordinary Share (cents)		172.42	168.29

Approved and authorised for issue by the Board of Directors on 15 December 2021 and signed on their behalf by:

Andrew Sutch Chair

Andrew Wilkinson Director

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021 (unaudited)

	Note	Number of Ordinary Shares	Share capital \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	Retained losses \$'000	Total Equity \$'000
As at 1 April 2021		1,073,440,268	1,466,851	234	(419)	(3,821)	1,462,845
Shares issued	9	137,774,018	229,702	(234)	-	-	229,468
Share issue costs	9	-	(4,102)	-	-	-	(4,102)
Dividends Paid	12	-	-	-	-	(41,900)	(41,900)
Foreign currency translation reserves movement		-	-	-	(1,826)	-	(1,826)
Loss for the period		-	-	-	-	(19,243)	(19,243)
As at 30 September 2021		1,211,214,286	1,692,451	-	(2,245)	(64,964)	1,625,242

For the six months ended 30 September 2020 (unaudited)

	Note	Number of Ordinary Shares	Share Capital \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Total Equity \$'000
As at 1 April 2020		615,851,887	801,844	(412)	9,253	810,685
Shares issued	9	181,402,407	269,302	-	-	269,302
Share issue costs	9	-	(4,430)	-	-	(4,430)
Dividends paid	12	-	-	-	(19,593)	(19,593)
Foreign currency translation reserve movement		-	-	(8,743)	-	(8,743)
Profit for the period		-	-	-	12,969	12,969
As at 30 September 2020		797,254,294	1,066,716	(9,155)	2,629	1,060,190

The Loss for the six-month period ending 30 September 2021 of \$19.243 million is calculated net of Total Amortisation and Foreign Exchange Losses which together amount to \$62.259 million. Adjusting for Total Amortisation and Foreign Exchange Losses the Net Income (inc. Taxation) is therefore \$43.016 million, which represents 1.03x dividend cover on the dividends paid of \$41.900 million.

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2021 (unaudited)

	1 April 2021 to 30 September 2021 \$'000	1 April 2020 to 30 September 2020 \$'000
	Note	
Cash flows used in operating activities		
Operating profit/(loss) for the period before taxation	(18,003)	15,175
Adjustments for non-cash items:		
Loan interest	10,002	2,037
Provision for writer advances	916	-
Movement in writer advances	(6,560)	-
Movement in trade and other receivables	2,608	(37,235)
Movement in other payables and accrued expenses	(3,387)	9,748
Amortisation of Catalogues of Songs and borrowing costs	54,749	25,425
Foreign exchange (gains)/losses	443	3,663
Taxation	(4,798)	(2,206)
Net cash generated from operating activities	35,970	16,607
Cash flows used in investing activities		
Purchase of Catalogues of Songs	(294,374)	(306,247)
Net cash used in investing activities	(294,374)	(306,247)
Cash flows generated from financing activities		
Proceeds from issue of shares*	9	229,468
Issue costs paid	9	(4,102)
Dividends paid	12	(41,900)
Interest paid		(10,660)
Borrowing costs		(594)
Bank loan	12	22,708
Net cash generated from financing activities	194,920	537,855
Net movement in cash and cash equivalents	(63,484)	248,215
Cash and cash equivalents at the start of the period	112,634	17,454
Effect of foreign exchange rate changes on cash and cash equivalents	(42)	1,855
Cash and cash equivalents at the end of the period	49,108	267,524

* Includes C Shares and Ordinary Shares

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 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 (Guernsey), Law, 2008. 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.

Accounting recognition and measurement policies have only been included where material to the consolidated results and financial position of the Company.

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 six months ended 30 September 2021 and are unaudited. The Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property.

2. Accounting policies

a) Basis of preparation

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

The Condensed Consolidated Financial Statements do not include all the information and disclosures required in the Annual Report and should be read in conjunction with the Company's Annual Report for the year ended 31 March 2021, which are available on the Company's website (www.hipgnosisongs.com). The Annual Report has been prepared in accordance with IFRS.

The same accounting policies and methods of computation have been followed for the preparation of these Condensed Consolidated Financial Statements as in the Annual Report for the year ended 31 March 2021.

b) Group information

As at 30 September 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
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 † ¹	UK	100	100	Full	USD
Robot of the Century Music Publishing Inc	US	100	100	Full	USD
C H Publishing Limited † ¹	UK	100	100	Full	GBP
Deamon Limited †	UK	100	100	Full	GBP
PB Songs Ltd †	UK	100	100	Full	GBP

* Hipgnosis Songs Group is a publishing company which was formed in June 2018 and it is equity accounted for in the Consolidated Financial Statements.

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

¹ Dissolved 2 November 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.

c) Going concern

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

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

d) Segmental reporting

The chief operating decision maker is the Investment Adviser. 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.

3. Significant accounting judgments, estimates and assumptions

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

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

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

In calculating accruals, the Investment Adviser makes judgments around seasonality, over or under performance, and commercial factors based on historical performance, and its knowledge of each Catalogue through its regular correspondence with the various administrators, record labels and international societies.

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

Net revenues also include an accrual for performance income, to account for the writer's share of performance royalties which are subject to a significant time lag in reporting in the industry, but which the Group is entitled to receive in due course. In recommending the estimate of this accrual to the Board of Directors the Investment Adviser used its analysis of each Catalogue's revenue history as well as 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 Hipgnosis Songs Group LLC subsidiaries. Royalty cost accruals represent contractual royalties due to songwriters and other rights holders that are payable on a six-monthly basis for writers under publishing contracts and quarterly for clients under administration contracts. Royalty rates vary by writer (negotiated by contract) and by revenue stream.

Expected Credit Loss (ECL) in relation to revenue receivables:

Royalty earnings for accruals and receivables recognised in the period ending 30 September 2021 are distributed by PROs, Publishers and Record Labels who collect royalties at the source of usage and distribute those earnings directly to the Company.

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.

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 acquisition and at each reporting period, and the Board has consistently considered the useful life of each Catalogue acquired to be 20 years, in line with industry standard.

Assessment of impairment and the Calculation of Operative NAV

Intangible assets are subject to a semi-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 30 September 2021 concluded that no 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 the Company's weighted average cost of capital of 8.5% and a terminal value in 16 years based on the calculated stable growth rate of a catalogue after that 16-year period. 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.

4. Taxes

Whilst the Company is incorporated in Guernsey, the majority of the Company's subsidiaries are incorporated and tax resident in the UK and the majority of the Group's income and expenditure is incurred in these UK entities. The Group has exposure to US taxation through ownership of Robot of the Century Music Publishing Inc, Hipgnosis Songs Group LLC and Hipgnosis Acquisition Corp, and through the generation of revenues by UK-domiciled companies in the United States, however this exposure is not considered to be material. Aside from the US, the Group has no other foreign subsidiaries.

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.

The taxation charge of \$1,240,000 (period to 30 September 2020: \$2,206,000) is based upon an estimate of the full year results to 31 March 2022.

5. Catalogues of Songs

	\$'000
Cost	
At 1 April 2021	1,972,199
Additions	264,034
At 30 September 2021	2,236,233
Amortisation and impairment	
At 1 April 2021	93,275
Amortisation	52,124
Impairment	-
At 30 September 2021	145,399
Net book value	
At 1 April 2021	1,878,924
At 30 September 2021	2,090,834
Fair value as at 30 September 2021	2,553,983
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	2,213,719

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 30 September 2021 the Portfolio consisted of Catalogues of Songs held for no longer than four 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 30 September 2021 accumulated amortisation for Catalogue of Songs is \$145,398,554 (31 March 2021: \$93,274,850) and the accumulated impairment to date is \$nil (31 March 2021: \$nil).

The Board engaged portfolio Independent Valuer, Massarsky Consulting, Inc., to value the Catalogues as at 30 September 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% (31 March 2021: 8.5%) that would be categorised under Level 3 within the fair value hierarchy of IFRS 13 "Fair Value Measurement". Income was analysed and forecast at the level of each individual Catalogue and by income type with the exception of Kobalt, which was evaluated as a whole. 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 fair value of the Portfolio by 9.3%, increasing the Operative NAV by \$283 million which represents an increase of \$0.20 Operative NAV per share.

+0.5% discount rate will reduce the fair value of the Portfolio by 7.9%, reducing the Operative NAV by \$200.7 million which represents a decrease of -\$0.17 Operative NAV per share.

6. Loans and borrowings

There are no changes to the terms of the Company's RCF as disclosed on page 144 of the Company's Annual report for the year ended 31 March 2021

	30 September 2021 \$'000	31 March 2021 \$'000
Opening balance – loan drawn	577,292	74,014
Amounts drawn down during the period	22,708	503,278
Total loan drawn down	600,000	577,292
Cumulative Borrowing Costs	(10,404)	(11,432)
Closing balance	589,596	565,860

7. Cash and cash equivalents

Cash and cash equivalents comprises cash held by the Group available on demand and cash held in deposits.

8. Other payables and accrued expenses

	30 September 2021 \$'000	31 March 2021 \$'000
Amounts owed to Songwriters	18,167	18,522
VAT payable	340	2,609
Loan interest payable	619	1,277
Administration fees	189	227
Legal and professional fees	678	1,932
Audit fees	597	523
Corporation tax	1,240	4,798
Other expenses	3,022	2,568
Deferred investment payables	12,369	42,037
	37,221	74,493

Amounts owed to Songwriters represent royalties payable in relation to HSG and Kobalt new releases.

9. 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 2021	1,073,440,268
Shares issued on 29 April 2021	9,000,000
Shares issued on 9 July 2021	128,774,018
Ordinary Shares as at 30 September 2021	1,211,214,286
	\$

Issued and fully paid:	
Share capital at 1 April 2021	1,466,850,825
Shares issued on 29 April 2021	14,937,846
Shares issued on 9 July 2021	214,764,243
Share issue costs	(4,102,278)
Shares as at 30 September 2021	1,692,450,636

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

Ordinary 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

¹ 236,400,512 C Shares converted to 214,202,503 Ordinary Shares

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.

10. Revenue

	1 April 2021 to 30 September 2021 \$'000	1 April 2020 to 30 September 2020 \$'000
Mechanical Income	5,530	6,033
Performance Income	11,194	11,061
Digital Downloads Income	1,999	1,552
Streaming Income	19,858	10,144
Synchronisation Income	14,921	8,739
Publishing Admin Income	108	43
Producer Royalties	3,964	2,981
Masters Income	3,939	3,789
Other Income	2,365	3,457
Writer Share Income	21,393	15,515
Total revenue	85,271	63,314

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 period are included within the Accruals and Receivables.

All revenue streams disclosed in this note are in scope of IFRS 15.

11. Other operating expenses

	1 April 2021 to 30 September 2021 \$'000	1 April 2020 to 30 September 2020 \$'000
Aborted deal expenses	367	224
Bank charges	23	20
Directors and officers Insurance	163	68
Disbursements and sundry	582	221
Fixed Asset depreciation	331	14
Listing Fees	299	570
Postage, stationery and printing	53	16
Provision for HSG Advances ¹	915	-
Public relation fees	504	217
Regulatory fees	59	44
Staff payroll and expenses	3,335	257
Travel and accommodation fees	254	140
Total other operating expenses	6,885	1,791

¹ The Provision for HSG Advances relates to HSG Advances that have been provided for in the financial period. 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.

HSG was acquired on 10 September 2020 and therefore the comparatives, for example staff payroll and expenses, are not for a full period.

12. Dividends

A summary of the dividends is set out below:

	Dividend per share Pence	Total Dividend \$ '000
1 April 2021 to 30 September 2021		
Interim dividend in respect of quarter ended 31 March 2021	1.3125	20,093
Interim dividend in respect of quarter ended 30 June 2021	1.3125	21,807
	2.63	41,900
1 April 2020 to 30 September 2020		
Interim dividend in respect of quarter ended 31 March 2020	1.25	9,485
Interim dividend in respect of quarter ended 30 June 2020	1.25	10,108
	2.50	19,593

Subsequent to the period end, the Company announced an interim dividend for the quarter from 1 July 2021 to 30 September 2021 of 1.3125p per Ordinary Share, paid on 30 November 2021.

13. Related Party Transactions and Directors' Remuneration

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

Directors

The Company Directors' fees for the period to 30 September 2021 amounted to \$314,811 (30 September 2020: \$251,806). Outstanding fees amounted to \$nil at the reporting date (30 September 2020: \$nil).

Investment Adviser

Merck Mercuriadis is the founder of the Investment Adviser.

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

Investment Adviser fees for the period to 30 September 2021 amounted to \$8,219,606 (30 September 2020: \$4,496,933) of which \$nil was outstanding at the reporting date (31 March 2021: £nil) and 137,655 performance fee shares were issued to the Investment Adviser on 9 July 2021.

14. Earnings per share

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

	30 September 2020 Basic	30 September 2020 Diluted
Profit for the period (\$'000)	12,969	12,969
Weighted average number of Ordinary Shares in issue	636,479,578	636,479,578
Earnings per share (cents)	2.04	2.04

	30 September 2021 Adjusted	30 September 2020 Adjusted
(Loss)/profit for the period (\$'000)	(19,243)	12,969
Amortisation of catalogues	52,124	24,100
Amortisation of borrowing costs	1,622	1,326
Finance charges for deferred consideration	672	670
Foreign exchange losses	7,841	3,663
Provision for HSG advances	916	-
Adjusted earnings	43,932	42,728
Weighted average number of Ordinary Shares in issue	1,140,172,604	636,479,578
Adjusted Earnings per Share (cents)	3.85	6.71

The earnings per share is based on the profit or loss of the Group for the period and on the weighted average number of Ordinary Shares for the period ended 30 September 2021.

There are no dilutive shares at 30 September 2021.

15. Net Asset Value per Share and Operative Net Asset Value per Share

	30 September 2021	31 March 2021
Number of Ordinary Shares in issue	1,211,214,286	1,073,440,268
IFRS NAV per share (cents)	134.18	136.28
Operative NAV per share (cents)	172.42	168.29

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

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

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

Reconciliation of IFRS NAV to Operative NAV

	30 September 2021 \$'000	31 March 2021 \$'000
IFRS NAV	1,625,242	1,462,845
Adjustments for revaluation of Catalogues of Songs to fair value	317,750	250,343
Reversal of cumulative Catalogue Amortisation	145,399	93,275
Operative NAV	2,088,391	1,806,463

16. Subsequent events

On 8 October 2021 the directors agreed an amendment to the Investment Advisory Agreement which provided consent for the Investment Adviser to provide investment advisory services to Blackstone as an additional client.

On 12 October 2021 the Investment Adviser issued a press release announcing that it had entered into an agreement with Blackstone to invest up to \$1 billion over the course of the next year in music assets. Blackstone has taken an ownership stake in the investment Adviser in the context of this agreement. Furthermore, the Investment Adviser, formerly The Family (Music) Ltd, changed its name to Hipgnosis Song Management Ltd.

On 20 October 2021 the Company declared a dividend of 1.3125p per Ordinary Share in respect of the quarter ended 30 September 2021 payable on 30 November 2021.

Alternative Performance Measures

Performance measure	Definition	Reason for use
Annualised ongoing charges	Adjusted Operating Costs (\$31,229,768), less Non Recurring administrative expenses (\$13,920,404) over a 12-month period pro-rated for 12 months (\$34,524,145)	Ongoing Charges are an indicator of expenses likely to recur in the foreseeable future
Adjusted operating costs	Operational expenses (\$92,111,022) less Total Amortisation (\$54,417,618) less Foreign exchange losses (\$7,841,231) less Provision for HSG Advances (\$916,229)	Ongoing Charges are an indicator of expenses likely to recur in the foreseeable future
Operative NAV	The IFRS NAV (\$1,625,241,848) adjusted for the fair value of Catalogues of Songs (\$463,148,951)	The Operative NAV reflects the values of Catalogues of Songs based on fair values produced by the Portfolio Independent Valuer
Average Operative NAV	Average of the Operative NAV as at 31 March 2021 (\$1,806,462,664) and the Operative NAV as at 30 September 2021 (\$2,088,390,799)	The average was taken given the further share issuance in the period
Adjusted EPS	Profit after Tax excluding Total Amortisation (\$54,417,618), foreign exchange losses (\$7,841,321) and provision for HSG advances (\$916,229) divided by weighted average number of Ordinary Shares in issue (1,140,172,604)	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
EBITDA	The operating loss before tax (\$18,002,807) plus Total Amortisation, Loan interest and depreciation and FX gain/loss (\$72,592,200), being \$54,589,393	An indicator of company performance and profitability removing accounting adjustments
Leveraged Free Cash Flow	Net Cash from Operating Activities (\$35,979,425) plus Writer Advances (\$6,559,805)	An indicator of the cash position of the Company and the availability of cash flows to fund interest and dividend payments

Alternative Performance Measures

Performance measure	Definition	Reason for use
Six-Month Total NAV Return	Operative NAV per share as at 30 September 2021 (\$1.7242) plus dividends paid from 31 March 2021 to 30 September 2021 (\$0.0336) divided by the Operative NAV per share as at 31 March 2021 (\$1.6829) equals 4.63%	To show how the assets have performed over the past six months to Shareholders
12-Month Total NAV Return	Operative NAV per share as at 30 September 2021 (\$1.7242) plus dividends paid from 30 September 2020 to 30 September 2021 (\$0.0717) divided by the Operative NAV per share as at 30 September 2020 (\$1.6205) equals 10.82%	To show how the assets have performed over the past 12 months to Shareholders
Total NAV Return	Operative NAV per share as at 30 September 2021 (\$1.7242) plus cumulative dividends paid to date up to 30 September 2021 (\$0.1799), divided by the Operative NAV as at 11 July 2018 (\$1.2983) equals 46.67%	To show how the assets have performed since inception to Shareholders
Net Debt	Amount drawn down on loan facility (\$600,000,000) less cash on deposit (\$49,108,321)	Liquidity metric used to determine how well a company can pay all of its debts if they were due immediately
Non Recurring administrative expenses	Exceptional Costs included within Legal and professional and listing fees (\$1,256,701) plus Aborted deal expenses (\$367,326) plus Interest Costs (\$11,624,055) plus deferred consideration finance charges (\$672,321)	An indicator of expenses not likely to recur in the foreseeable future
Ongoing Charges %	Annualised Ongoing Charges (\$34,524,145) divided by Average Operative NAV (\$1,947,426,732)	To monitor the expenses, which are likely to recur, relative to the fund size over time
Total Amortisation	Amortisation of catalogues of songs (\$52,123,704) plus amortisation of capitalised borrowing costs (\$1,621,593) plus finance charges for deferred consideration (\$672,321)	Total amortisation is the measure of the non-cash items arising from accounting treatment and includes the amortisation of borrowing costs – and is used to evaluate the performance without any amortisation

Glossary of Capital 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;

“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 the 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;

Glossary of Capitalised Defined Terms

“Conversion” means the conversion of C Shares to Ordinary Shares;

“Copyright Royalty Board” or **“CRB”** 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 Hipgnosis Song Management Limited, formerly The Family (Music) Limited;

“Investment Advisory Agreement” means the investment advisory agreement dated 27 June 2018, as amended, between Hipgnosis Song Management Limited, formerly known as 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” means a portfolio of 42 Catalogues acquired in September 2020, from Kobalt Music Copyrights S.à.r.l., an investment fund advised by Kobalt Capital Limited;

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

“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;

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

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

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

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

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

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

“NFT” means Non Fungible Token;

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

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

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

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

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

“Performance Rights 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 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;

Glossary of Capitalised Defined Terms

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

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

“Pro-Forma Annual Revenue” or **“PFAR”** – Pro-forma Annual Revenue (PFAR) 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;

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

“RCF” means the Revolving Credit Facility arranged from JPMorgan Chase Bank, as Lead Arranger.

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

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

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

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

“RIAA” means Recording Industry Association of America;

“Right To Income” means a right to income recognised as part of the Catalogue acquisition, which is typically dependent on the timing of the negotiations and relates to royalty income paid over to the Company on closing of the acquisition and the accrued receivables. The right to income related to the period before the start of the

financial year is now defined as **“Pre-FY (RTI)”**; the portion of RTI that falls within the Financial Year is now defined as **“Within FY, pre-acq (RTI)”**;

“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”** is 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
Starrh
David A. Stewart
Poo Bear
Bill Leibowitz
Ian Montone
Rodney Jerkins

Investment Adviser

Hipgnosis Song Management Limited
(formerly *The Family (Music) Limited*)
Merck Mercuriadis, CEO
Björn Lindvall, COO
Chris Helm, CFO

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

Registered Office

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

Administrator and Company Secretary

Ocorian Administration (Guernsey) Limited
PO Box 286
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
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, 2020. 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 is 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, Hipgnosis Song Management Limited, formerly 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.

Hipgnosis Song Management 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 a 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



Kyle Rittenhouse

17 Years Old

Carries Assault Rifle

Kills/Injures 3 People

'NOT GUILTY VIGILANTE'



Trayvon Martin

17 Years Old

Carries Bag of Skittles

Walks in a Hoodie

KILLED BY
'NOT GUILTY VIGILANTE'

#blacklivesmatter



HIPCHOSIS

• Brass In Pocket (I'm Special) • **We Are Family** • 2000 Miles • **P.I.M.P.** • Give It To Me Baby • **Hurt Somebody** • Message Of Love • **Suga Suga** • Wrecking Ball • **Look What God Gave Her** • La Tortura • **I Predict A Riot** • Naked • **Just Give Me A Reason** • Anywhere • Team • Heart Of Gold • **Old Man** • Needed Me • **Bad To The Bone** • Blame • **Love My Life** • Go Robot • **Big Love** • Private Idaho • **Kickstart My Heart** • Brave • **Love You Like A Love Song** • Just Dance • **Never Going Back Again** • I Like It • **I Only Want to Be With You** • Familiar • **Titanium** • Roar • **Graveyard** • Songbird • **Drive By** • Second Hand News • **Life Changes** • Impossible • **Toxic** • Call It What You Want • **Who's Crying Now** • What Happens In A Small Town • **There Must Be An Angel (Playing With My Heart)** • I'm The One • **Nancy Mulligan** • Don't You Worry Child • **Back On The Chain Gang** • Tusk • **Ruby** • Some Nights • **Everybody Hates Me** • Tenerife Sea • **What Do I Know?** • The Heart Wants What It Wants • **Lean On** • Too Much To Ask • **Bloodstream** • Only The Young • **Let Me Go** • 1-800-273-8255 • **Lights** • Rockin' In The Free World • **With You** • Dirty Work • **History** • Stand By You • **Sofia** • Sky Walker • **Firebird** • Rearview Town • **Runaway Baby** • Scared to Be Lonely • **All The Small Things** • Electricity • **Come And Get It** • 8Teen • **Disturbia** • Not Giving In • **Mercy** • Getaway Car • **Bed** • Stay • **First Of The Year** • Grenade • **Spoonman** • All Of The Stars • **When I Need You** • Little Lies **Maps** • They Don't Know • **Would I Lie To You?** • Mandy • **Addicted To You** • Country Grammar • **Flatliner** • New Year's Day • **Hunger Strike** • Dilemma • **Perfect Places** • Sisters Are Doin' It For Themselves • **Xo** • Good Times • **Freaky Friday** • The Zephyr Song • **Alejandro** • Dress • **You're Beautiful** • Runnin' (Lose It All) • **Do You Remember** • Home Sweet Home • **Just A Lil Bit** • Underneath Your Clothes • **Changing** • Diva • **Every Little Step** • Classic • **Say You Love Me** • Good To Be Alive (Hallelujah) • **The Prayer** • Somebody • **Harvest Moon** • Heartless • **One Last Time** • Clandestino • **Waterfalls** • Sugar • **Liability** • Dumb Disco Ideas • **Soul On Fire** • Say My Name • **Prayed For You** • I Get Money • **I'll Be There For You** • This Is Why We Can't Have Nice Things • **Out Of The Woods** • Burial • **El Perdedor** • Best Song Ever • **Somewhere On A Beach** • One Way Or Another • **I'm Not In Love** • Dare (La La La) • **Nada** • Count On Me • **Swalla** • Don't Be So Hard On Yourself • **Goodbye Angels** • Kiss And Make Up • **Carry On** • Girls, Girls Girls • **When You're Gone** • Tennis Court • **Turn Down For What** • Liar • **Fresh Eyes** • Nervous •



HIPGNOSIS SONGS FUND

Hipgnosis Songs Fund Limited

Floor 2, Trafalgar Court, Les Banques

St Peter Port, Guernsey GY1 4LY

www.hipgnosissongs.com