14 July 2022

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

Final Results for the year ended 31 March 2022

The Board of Hipgnosis Songs Fund Limited, the first UK listed investment company offering investors a pure-play exposure to songs and associated intellectual property rights, and its Investment Adviser, Hipgnosis Song Management Limited, are pleased to announce the Company's final results for the year ended 31 March 2022.

Financial Highlights

- Operative NAV increased by 9.9% to $1.8491 per Share (31 March 2021: $1.6829)
    - As at 31 March 2022, the Operative NAV presented in Sterling would be 140.79p per Share (GBP:USD 1.3134)
    - As at 13 July 2022, the Operative NAV presented in Sterling would be 154.76p per Share (GBP:USD 1.1949)
- Including dividends paid, Total Operative Dollar NAV Return of 14.2% for the year, taking Total NAV Return since IPO to 59.1%
- NAV growth driven by a 9.5% like-for-like value uplift across the Portfolio to $2.7 billion, as determined by Portfolio Independent Valuer, as a result of:
    - Strong like for like Streaming growth of 19.4% in the second half of 2021, compared to the first half of 2021, in excess of the Valuer's expectations, resulting in an increase in expected future Streaming revenues
    - Increase in expected revenues due from emerging technology platforms as material revenues start to be paid into publishers and record companies
- Gross Revenue increased by 24.7% to $200.4 million (31 March 2021: $160.7 million) partly due to the Catalogue acquisitions during the period
- Pro-Forma Annual Revenue (PFAR), which shows royalty earnings during a 12-month period, irrespective of ownership, grew strongly in H2 2021. Whilst for the full calendar year 2021, PFAR fell 5.3% to $114.9 million (2020: $121.26 million) largely due to the impact of COVID-19 restrictions, there was an 11.6% pro forma revenue increase in H2, compared to H1, driven by Streaming revenue growth and the re-opening of performance venues
- EBITDA increased by 21.8% to $129.9 million (31 March 2021: $106.7 million)
- Total dividends of 5.25p per ordinary share paid were fully covered (1.01x) by leveraged free cash flow
- Net debt of $569.9 million as at 31 March 2022, reflecting 25.4% of Operative NAV

Operational Highlights

- Portfolio now comprises of 146 Catalogues, 65,413 songs, with an aggregate value of $2.69 billion, and includes some of the most successful and culturally important songs of all time
- Acquired 8 Catalogues, including Red Hot Chili Peppers, Christine McVie of Fleetwood Mac, Ann Wilson of Heart, Rhett Akins, and Stefan and Jordan Johnson - The Monsters & Strangerz, using the proceeds of an oversubscribed placing which raised over £156 million ($215 million) in July 2021
- Significant investment in Investment Adviser's capabilities, particularly in Song Management, finance, investment teams and data analytic functions

- A 20% increase of formal synch licences approved in the 6 months to 31 March 2022 vs the first half of the financial year
- Post period end, in July 2022, signed a ground-breaking direct administration agreement with Sacem, the French CMO, materially reducing third party administration and collection fees, middlemen and the length of time it takes to collect digital revenues
- Our advocacy for fairness for songwriters has helped to secure Competition and Markets Authority market study into Music and Streaming

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

"Over the last four years we have acquired an incomparable portfolio of some of the most successful and culturally important Songs of all time, now valued at $2.7 billion. The unique strength of our Catalogue is demonstrated by the 9.9% increase in the Operative NAV to $1.8491 per share, as reported by our Independent Portfolio Valuer, and a Total NAV Return of 14.2%. This is largely driven by our iconic Songs outstripping the general market growth in Streaming, particularly in the second half of 2021, providing validation for our investment strategy.

"As we look forward, we continue to expect strong global revenue growth driven by the continued adoption of paid-for Streaming. Despite the macro-economic environment, the attractiveness of the music Streaming proposition continues to grow. It is the lowest cost entertainment subscription service and, with its offering of a near complete repertoire of global music, provides the most comprehensive offering of the on-demand, entertainment subscription services. This view is shared by the leading voices in the sector, including Goldman Sachs, who recently upgraded their double-digit annual growth forecast through to 2030 in their gold standard *Music In The Air: Music still sounds good in a macro downturn; raising global industry forecasts* report.

"With clear evidence of a strong recovery in global Performance income, the recent CRB III determination to increase Streaming royalty rates for songwriters, and potential for further improvements in the upcoming CRB IV determination, all in addition to the extremely strong growth in Streaming, I believe we are looking forward to very attractive market conditions. Given our incomparable collection of iconic Songs, I believe Hipgnosis is perfectly placed and will continue to deliver excellent returns for our Shareholders.

"Thank you to our Shareholders for your incredible support, our Board, brokers and the incredible songwriters who have entrusted us with their incomparable Songs."

Analyst Presentation

The Investment Adviser will be hosting a webinar for analysts at 12:00pm BST today. To register to participate, please contact rufina@hipgnosissongs.com.

For further information please contact:
Hipgnosis Song Management
Merck Mercuriadis
Giles Croot (Media) +44 (0)20 4542 1511
Rufina Pavry (Investors) +44 (0)20 4542 1530

Singer Capital Markets - Joint Corporate Broker +44 (0)20 7496 3000
James Maxwell / James Moat / Amanda Gray (Corporate Finance)

Alan Geeves / James Waterlow / Sam Greatrex (Sales)

J.P. Morgan Cazenove - Joint Corporate Broker +44 (0)20 7742 4000
William Simmonds / Jérémie Birnbaum (Corporate Finance)
James Bouverat (Sales)

RBC Capital Markets – Joint Corporate Broker +44 (0)20 7635 4000
Elliot Thomas / Max Avison (Corporate Finance)
Lisa Tugwell / Anastasia Mikhailova (Sales)

Ocorian - Company Secretary & Administrator +44 (0) 28 9693 0222
Lorna Zimny

The Outside Organisation +44 (0)7711 081 843
Alan Edwards / Nick Caley

FTI Consulting +44 (0)7771 978220; +44 (0)7809 411882; +44 (0)7761 332646
Neil Doyle/ Paul Harris/ Laura Ewart

All US music publicity enquiries +1 917 767 5255
Fran Defeo

About Hipgnosis Songs Fund

Hipgnosis, which was founded by Merck Mercuriadis, is a Guernsey registered investment company established to offer investors a pure-play exposure to songs and associated musical intellectual property rights. The Company has raised a total of almost £1.3 billion (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent issues in April 2019, August 2019, October 2019, July 2020, September 2020, February 2021 and July 2021. In September 2019, Hipgnosis transferred its entire issued share capital to the Premium listing segment of the Official List of the FCA and to the London Stock Exchange's Premium segment of the Main Market, and in March 2020 became a constituent of the FTSE 250 Index. Since April 2021, the Company has been resident in the UK for tax purposes and is recognised as an investment trust under applicable HMRC regulations.

About Hipgnosis Song Management Limited

The Hipgnosis Songs Fund’s Investment Adviser is Hipgnosis Song Management Limited, which was founded by Merck Mercuriadis, former manager of globally successful recording artists, such as Elton John, Guns N' Roses, Morrissey, Iron Maiden and Beyoncé, and hit songwriters such as Diane Warren, Justin Tranter and The-Dream, and former CEO of The Sanctuary Group plc. The Investment Adviser has assembled an Advisory Board of highly successful music industry experts which include award winning members of the artist, songwriter, publishing, legal, financial, recorded music and music management communities, all with in-depth knowledge of music publishing. Members of Hipgnosis Song Management Limited Advisory Board include Nile Rodgers, The-Dream, Giorgio Tuinfort, Starrah, David A. Stewart, Poo Bear, Bill Leibowitz, Ian Montone and Rodney Jerkins.

Introduction From Merck Mercuriadis

Introduction and overview
When I started Hipgnosis four years ago, no one could have predicted where we would be today.

Despite the challenges the world has faced due to the COVID-19 pandemic and macroeconomic conditions that have ensued, Hipgnosis, and our investment thesis, has not only been proven by these challenges, but after an incredible 2021/2022 is in its most exciting position yet.

With proven Songs firmly established as an asset class, no investment portfolio is truly complete without at least some exposure to the predictable, reliable and uncorrelated revenues they generate.

In 2021/2022, the music industry has gone from strength to strength. We have seen a continued acceleration of the adoption of paid for Streaming. Global Streaming revenue growth rates of 24.3% in 2021 exceeded all expectations (IFPI). This led Goldman Sachs to further increase their forecast Streaming revenue growth rates to 12% per annum for the rest of the decade in their updated 2022 gold standard *Music In The Air* report. There are now 523 million users of paid music subscription services globally and the market is well on its way towards 2 billion in the coming decade.

Technological innovation has also continued to create new ways of consuming and monetising music. Emerging technologies such as TikTok, Roblox, Social Media and Peloton not only have provided additional revenue streams to copyright owners such as Hipgnosis, but have also created a platform where we can introduce great hit songs from the past to new generations of listeners.

Music Performance income recovered strongly from the impact of various global COVID-19 lockdowns in 2021. Live music venues are full, and booked into 2024, whilst bars, pubs and restaurants have reopened and are playing music again. As a result, industry experts are expecting a near complete recovery in Performance income in 2022.

During COVID-19, Hipgnosis' resilience against the challenging market proved the reliability of our income. In the second half of our fiscal year 2021/2022, as most global restrictions have eased and market growth has returned, we have now also shown that our acquisition strategy and disruptive Song Management approach leaves us well positioned to outperform. Our strategy to acquire only the most successful and culturally important Songs, including 67 of the 271 Songs that have been played over 1 billion times on Spotify, has delivered like-for-like Streaming growth of 19% in the second half of our fiscal year alone.

This Streaming growth outperformed our Independent Valuer's expectations, and together with the first time recognition of the value of revenue generated from the now established digital lifestyle platforms that have emerged, led to an annual increase in our Operative NAV of 9.9% to $1.8491 per share.

Providing uncorrelated income has always been an important part of our thesis. However, from inception, we have emphasised that even more significantly, the opportunity for value growth would deliver an exceptional total shareholder return. This period's Operative NAV growth is an important step on that journey, which will be fully delivered as paid-for subscriptions continue to grow and the utility-like income this produces becomes recognised and valued by investors globally.

Together with our fully cash-covered dividends of
5.25p per share, we have delivered a Total NAV Return for the 12-months ending 31 March 2022 of 14.2% to our Shareholders. This takes our Total NAV Return since inception four years ago to 59.1%.

These returns would not have been possible without our responsible approach to Song Management which has the resource and bandwidth to manage great Songs to their full potential and add significant value.

This year our Song Management team has had some great successes placing our songs in films, television shows and adverts; we have worked with our Songwriters, producers and artists to maximise the impact of anniversaries and milestones of culturally important releases; fixed copyright breakages to deliver new revenues to Hipgnosis which were never built into our forecasts at the time of acquisition; as well as negotiated and moved catalogue administration deals, ensuring we get paid faster while being charged lower administration fees. In July 2022, we have taken this one-step further, announcing a ground breaking new direct administration agreement with Sacem, the French PRO. Under this first-of-its-kind deal, Sacem will directly collect and pay digital rights for writers' share, primarily in the UK and the EU, eliminating a link in the royalty collection process. This will materially reduce third party administration and collection fees and the length of time it takes to collect digital revenues.

Most notably however, our Song Management team has continued to embrace new technologies to promote our incredible songs to new audiences. TikTok has become an increasingly important channel, with over 1 billion active users, and has the capacity to introduce our iconic songs to a new younger audience, deepen the engagement of a Song and bring hit Songs back into the mainstream all over again, extending their life for generations to come. Our team has believed in the potential of TikTok for a number of years and focused on using this platform to promote our Songs. We now have over 2.1 million followers across our TikTok accounts, well above most traditional publishers, and have helped deliver huge viral successes for our iconic Songs. Our early commitment to emerging platforms such as TikTok positions Hipgnosis perfectly to benefit from the expected rise in revenues from these emerging platforms, which are predicted to be as much as 12% of global music revenues by 2030 from 5% today.

I can't talk about 2021/2022 without discussing the progress made in our ulterior motive: to use the influence of Hipgnosis and our great Songs to be a catalyst to change where the Songwriter sits in the economic equation, for the benefit of the Songwriting community and our Shareholders. When a Catalogue is acquired our Shareholders sit directly in the shoes of the Songwriter so there is complete alignment between the Songwriting community and our Shareholders. This is unique, as what's in the best interest of the Songwriters is also in the best interest of the Company.

The Song is the currency of our business; without the Song we simply have no music business. Yet for too long the songwriter – who delivers the most important component to the success of a record company, digital service provider, music merchandiser, live promoter etc. – is the lowest paid person. We aim to take the Songwriter from the bottom to the top of the economic equation and our advocacy on this issue, including with the UK Department for Digital, Culture, Media and Sport (DCMS), the Competition and Markets Authority (CMA) and the US Copyright Royalty Board (CRB), is being felt at every level and is not only gaining support but provoking real thought and change.

Most importantly, we have helped deliver the recent decision of the US Copyright Royalty Board (CRB) to disallow the appeal by various Streaming services against the CRB III determination to increase mechanical Streaming royalty rates for songwriters and publishers. We still have plenty of room for improvement before we have a rate that's genuinely fair and equitable but this is an important step on the road to finally, properly recognising the value that Songwriters bring to the industry and the lives of the billions of people all over the world who rely on great songs to enrich their lives. The CRB delivered a strong message not only to the digital service providers like Spotify but also to the recorded music companies about the importance of the Songwriter in our industry. We congratulate all of the incredible Songwriters that have entrusted us with their incomparable Songs, as well as each and every songwriter that goes to work each day to write great songs and make the world a better place. This is a victory for all of you. We are prepared for CRB IV and the challenges it will bring and we will advocate and fight on behalf of the Songwriting community and our investors until we have a fair and equitable result.

In October 2021, the Investment Adviser (Hipgnosis Song Management, formerly known as The Family (Music) Ltd), was appointed to act for a second fund (Hipgnosis Songs Capital, which invests funds managed by the global alternative investment manager, Blackstone). Additionally, Blackstone has taken an ownership stake in the Investment Adviser.

We see this investment as a major vote of confidence for Hipgnosis Songs Fund, Hipgnosis Song Management, the asset class we have established and our investment strategy. Additionally, the investment that Blackstone has made has already enabled us to make considerable additional investment in the Investment Adviser's most important capabilities, including data analysis, investment processes, Song Management and communications. Hipgnosis Songs Fund Shareholders will benefit directly from these upgraded capabilities.

Concurrently we worked closely with the Board to ensure that the interests of the Company's Shareholders were fully protected and agreed a comprehensive co-investment policy. All investment opportunities identified by the Investment Adviser are offered to both funds on identical terms with the Board of the Hipgnosis Songs Fund having a co-investment right to participate in 20% of any catalogue purchased. This reflects the expected investment capital available to both funds.

With the Board, we believe that this will enable the fund to participate in a wider range of purchases than would have been possible on a standalone basis and is an arrangement which is beneficial to Shareholders in Hipgnosis Songs Fund. The Board has not exercised any co-investment rights to date as prior to the last equity raise in the summer of 2021, a strategic decision was taken, in consultation with our brokers and after discussion with our major Shareholders, that the Company did not intend to offer further shares for cash consideration until after publication of the Net Asset Value per share as at 31 March 2022 which is outlined in this report. We now hope that the current challenges facing the markets will settle in due course so that we can raise new funds and continue to give Hipgnosis Songs Fund Shareholders access to the incredible pipeline of iconic songs we have assembled.

Despite the current challenging macro-economic environment, with expectations of high inflation and a squeeze on consumer spending, having built an incomparable portfolio of iconic songs that yield uncorrelated income we go into 2022/2023 extremely confident of our growth prospects. Great songs are not just entertainment; they are the soundtrack of our lives and people turn to them for comfort and escape equally in times of hardship as they celebrate with them in times of prosperity. As a result, music revenues have been historically uncorrelated to economic conditions,
and we strongly believe that Streaming growth will continue uninterrupted over the coming years. Streaming remains the cheapest form of entertainment, provides one of the highest quality offerings of all entertainment subscription services, and has low penetration rates with significant room for growth in both the developed markets as well as emerging markets. This view is shared by the leading voices in our industry including Goldman Sachs, who are forecasting 9% annual global music revenue growth through to 2030.

Finally, in a period when both global recorded music and music publishing grew at the fastest rate in history, it's important to emphasise that for the first time ever almost all consumption of Music is now paid consumption.

It remains only for me to thank you for your continued support and to also thank our Board, led by Chair Andrew Sutch, and the incredible Songwriters who have entrusted us with their incomparable Songs.

Best wishes,

Merck Mercuriadis

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

13 July 2022

The Chair's Statement

Introduction

In our short history, Hipgnosis Songs Fund Limited has grown rapidly, raised £1.3 billion of equity and invested in over 65,000 Songs and nearly 150 Catalogues. Since inception we have cumulatively paid 17.69p per share to Shareholders in dividends and led the campaign for songwriters to be rewarded fairly for the crucial contribution they make not only to the music industry but to our quality of life.

Many individuals and businesses have been impacted by the COVID-19 pandemic over the last two years. Remembering those whose lives ended prematurely or who are suffering the long-term impact of catching the virus puts into context the challenges which have been caused to businesses, including the Company, during that period.

COVID-19 is the first time that the music royalties asset class has been tested under a stressed situation and I believe that these results continue to confirm the quality of earnings that music royalties offer and the robustness of Hipgnosis's business model. Today, with venues reopened, live music returned and concerts resumed, Hipgnosis is benefitting from the impact of a sustained recovery.

In October 2021 our Investment Adviser (Hipgnosis Song Management, formerly known as The Family (Music) Ltd), was appointed to act for a second fund (Hipgnosis Songs Capital, which invests funds managed by the global alternative investment manager, Blackstone). Additionally, Blackstone has taken an ownership stake in the Investment Adviser.

Your Board sees this investment as a major vote of confidence in Hipgnosis Song Management, our asset class and our investment strategy. Additionally, the investment that Blackstone has made in the Investment Adviser has already enabled it to make considerable additional investment to its core capabilities, including data analysis, investment processes, Song

Management and communications. Hipgnosis Songs Fund Shareholders will benefit directly from these upgraded capabilities.

Whilst welcoming this investment, your Board and the Investment Adviser were determined to ensure that the interests of Hipgnosis Songs Fund Shareholders were fully protected and appropriate governance practices put in place. All investment opportunities identified by the Investment Adviser are offered to both funds with Hipgnosis Songs Fund having a right to participate in any transaction on identical financial terms to Hipgnosis Songs Capital, with a right to invest in 20% of any catalogue purchased.

Your Board believes that this will enable the Company to participate in a wider range of purchases than would have been possible on a standalone basis and is an arrangement which is beneficial to Shareholders in Hipgnosis Songs Fund. The Board has not exercised any co-investment rights to date.

Fundraising

In July 2021, Hipgnosis raised £156 million ($215 million) in a placement. This takes the total amount raised by the Company in investment to date to £1.3 billion in equity and $600 million in debt. These recent funds were used to acquire eight more Catalogues for a total consideration of c.$265 million, including Red Hot Chili Peppers and Christine McVie of Fleetwood Mac.

Prior to the July 2021 equity raise, a strategic decision was taken, in consultation with our brokers and after discussion with our major Shareholders, that the Company did not intend to offer further shares for cash consideration until after publication of the Net Asset Value per share as at 31 March 2022 (in this report).

During the year, the Company fully drew down on its $600 million Revolving Credit Facility, taking Net Debt as at 31 March 2022 to 25.4% of Operative NAV (31 March 2021: 25.7%). Since the year end, the Company has experienced an increase in borrowing costs as a result of rising interest rates. The Board, together with the Investment Adviser, is in the process of a review of its leverage structure with a view to reducing interest rate risk and control costs for the Company.

Performance

The IFRS Net Asset Value (NAV) per share as at 31 March 2022 was $1.3065 which is a 4.1% decrease from $1.3628 as at 31 March 2021.

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

The Operative NAV per share increased by 9.9% to $1.8491 during the year (31 March 2021: $1.6829), which, when including dividends paid, represents a Total $ NAV Return of 14.2% for the year and of 59.1% since IPO on 11 July 2018.

Dividends

During the 12-months ended 31 March 2022 the Company paid a total of 5.25p in interim dividends per Ordinary Share. Despite the challenges presented by COVID-19, the cost of these dividends was covered from leveraged free cashflow.

Since the period end, on 12 May 2022, the Company declared a further interim dividend of 1.3125p per share which was paid on 15 June 2022.

The Board's current intention is to continue to target a total of 5.25p in interim dividends per Ordinary Share in relation to the new financial year ending 31 March 2023.

Going forward, the Company intends to better align dividend payment dates with revenue receipts and to pay interim quarterly dividends to Ordinary Shareholders on or around the last working day of October, January, April and July of each year, with the dividends declared in the month prior to payment.

The Board

Vania Schlogel joined the Board as an additional non-executive director on 11 June 2021. Based in the US, Vania has considerable experience of private equity, media and entertainment businesses.

I would, once again, like to place on record my thanks and appreciation to my fellow Directors for their diligence and dedication over the last year.

In addition, I would like to thank Merck Mercuriadis and the whole Hipgnosis team for their hard work. When I visit the office, I get a true sense of their passion for music and the effort they put in on a daily basis to ensure that Hipgnosis Songs Fund Limited performs at its full potential.

AGM

The Annual General Meeting (AGM) of the Company will be held at 10.00 BST on 21 September 2022 at United House, 9 Pembridge Road, Notting Hill, London W11 3JY. Details of the resolutions to be proposed at the AGM, together with explanations of the AGM arrangements, are set out in a separate circular which is sent to Shareholders with this Annual Report. Members of the Board and the Investment Adviser will be in attendance at the AGM and will be available to answer Shareholder questions.

Outlook

The outperformance of our Portfolio, particularly in the second half of the year, gives us confidence despite the challenging macro-economic and geo-political conditions. The unique quality and cultural importance of the Songs in our Catalogue provide Hipgnosis with an unparalleled collection of assets, which are uncorrelated to the macro-economic environment.

The choice, quality and simplicity of Streaming makes it, we believe, very attractive to a large number of music consumers and the Board expects this market to continue growing despite the slow down in global economic growth, the rise in inflation and the geopolitical stresses exacerbated by Russia's invasion of Ukraine.

Music Streaming represents extremely good value to the consumer; as such we anticipate that it will continue to be resilient and that the Streaming providers should retain pricing power for their services, thus helping to sustain the Company's royalty income.

Together, this enables the Board to have good confidence for your Company's future prospects.

Andrew Sutch
Chair

13 July 2022

Investment Adviser's Report

Over the last four years we have acquired an incomparable portfolio of some of the most successful and culturally important Songs of all time, now valued at $2.7 billion. The unique strength of our Catalogue is demonstrated by the 9.9% increase in the Operative NAV to $1.8491 per share, as reported by our Portfolio Independent Valuer. This is largely driven as a result of our iconic Songs outstripping the general market growth in Streaming, particularly in the second half of 2021, providing validation for our investment strategy.

This Operative NAV growth is an important initial step in our thesis that the value of Catalogues would re-rate as Streaming income grows and investors come to recognise the utility-like income this produces. Since inception, we have emphasised that not only would iconic Songs produce uncorrelated income, but that the most significant element in delivering an exceptional Shareholder return was the growth in the value of these Catalogues. We acquired Catalogues coming off the back of 15 years of piracy that left them as undervalued assets, being managed by traditional publishers whose model to manage these Catalogues was strictly passive and not suited for the incredible digital opportunities that allow Song Management to add value in a post-Streaming world. We are now seeing this growth start to come through as paid-for subscriptions exceed 500 million globally.

Not only has this delivered consistent double digit music revenue growth, it has transformed the quality of earnings that Songs produce. Iconic Songs no longer generate a single physical sale as a discretionary purchase, but a repeating utility income stream as fans go back to these Songs of great importance to them in good and bad times, over and over. You pay your tenner a month and you can push play as often as you like and iconic Songs win out. This is starting to be recognised by investors globally, with some of the largest private equity investors starting their own music funds in the last year, including the private fund Hipgnosis Song Management has with Blackstone. This is not only a validation of our thesis, but importantly increased competition for access to a limited number of iconic Catalogues will re-rate prices and deliver further NAV growth to our Shareholders.

On top of this, our disruptive Song Management is built around the Streaming paradigm, focused on managing and promoting our great hit Songs of the past which have high demand rather than focusing on promoting continuous new releases with no track record. There will never be another *Good Times* by Chic, *Sweet Dreams (Are Made Of This)* by Eurythmics, *Heart of Glass* by Blondie, *Shape Of You* by Ed Sheeran, *Heart Of Gold* by Neil Young, *Under The Bridge* by Red Hot Chili Peppers, *Let's Stay Together* by Al Green or *Don't Stop Believin'* by Journey. In a month when Kate Bush's 1985 hit *Running Up That Hill* reached Number 1 in the UK singles chart, it is proven that these vintage iconic Songs can be introduced to and will resonate with new younger audiences. This increases their consumption and lifespan to deliver further growth in their income and value.

Market

2021/2022 has been another strong year for the music industry. According to the IFPI, global recorded music revenues grew by an impressive 18.5% year-on-year to $25.9 billion in 2021, driven in large part by a continued acceleration in the adoption in paid for Streaming. 523 million subscribers globally now pay for music, up from 35 million in the US when we started four years ago. Streaming now contributes about 65% of global industry revenues, firmly establishing music as a utility income stream.

Whilst Streaming growth is not a new story, 2021/2022 saw some Streaming providers increase certain subscription prices in test markets. These price increases led to Spotify's first increase in Average Revenue Per User (ARPU) for five years, supporting our view that the DSPs have pricing power.

This strong Streaming market is reflected in these annual results, with 19% like-for-like Streaming PFAR growth in the second half of 2021 in our Portfolio compared with the first half of 2021, as shown in the PFAR analysis within the Financial Review.

Streaming remains an extremely attractive consumer proposition: it has the lowest pricing, provides the highest quality and depth of content and the highest level of interaction of all entertainment subscription offerings. With music revenues historically proven to be uncorrelated to consumer spending, and relatively low penetration rates in both developed and emerging markets, we continue to believe that this affordability and convenience of Streaming will continue to grow global subscriptions and revenues strongly. This view is shared by leading industry experts, who have in the last month upgraded global Streaming revenue growth forecasts, despite the current macro-economic conditions.

Emerging platforms, such as TikTok, Triller and Twitch, also continue to be an increasingly important part of the music industry. TikTok, which few of us had heard of when we launched Hipgnosis in 2018, now has over 1 billion active users and is delivering a new revenue stream to copyright owners. Record companies and publishers, who have a shorter time lag on receiving income than Hipgnosis, received material revenues from these platforms in 2021. Due to this time lag, Hipgnosis received almost no revenue from these platforms in 2021/22, despite them contributing 5% of global music industry revenues in 2021. The continued emergence and increasing popularity of these new platforms is expected to drive strong growth, with revenues predicted to hit 12% of industry revenues by 2030. We expect material TikTok revenues to be paid through to us in this current financial year.

Performance income for the market has shown a strong recovery, driven by the re-opening of bars, shops and restaurants as well as the return to live performances. Live Nation has said it experienced its "best first quarter ever" for 2022. Based on what we are seeing, we share the view of the industry experts, our Portfolio Independent Valuer (Citrin Cooperman Advisors LLC, formerly Massarsky Consulting Inc.) of a near complete recovery in performance income in the next financial year.

Due to the time lag in collecting income as an IP owner, which is the time between the consumption of Songs and the royalty statements being processed, we have only just started to see the effects of the recovery of performance income, with a 9% like-for-like PFAR growth for the second half of 2021 and we expect to see more growth in the next financial year.

Overall, we remain very positive, with the global music Streaming market size expected to reach $103.07 billion by 2030, a CAGR of 9%.

Finally, and possibly most importantly for Hipgnosis, there is a continued shift in music consumption towards Catalogue music (defined by the industry as older than 18 months). Catalogue music reached 75% of all music consumption in the US in 2021, up from 55% in 2016. With our Portfolio comprised almost entirely of songs older than 18 months we are well placed to continue to benefit from this shift, especially when almost all consumption of music is paid consumption, a marked contrast to even five years ago when so much music consumption was still illicit.

Our Portfolio

Proven hits and culturally important Songs are the heart of our portfolio and the soundtrack of our lives. They enjoy high levels of Streaming and are played on the radio, on TV, in adverts and heard at so many moments in our everyday lives including our commutes, exercise, video games, social media etc. We listen to them in times of celebration and reach for them when we are seeking comfort. As a result, they deliver high levels of reliable income over their long life cycle, which historically has been shown to be uncorrelated to macroeconomic conditions and consumer spending. This was demonstrated during the COVID-19 pandemic where income has been resilient, and able to support a fully cash covered dividend.

We manage these great Songs to enhance their legacy, introduce them to new audiences, which creates value for our Shareholders and reinforces their cultural significance in a virtuous circle. We also acquire a select group of the most important younger Songs that are already culturally significant and show the highest levels of success in the Streaming market. These Songs are able to deliver exceptional Streaming growth as shown in their outperformance in the second half of the year.

Hipgnosis has bought an incomparable portfolio of iconic Songs demonstrated by co-owning:

- 67 out of 271 Songs in Spotify's Billions Club,
- 52 of Rolling Stone's The 500 Greatest Songs of All Time
- 13 of the Top 30 YouTube's Most Viewed Music Videos of All Time
- 3,854 Songs that have held Number 1 positions in global charts
- 14,381 Songs that have held Top 10 positions in global chart
- 156 Grammy award winning Songs

Over the last year, Hipgnosis Songs Fund Ltd 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.$265 million. These were bought with the proceeds following a successful placing of £156 million ($215 million) conducted in July 2021. As a result of these acquisitions, the portfolio as at 31 March 2022 is comprised of 146 Catalogues, 65,413 Songs, with an aggregate fair value of $2.69 billion (as determined by the Portfolio Independent Valuer), reflecting an average fair value multiple of 20.08x historical annual net publisher share income, compared to the blended acquisition multiple of 15.93x.

We have showcased a few superstar artists throughout this report to show the breadth of our many Songwriters associated with them. Songs performed by globally successful and culturally important artists include:

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

Song Management

We continue our focus on proactively managing the iconic Songs we have acquired.

Song Management is a new paradigm that we have created at Hipgnosis Song Management, where we manage proven hit Songs with responsibility and ensure that they're being put into movies, TV commercials, video games, on playlists and on TikTok so that new fans discover them, 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.

Song Promotion

Given Hipgnosis acquires proven, timeless, globally iconic Catalogues, the Song Management team is able to leverage off the high concentration of platinum-level hits in our portfolio. We have a relatively small Portfolio of Catalogues with a very high ratio of extraordinarily successful hits within it, which is unparalled in today's music business.

The team works with all the traditional outlets as well as established and emerging areas of digital platforms, social media, video games and life-style outlets creating and taking advantage of natural opportunities to constantly refresh and increase the profile of our Songs. All of which fuels consumption and Streaming growth and increases the value and opportunity for licensing our Songs to film, television, gaming and advertising.

As explained previously, an example of a new emerging opportunity is TikTok, which has over a billion active users. Hipgnosis has been proactive in building a presence to promote our artists and Catalogues and our channel @Hipgnosissongs has rapidly built a following of over 2.1 million users, considerably more than most traditional publishers. Early in 2022, we launched three splinter TikTok channels focusing on Rock (@Tok.Rok), Country (@Whiskey.Nation) and Gaming (@Joy.Pad), each already have over 100K followers.

Activity on TikTok leads directly to YouTube views and additional Streaming of Songs, making it an entirely connected ecosystem. TikTok has the capacity to introduce our iconic Songs to a new younger audience and deepen the engagement of a Song bringing hit Songs back into the mainstream all over again and extending their life for generations to come.

As a Short Video Clips content platform, TikTok's capacity to amass interest in music of all vintages is seemingly limitless. According to a recent study by Luminate, who provide the information for the Billboard music charts, 66% of Gen Z TikTok users discover new music via Short Video Clips, making it the Number 1 music discovery source for this group. Creating a viral hit on TikTok leads to users discovering songs on other Digital Service Providers (DSPs) and this, in turn, drives Streaming consumption for both Catalogue and frontline releases.

TikTok is a launch-pad for proven hits of yesterday both organically and as an industry standard promotional tool.

It is also a platform that has been demonstrated to extend the lifespan of a song or even reinvigorate songs which were not successful when they were first launched. This is a similar trend to the one seen for the Amazon-owned livestreaming platform Twitch. According to a study by Luminate, one in three music listeners in the US now discover new music through Twitch.

We explore in more detail the resurgence in the consumption of one of our Songs: *Talking to the Moon* by Bruno Mars (Ari Levine and Jeff Bhasker Catalogues) below.

Another classic example is *Truth Hurts* by Lizzo. The Song, which Hipgnosis Songs Group administers, was released in September 2017. It did not chart at the time and only rose in popularity in 2019 when TikTok users started using her lyrics (which include "I just took a DNA test, turns out I'm 100% that b****") to create new content in a DNA Test Challenge. Following this, the song reached Number One on the Billboard Hot 100. It spent seven weeks at Number One becoming the longest-running number one for a female solo rapper, earning her a Guinness World Record. It was also nominated for three Grammy awards in 2020 and certified 7x platinum by the RIAA. In 2021 it was included in Rolling Stone's 500 Greatest Songs of All Time.

The Song Management team actively promotes and showcases albums by our Songwriters when they celebrate major anniversaries working with industry partners to secure the re-release of classic albums, helping to deliver on the creative and drive supporting marketing activities. This is proven to deliver significant uplifts in interest in an artist and their songs, both by reconnecting to the fans and introducing their music to a new audience. Vinyl re-releases we have helped to promote in 2021 include Nirvana's *Nevermind*, Journey's *Escape* and Shakira's *Laundry Service*.

Nirvana re-released *Nevermind* in November 2021, mixed by Andy Wallace. Analysis of the US album sales (Luminate) shows that their excess sales, i.e. sales over and above their baseline, jumped ten-fold in the week of its release and have stayed at a high level ever since. In fact, for the following 26 weeks, the excess sales have been equivalent to an additional

12 months of normal level of sales. The activity and interest around an album re-release can also drive an uptick in Streaming for the artist's music, which is not captured in this analysis.

Journey's re-release of their *Escape* album, in the form of a coloured vinyl, saw strong demand resulting in the exclusive retailer ordering additional pressings. A black vinyl release is now planned for August 2022.

Both Nirvana and Journey have a solid baseline of on-going vinyl sales. However, even where an artist's fanbase may be of a demographic which is not traditionally made up of vinyl purchasers, a high quality, proactive marketing campaign to promote an anniversary vinyl can be very successful. This was the case with Shakira's *Laundry Service* where sales surpassed our expectations.

Additionally, when a strong Synch is placed in a TV show or film, this can have an impact on all types of consumption with the power to push a song up to the top of the charts and create opportunities for more Synchs.

When *Something in the Way*, also from Nirvana's *Nevermind* album, enjoyed a prominent feature in the latest Batman franchise film, *The Batman*, the level of consumption via Streaming rose significantly. To complete the circle, Hipgnosis further boosted the Song using its TikTok channel. *Something in the Way* re-entered the charts, entering the Billboard Hot 100 at number 46, and it also made the Top 40 in several countries.

Following the excitement around the Journey album re-release, their Song *Separate Ways (World Apart)* was selected for use in the trailer to season 4 of the Netflix hit series Stranger Things, a major Synch success.

Synch

With our vision of a global, in-house '24/7' Synch licensing operation now a reality, our executives are 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 some of 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.

We have a 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 team have direct relationships with the world's biggest film studios, advertising agencies, broadcasters and music supervisors. These relationships and our efficiency in responding to opportunities are effective in 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.

During the year, we have invested in growing our global Synch team, particularly in London and New York. Additionally, we have built a comprehensive international network of Synch agents, providing coverage across all major markets in Europe and Asia. This has delivered a 20% increase of formal licensing requests approved in the 6 months to 31 March 2022 vs the prior half year period. We are starting to see our increasing Synch activity deliver additional income, with a +7% increase in Synch PFAR in H2 2021 vs H1 2021.

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

TV and Streaming

- The trailer for season 4 of Netflix's smash hit 'Stranger Things' features Journey's song *Separate Ways (Worlds Apart)*. The trailer gained over 5.8 million views, in the first 24 hours.

- Three of the 10 songs featured in Season Two of Netflix's 'Bridgerton' were written by Hipgnosis songwriters: P!nk *What About Us* (co-written by Johnny McDaid), Miley Cyrus' *Wrecking Ball* (co-written by Sacha Skarbek) and Harry Styles' *Sign of the Times* (co-written by Jeff Bhasker).

- Jill Andrews' recording of Neil Young's *Only Love Can Break Your Heart* features in the latest season of NBC's 'This Is Us'. In another episode, Lorde's Royals (co-written by Joel Little) was also used.

- Danny Boyle's Disney+ series 'Pistol' – about the story of the Sex Pistols, featured The Pretenders' *Kid* and *Brass In Pocket*, both of which were written by Chrissie Hynde.

- *Munich* (written by Hipgnosis' Editors) was featured in Showtime's breakout critically-acclaimed series, 'Yellowjackets'.

- *Here In Spirit* by Jim James featured in Netflix's 'Ozark' season 4. Following this, the song was on Shazam's biggest movers around the launch of the season.

- The first episode of CBS' 'The Equalizer' features an on-screen performance of Neil Young's timeless song, *Old Man*.

- *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'.

- 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.

- 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.

- The trailer for season 3 of Netflix's 'Narcos' Mexico featured Soundgarden's *Black Hole Sun*, written by Chris Cornell.

- AppleTV's 'WeCrashed' drama series (about the WeWork organisation), features Katy Perry's *Roar* (co-written by Bonnie McKee), on multiple occasions throughout the series. The show also features St Vincent's *New York* (Annie Clark), Baauer's *Harlem Shake* (Harry Rodrigues), Nicolar Jaar's *Three Sides of Nazareth* and Odie's *Utopia* (Phil Scully).

- HBO Max's new series 'Our Flag Means Death' features both Heart's *Crazy On You*, co-written by Ann Wilson and Blondie's *Atomic*, written by Debbie Harry and Chris Stein.

- The new season of ABC's 'Black-ish' features Dionne Warwick's *That's What Friends Are For* (co-written by Carole Bayer Sager).

Film

- Nirvana's *Something In The Way*, mixed by Andy Wallace, enjoyed a prominent feature throughout the latest instalment of the Batman franchise. Consumption of the song surged across all major platforms following the release of the trailer for the film.

- The Spencer Davis Group *Gimme Some Lovin* is the soundtrack to the trailer of Warner Bros' hotly anticipated 'Father of The Bride' – a 2022 re-make of the iconic Steve Martin film from 1991.

- 'Sing 2' – which was the largest animated film of 2021, featured no fewer than eight of Hipgnosis' songs. Shawn Mendes *There's Nothing Holdin' Me Back*, co-written by Scott Harris & Teddy Geiger, was the main song in the film and has gone on to secure numerous ancillary usages relating to the film's global marketing campaign.

- Eurythmics' *Sweet Dreams (Are Made of This)*, co-written by Dave Stewart, featured in the main trailer for MGM's major worldwide Q4 release 'House of Gucci', directed by Ridley Scott and starring Lady Gaga and 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.

- The trailer for DC's hotly-anticipated 'Black Adam' was 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!'.

- Oscar-winning Will Smith's film 'King Richard' featured Journey's *Only The Young*, which was co-written by Hipgnosis' Neal Schon & Jonathan Cain.

- *Livin' On A Prayer* by Bon Jovi (co-written by Richie Sambora) enjoys a key featured usage in the Oscar-nominated Olivia Coleman movie, 'The Lost Daughter'.

Advertising

- Amazon's 2022 Superbowl commercial featured Fleetwood Mac's *Little Lies* (written by Hipgnosis' Christine McVie).

- 7-Up has selected Bruno Mars' *Uptown Funk*, co-written by Mark Ronson, as the soundtrack to their global 2022 re-launch campaign.

- Carolina Herrera's new global TV campaign for their 'Bad Boy' fragrance, is soundtracked by Mark Ronson's *Ooh Wee*.

- UK retailer Tesco selected *Hero* by Enrique Iglesias as the soundtrack to their latest TV advertising campaign.

- Mariah Carey's *All I Want For Christmas Is You*, co-written by Walter Afanasieff, was 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, was 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, featured *Two Weeks* by FKA Twigs (written by Emile Haynie) as its soundtrack.

- Hipgnosis songwriter Birdy 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 was soundtracked by Sister Sledge's *We Are Family*, which was written by Nile Rodgers and Bernard Edwards.

- Wells Fargo selected Fitz & The Tantrums' *HandClap* (written by Sam Hollander) to soundtrack their North American brand campaign.

- Nelly's *Hot In Here* was chosen as the soundtrack for Burger King's North American advertising campaign.

- Global car brand Genesis used two of Hipgnosis' songs for their GV70 and GV80 brand campaigns: FKA Twigs' *Video Girl* (written by Emile Haynie) and Ólafur Arnalds' *Particles*.

- BMW selected *Get After It* by The Cadillac Three as the soundtrack for one of their key 2021 brand campaigns.

- In Australia, McDonald's chose Bon Jovi's *Livin' On A Prayer* (co-written by Richie Sambora) to soundtrack their nationwide advertising campaign.

Video Game

- The El-P remix of *Supercut* by Lorde (written by Jack Antonoff) features in the soundtrack to EA's 'FIFA 22' video game.

- Hipgnosis has now approved the use of over 70 songs in the mobile game 'Beatstar', which launched globally in August 2021.

- A number of Hipgnosis songs are currently appearing in Fortnite, including: Glass Animals' *Heat Waves* (David Bayley), Zella Day's *Dance For Love* (Ryan Hahn), Bruno Mars' *Treasure and Locked Out of Heaven* (Ari Levine), Lennie Squire's *Gold* (Bede Kennedy), Mitski's *The Only Heartbreaker* (Dan Wilson) and Normani's *Motivation* (Savan Kotecha).

- 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.

Song Administration

A key part of our strategy is to reduce administration costs and ensure that these payments from Publishers are received as quickly as possible. We continue to revert and renegotiate administration rates on Catalogues at the earliest possible opportunity (unless there are compelling reasons to partner with existing administrators) and we continually look for the best solution.

Our acquisition in September 2020 of Hipgnosis Songs Group (HSG), formerly Big Deal Music, has been instrumental in that journey. HSG's administration capabilities allow the Fund to benefit from its own efficient in-house administration function in the US. HSG now administers a total of 32 of the Fund's Catalogues across 60 specific agreements, representing 5,483 compositions. These include the US sourced income from Catalogues by: Red Hot Chili Peppers, Neil Young, Benny Blanco, Brian Higgins, Itaal Shur, Johnta Austin, Sam Hollander, Tom DeLonge and Christine McVie. We anticipate more catalogues to move across in the coming months.

Reverted Catalogues for SONG

As at 31 March 2022	Number of agreements	Number of Catalogues
To Kobalt	60	29
To HSG	39	32
To Peermusic	2	2
Overall Catalogues Reverted		34*

*In most instances, Catalogues are reverted to more than one Administrator.

We review all options to ensure the administration of our Catalogues is carried out as efficiently and cost-effectively as possible. Following the financial year end, we have agreed a ground-breaking new deal whereby Sacem, the French CMO, will collect the digital rights income for the writers' share, primarily in the UK and the EU and pay them directly to Hipgnosis. This direct collection model eliminates one link in the royalty collection process, materially reducing third party administration and collection fees and the length of time it takes to collect digital revenues. Initially, we are transferring approximately 30 Catalogues where the Song Administration rights have fully reverted to Hipgnosis i.e. where existing administration deals have lapsed. We are thrilled to be partnering on this direct collection model with Sacem.

Alongside this, we have also signed a sub publishing partnership with Peermusic, the world's largest independent music publishing and neighbouring rights administration company, for them to administer specific Catalogues. Peermusic will collect royalties in territories not administered by HSG or Sacem, primarily Latin America and Asia. This deal allows us to help maximise local Synch markets through their worldwide offices.

Whilst HSG is increasingly administrating the US portions of our Catalogues, it continues to be a third-party administrator as well. Noteworthy, this year HSG has administered *Truth Hurts*, by Lizzo, as seen earlier, as well as Glass Animals' outstanding song *Heat Waves*. The latter reached Number One on the US Top 40 Charts as well as Number One on the Billboard Hot 100 and Billboard Global 200 Charts, and Number One on both the Spotify US and Global charts. It also became part of Spotify's Billions Club in September 2021.

Song Copyright Management and uplift

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

This has involved designing an in-house system gathering data available on every Song that we own, to help us build a true picture of our Catalogue. This aim serves various purposes: to make sure our Synch and Copyright teams have immediate and accurate access to all relevant information and to give us the ability to search for missing revenue across some of our major platforms.

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

In order to increase monetisation, Hipgnosis has partnered with a number of third-party providers across different revenue streams. We set out in the following table the number of partners that Hipgnosis is working with. The number depends on the complexities and opportunities we have identified to seek extra revenues. Currently all our partners are in a trial period and as the results come through, we will roll-out successful partnerships across the Catalogue.

Third-Party Partnerships

	Number of partners
Online Revenues	3 (in trial)
Synch Revenues	1 (in trial)
Mechanical Revenues	4 (in trial)
Neighbouring Rights	1 (in trial)
Writer Share of Performance	1 (in trial)
Live Performance	3 (in trial)

We have partners that are focused on looking for missing YouTube revenues; in other cases, we are trialling technology platforms that scan US sports-related television channels for un-reported Synchronisations. Preliminary results of the trials are impressive and we are currently analysing the data in depth.

Our efforts are also centred on maximising revenues within the payment processing chain. For example, a variety of services have been commissioned to search and claim missing royalty streams via The Mechanical Licensing Collective (The MLC). This involves identifying registration issues and ensuring revenues are correctly linked between original and samples, remixes and cover versions.

The return to Live performances has given us the chance to trial the PRS Major Concert Service. This eliminates the standard PRS deductions on gross ticket sales and speeding up royalty payments.

Song Creation

Song Creation additionally delivers dynamic Catalogue growth via a stable of active, front-line writers and artists. Building future assets at a relatively low cost, providing contemporary context, contacts and synergistic opportunities throughout the industry is the strength and ongoing mission of HSG's Song Creation team.

The Song Creation team continues to invest in front line contemporary writers and has invested $13.7 million in new signings, options and renewals during the financial year. Highlights from the period include the signings of Monsters and Strangerz, Normani, as well as a NO ID Joint Venture.

Highlights from Song Creation

Normani: Within the period, HSG signed six-time BMI Award winning songwriter Normani, who has also taken home two iHeartRadio Music Awards, an MTV VMA and a Soul Train Music Award already.

Jordan and Stefan Johnson (part of the Monsters & Strangerz) recently had their 4th Top 40 Number 1 with Justin Bieber's *Ghost*, and earned a combined 3 Grammy nominations for their work on Bieber's album *Justice*, including one for the single *Anyone*.

As an example of the opportunities that HSG provides, Hipgnosis Songs Fund acquired the Catalogue of Monsters & Strangerz in July 2021 and used the leverage of that deal to sign the writers for administering their new songs too. Stand out songwriting involvement from Monsters and Strangerz includes Dua Lipa's *Break My Heart* which reached Top Ten in 21 countries and Miley Cyrus featuring Dua Lipa's *Prisoner* which hit Number One slots across Europe. Most recently, their songwriting involvement with *Wild Dreams feat. Khalid*, on Burna Boy's new album, *Love*, *Damini*, is gaining global traction. The album opened its first week and is charting at Number 1 in 49 countries and 111 countries overall on Apple Music.

Jake Sinclair, is one of our publishing Songwriters and co-wrote all the Songs on Panic! At The Disco's forthcoming *Viva Las Vengeance* album. Their first single, eponymously titled, has just been released and went to Number 1 on 30 June 2022 on the US Alternative radio daily chart.

HSG writers were included in an impressive 18 Grammy nominations for 2021, and won the following:

- **Jon Batiste** – Album of the Year for We Are
  (Vic Dimotsis/Zach Cooper aka King Garbage, composers)

- **St. Vincent** – Best Alternative Music Album for Daddy's Home

- **Angélique Kidjo** – Best Global Music Album for Mother Nature (Shungudzo, composer, guest artist)

- **Esperanza Spalding** – Best Jazz Vocal Album for Songwrights Apothecary Lab (Phoelix, producer, multi-instrumentalist).

Hipgnosis Song Management

During the period, the Investment Adviser, formerly The Family (Music) Ltd., changed its name to Hipgnosis Song Management Ltd (HSM). At the same time, it entered into an agreement with Blackstone, the alternative investment manager, with Blackstone taking an ownership stake in HSM. In addition, HSM is acting as Investment Adviser for Hipgnosis Songs Capital, a fund investing on behalf of funds managed by Blackstone.

This was made possible following several months of extensive negotiations with the Board of Hipgnosis Songs Fund and discussions with major Shareholders. This has ensured robust and well thought out co-Investment and conflicts policies. Under the co-investment policy, Hipgnosis Songs Fund has the right to participate in 20% of any Catalogue purchased, alongside the Blackstone backed fund on identical financial terms. This reflects the expected deployable capital of the two funds over the medium term. Further, the new arrangement will (when funds permit) enable Hipgnosis Songs Fund to participate in more transactions than would have been the case on a stand-alone basis.

Upgrading management/capabilities

The investment made by Blackstone into Hipgnosis Song Management has enabled us to make considerable investment in people and systems across our Song Management, finance, investment teams and data analytic functions. This is enabling us to further improve the sophistication of our approach to acquiring Catalogues and ensuring that we maximise the earnings whilst respecting the artistic integrity of the songs which we curate.

We believe that the combined benefits of these investments will be demonstrated in future years by our ability to correctly price new acquisitions, our ability to reduce costs by carrying out additional functions in-house and by increased revenues as a result of our ability to proactively manage our Catalogue.

Respecting our artists

The removal of Neil Young's Master Recordings from Spotify in January 2022, at his request, in protest against misinformation on the COVID-19 virus on the platform created much comment.

Hipgnosis' thesis has always been that the longevity of a song's income is determined not only by the music, but equally by its cultural and emotional importance to listeners. Neil Young is a perfect example of this and as a result of always conducting himself with integrity to ensure that the cultural importance of his music is preserved, his songs are still popular and still have meaning over 50 years after their release.

Neil Young asking for his music to be removed from Spotify not only stands by the artistic integrity of his songs but further adds to their cultural meaning.

The publicity around his decision led to an immediate jump in consumption of Neil's music as established fans returned, demonstrating their love for his music, and many new music lovers who had not previously found Neil's music discovered it for the first time, using one of the other platforms which still offered Neil's music.

Writer advocacy

Songwriters deliver the most important component of a Song but continue to be paid inequitably. Through our platform and influence, Hipgnosis continues to campaign for that to change. We aim to take the Songwriter from the bottom to the top of the economic equation with our advocacy on this issue. When a Catalogue is acquired, our Shareholders sit directly in the shoes of the songwriter so there is complete alignment between the Songwriting community and our Shareholders. What is in the best interest of the songwriter is also in the best interest of the Company.

In the US, rates for royalty payments are set by the Copyright Royalty Board (CRB), on a rolling five year period. We have worked closely with both the National Music Publishers' Association (NMPA) and the Nashville Songwriters Association International (NSAI). On 1 July 2022, the US Copyright Royalty Board (CRB) disallowed the appeal by various Streaming services against the CRB III determination to increase mechanical Streaming royalty rates for songwriters and publishers.

The increase, which is incremental over the period covered by CRB III (1 January 2018 until 31 December 2022) will culminate in a 44% uplift in the "all in" (mechanical and performance) statutory minimum rates for Streaming paid in the US, rising from 10.5% of Streaming revenues prior to 2018 to 15.1% in 2022.

Additionally, in April 2022, the NMPA and the NSAI representing artists and Sony Music Entertainment, UMG Recordings, Inc. and Warner Music Group Corp made a joint proposal to the CRB for a settlement on mechanical royalties for the CRB IV period, running from 2023-2027.

The proposed settlement, if confirmed by the CRB, would result in a 32% uplift from 2023 in the mechanical rate paid to publishers and Songwriters for music purchased as a physical sale from 9.1¢ per track to 12¢ per track. Additionally, these royalty rates would increase annually in line with the Consumer Price Index. This is the first increase in the rate since 2006 and this is a step in the right direction and has been heavily influenced by our advocacy.

In the UK, an investigation by the Department for Digital, Culture, Media and Sport Select Committee (DCMS), published in the summer of 2021, prompted the Secretary of State for Digital, Culture, Media and Sport to refer the dominance of the major music groups to the Competition and Markets Authority (CMA) for a market study. Hipgnosis has submitted evidence to the CMA and continues to meet with them on a regular basis with the belief that the CMA will launch a full market investigation. A decision is due by the end of July 2022.

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 etc. – is the lowest paid person in the economic equation.

Financial Review

NAV

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

The Operative NAV per share increased by 9.9% to $1.8491 during the year (31 March 2021: $1.6829), which, when including dividends paid of 5.25p per Share (7.26¢ per Share) represents a 12-Month Total $ NAV Return of 14.2%. As a testament to the resilience of the Hipgnosis Portfolio, despite the significant impact of COVID-19 during the period, the dividends paid of 5.25p per Share were fully covered by Leveraged Free Cash Flow (1.01x). Total $ NAV Return to Shareholders is 59.1% since the IPO on 11 July 2018.

Based on the Sterling to Dollar exchange rate at 31 March 2022 of 1.3134, the Operative NAV presented in Sterling would be 140.79p per Share (31 March 2021: 122.50p based on Sterling to Dollar exchange rate of 1.3738).

The growth in the Operative NAV over the year was primarily driven by a 9.5% like-for-like uplift in the Fair Value of Catalogues as appraised by the Portfolio Independent Valuer, Citrin Cooperman Advisors LLC (formerly Massarsky Consulting Inc.). The strong growth across the portfolio, but in particular in the contemporary Catalogues evidences the benefits of the Company's acquisition strategy of purchasing incredibly successful and culturally important songs that are at the heart of Streaming. This growth in the value of the Catalogues resulted from:

- Strong Streaming growth across the Portfolio particularly in the second half of the year, in excess of the Portfolio Independent Valuer expectations and market growth rates, resulting in an increase in expected future Streaming revenues; and

- An increase in expected revenues due from alternative platform licensing, which refers to licensing on social media, gaming and other emerging platforms including TikTok, Facebook and Triller, as material revenues start to be paid by these sources to publishers and recorded music companies.

The Portfolio Independent Valuer calculated the Catalogue Fair Value as at 31 March 2022 using a discount rate of 8.5% (31 March 2021: 8.5%).

The Portfolio Independent Valuer believes that a discount rate of 8.5% is the correct rate within a rising interest rate environment, and also reflects music's stability as an asset class, given its decreased risk profile compared to other industry sectors, such as predictability of earnings.

Operative NAV Bridge from 1 April 2021 to 31 March 2022:

Opening Operative NAV per Ordinary Share	1.6829
Increase in Fair Value of Catalogues	0.1685
Net income*	0.0836

Dividends Paid	(0.0696)
FX impact	(0.0107)
Share issue costs**	(0.0056)
Closing Operative NAV per Ordinary Share	1.8491

*Net income reflects net revenue less operating expenses (excluding foreign exchange loss and amortisation of catalogues) less tax expense.

**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 and were fully recouped through the issue price premium to the latest published Operative NAV per Ordinary Share at that time.

Revenue

Gross revenue increased by 24.7% year-on-year to $200.4 million (31 March 2021: $160.7 million). Net revenue of $168.3 million increased by 21.7% year-on-year (31 March 2021: $138.3 million), this is after royalty cost deductions of $32.0 million (31 March 2021: $22.5 million) which relate to contractual royalties due to writers in HSG and Kobalt Fund One.

The increase in gross and net revenue were primarily a result of an increase in the number of Catalogues owned during the period, with the Company investing $265.1 million into 8 Catalogues in the year, partly offset by a reduction in Right To Income (RTI) to $17.97 million (31 March 2021: $66.6 million).

In addition, in order to present comparable accounts with listed major music companies, the Company has optimised its accrual process to also more accurately recognise earnings based on expected usage (where appropriate), rather than when earnings were paid to, and being processed by, collection societies, publishers and administrators. This change in estimate has affected the timing of the recognition of certain revenues, with a $36.0 million additional estimate accrual for the current year, compared to the prior year basis of estimation. This is not considered to be a change in accounting policy but a refinement of the estimate methodology. As this refinement was applied this year for the first time, the like-for-like increase in the revenue accrual from this year to that in the prior year is not expected to occur in future periods. Further detail is provided in the Usage Accrual section below.

In order to provide its Shareholders with an understanding of the like-for-like performance of the Company's revenues, by removing the impact of non-recurring items, including the impact of new Catalogue acquisitions, RTI and the Usage Accrual, the Company presents the Pro Forma Annual Revenue (PFAR) performance measure. This shows the royalty revenue earned by Catalogues in a calendar year largely based on royalty statements received, irrespective of whether the Songs were owned by the Company over the period analysed. The Company believes this provides a relevant like-for-like full year income comparison of the Group's Catalogues of Songs held as at the year end.

There is a significant time lag for music royalties between the time a song is performed and when the revenue is received by the copyright owner. As a result, as set out in the interim report for the period ended 30 September 2021, the reported Pro Forma Annual Revenue (PFAR) figure for the 12-months to December 2020 that includes statements received up to 31 March 2021, of $121.26 million was impacted by the restrictions put in place to combat the COVID-19 pandemic in 2020.

Lockdowns had a material impact on performance income (which is driven by songs performed in shops, bars, restaurants and live music) and the income of younger Catalogues (<10 years old) which are more reliant on promotional activities surrounding live shows and new releases.

The table below shows PFAR at six monthly intervals for Catalogues owned at 31 March 2022. In order to give investors greater insight into the recovery from the impact of COVID-19, the Company has also included the PFAR for the year to 31 December 2021.

Pro Forma Annual Revenue for Catalogues owned as at 31 March 2022				
	12 months to Jun 20 $m	12 months to Dec 20 $m	12 months to Jun 21 $m	12 months to Dec 21 $m

PFAR for Catalogues owned as at 31 March 2022	**131.68**	**121.26**	**115.91**	**114.86**
<10 years	65.84	57.14	50.99	49.32
>10 years	65.84	64.12	64.92	65.54

Note. Older or Younger than 10 years of a Catalogue is calculated as the average release year of a Catalogue as at 1 January 2022 weighted on earnings, at time of acquisition.

In addition, the PFAR for the year to December 2021, has been broken down into the first and second six months. Whilst the full year PFAR to 31 December 2021 ($114.86 million) shows a COVID-19 impacted 5.3% decrease compared to the equivalent period in 2020 ($121.26 million), the Company has seen strong like-for-like growth 11.6% in the second half of 2021. This growth has been driven by a strong increase in Streaming income together with a partial recovery in performance income as COVID-19 restrictions eased.

Historically the Company has provided analysis of its net revenues split by income type however, due to the high level of RTI in the prior year and the Usage Accrual in the current year, this analysis does not provide comparable results in the current period. As a result the Company has presented the income type split over its six month pro forma revenues to provide like-for-like analysis of its growth drivers.

12-month PFAR to December 2021, split by half year and by income type

	Six months to Jun 21 $m	Six months to Dec 21 $m	Change %
Mechanical Income	2.55	2.31	(9.4)
Performance Income	12.16	13.24	8.9
Digital Downloads Income	1.83	1.68	(8.0)
Streaming Income	21.92	26.18	19.4
Synchronisation Income	7.41	7.93	7.0
Producer Royalties	3.76	3.92	4.2
Masters Income	3.75	4.04	7.6
Other Income	0.91	1.27	38.6
	54.29	**60.57**	**11.6**

This data shows strong Streaming growth, with 19.4% increase for the half, which compares favourably against global Streaming annual market growth of 24.3% as disclosed by IFPI. As a result, Streaming income represented 43.2% of pro forma revenue between July and December 2021 (Jan-June 2021: 40.4%). The Company is now seeing a number of contemporary Catalogues delivering stabilised earnings indicating the end of their decay cycle ahead of the Portfolio Independent Valuer's original expectations.

This strong growth leaves the Company well positioned to benefit from the continued expected growth in the Streaming market. In addition, despite strong user levels, the Company is yet to receive meaningful revenues from emerging platforms, such as TikTok, and expects this to be a material source of revenue growth in future periods. Record companies and publishers, who experience a shorter time lag on income, are already recognising significant revenues from these platforms.

Performance income, which is driven by songs performed in shops, bars, restaurants and live music, and was therefore materially impacted by various lockdowns during COVID-19 grew by 8.9% in the second half of the year. This growth indicates that the Company is now starting to see the recovery in performance income from the impacts of various COVID-19 lockdowns. The major publishers, who experience a shorter time lag on performance income than Hipgnosis, have now reported a full recovery in performance income to pre-COVID-19 levels. The Company therefore expects to see strong growth and a full bounce back in performance income in the new financial year. This view is shared by our Portfolio Independent Valuer who is anticipating a full recovery in the Company's performance income in the financial year ending 31 March 2023.

There has also been an increase in the Company's Synch PFAR in the second half of 2021, growing by 7.0% partly driven by one-time settlements from TikTok and Peloton.

Mechanical income, driven by physical sales of CDs and vinyl relating to our Portfolio, and digital download income continued to decline as music consumption continues to transition from discretionary purchases of music towards Streaming.

Usage Accrual

As noted above, to bring the Group in line with other major publishers, the Company has updated its revenue accrual estimates also to reflect revenue at the point at which usage by the end customer is expected to occur. Revenues were previously recognised when earnings were paid to, and being processed by, collection societies, publishers and administrators. The Group now also includes an estimation of revenue to include the expected usage as of the accrual date, which is expected to trigger a contractual royalty payment to The Group. This element of the accrual estimate royalty statement data to calculate the delay between usage and subsequent payment to collection societies, publishers and administrators and applies this factor to our best reliable estimate of revenue for those periods.

This change in estimate has affected the timing of the recognition of certain revenues, with a $36.0 million additional estimate accrual for the current year, compared to the prior year basis of estimation.

Costs

Adjusted operating costs less interest costs increased to $38.4 million (31 March 2021: $32.4 million). This is driven by an increase in Investment Advisory fees due to the growth of the Company since the prior period, aborted deal costs and the recognition of a contingent bonus accrual in relation to specific Catalogue acquisitions.

Ongoing Charges as a percentage of the average Operative NAV has remained stable at 1.58% for the year ended 31 March 2022 (31 March 2021: 1.59%), reflecting the Board's commitment to control operating costs and maximise returns to Shareholders. The ongoing charges include a full year of Hipgnosis Songs Group's (HSG) operating costs compared to approximately seven months in the prior year. HSG has an internal administration function which enables the Company to benefit from reduced administration fees and faster royalty payment processing.

EBITDA

EBITDA for the year ended 31 March 2022 increased by 21.8% to $129.9 million (31 March 2021: $106.7 million), reflecting the growth in net revenue.

Leverage

Loan interest has increased to $20.4 million (31 March 2021: $7.3 million). The rise in interest costs are due to the increase in drawn debt as the Company has grown over the past two years. As at 31 March 2022 gross debt was $600.0 million (31 March 2021: $577.3 million) and net debt was $569.9 million (31 March 2021: $464.7 million). Net debt as a percentage of Operative NAV at 31 March 2022 was 25.4% (31 March 2021: 25.7%).

Leveraged Free Cash Flow was $84.7 million as at 31 March 2022 (31 March 2021: $82.1 million), which covered dividends paid out during the period by 1.01 times.

The Board, together with the Investment Adviser, is in the process of a review of its leverage structure with a view to reducing interest rate risk and control costs for the Company.

EPS

EPS for the year ended 31 March 2022 is -1.65¢ (31 March 2021: 4.72¢), the year-on-year decrease is largely driven by the impact of higher RTI in the prior year.

Adjusted EPS, as defined within the Alternative Performance Measures, removes the impact of Catalogues amortisation. The Group amortises Catalogues over a useful life, using a straight-line method of 20 years, which is in line with industry standard. Adjusted EPS for the year ended 31 March 2022 is 9.09¢ (31 March 2021: 12.41¢).

Accruals and Receivables

Accrued Income and Receivables at 31 March 2022 were $111.9 million (on a gross basis), a breakdown of which is set out below:

- $7.2 million receivable representing royalty statements received in March 2022 with payment received in April 2022 and May 2022;

- $32.9 million for calendar Q1 2022 earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q3 and Q4 2022;

- $9.7 million for calendar Q4 2021 earnings which are not reported to the Company until calendar Q2 2022;

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

- $6.8 million HSG gross revenue accrual, which includes the accrued PRO lag. Separately, a $5.6 million royalty creditor representing contractual royalties due to writers has been recognised;

- $36.0 million income Usage Accrual, see Usage Accrual section for more details; and

- $12.0 million relating to calendar Q2 2021 to Q3 2021 earnings for Catalogues where royalty reporting is still in the process of being redirected/switched over to the Company. These accruals are based on royalty statements received with invoices due to be raised on completion of the Letter of Direction.

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; and

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.

As discussed in the Interim Report, to provide further clarity to investors on RTI, the Company is providing additional disclosure of these revenues. In the prior Annual Report, 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. RTI has been re-defined to show both revenue recognised in 'Pre-Financial Year RTI' and 'Within Financial Year RTI'. 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 (31 March 2021: $66.6 million), of which the Pre-Financial Year RTI was $14.09 million and the Within Financial Year RTI was $3.88 million.

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

			Financial year revenue ($m)				
					Recurring revenue		
Financial Year	Description	No. of Catalogues	Prior year (over)/under accrual	Pre-FY (RTI)	Within FY, pre-acq (RTI)	Within FY, Post-acq	Total revenue
FY19	New acquisitions in year	13	–	2.52	–	6.88	9.40
			–	27%	–	73%	100%
FY19	Pre-existing Catalogues	–	–	–	–	–	–
			–	–	–	–	–
FY19	**Total**	**13**	**–**	**2.52**	**–**	**6.88**	**9.40**
			–	**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	17.54
			2%	–	–	19%	21%
FY20	**Total**	**54**	**1.66**	**13.40**	**27.57**	**39.44**	**82.07**
			2%	**16%**	**34%**	**48%**	**100%**
FY21	New acquisitions in year	84	–	28.94	37.66	26.16	92.76
			–	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**	**138.40**
			(4%)	**21%**	**27%**	**56%**	**100%**
FY22	New acquisitions in year	8	–	14.09	3.88	9.32	27.29
			–	8%	2%	6%	16%
FY22	Pre-existing Catalogues	138	(5.21)	–	–	146.27	141.06
			(3%)	–	–	87%	84%
FY22	**Total**	**146**	**(5.21)**	**14.09**	**3.88**	**155.59**	**168.35**

	(3%)	**8%**	**2%**	**93%**	**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.

Outlook

Despite the current challenging macro-economic environment, with expectations of high inflation and a squeeze on consumer spending, we believe in the uncorrelated nature and growth opportunities of music and we therefore go into 2022/2023 extremely confident of our future. Great Songs are not just entertainment. They are the soundtrack of our lives and people turn to them for comfort and escape equally in times of hardship as they celebrate with them in times of prosperity. As a result, music revenues have been historically uncorrelated to economic conditions, and we strongly believe that Streaming growth will continue uninterrupted over the coming years.

Music Streaming remains the most inexpensive form of entertainment with the highest value return. It provides one of the highest quality offerings of all entertainment subscription services and has low penetration rates with significant room for growth in both the developed markets as well as emerging markets. The recent 2022 Goldman Sachs update to their *Music in the Air* series, which is recognised as the gold standard since its first iteration almost 5 years ago, concurs with our views.

Add into this the confirmed songwriter royalty rates uplift from CRB III, the efficiencies that our own US administration and the new agreements that Sacem and Peermusic bring to our collections, combined with the value that's added as a result of our strong Song Management focus and Songs as an asset class have a very bright future.

We will continue to deliver on our promises to you in the years to come that will leave you singing *Sweet Dreams (Are Made Of This)* and *Good Times*.

Thank you once again to you, our Shareholders for your tremendous support, to our Board for their tireless efforts and to the incomparable Songwriters, artists and producers who have not only entrusted us with their great Songs but have also helped us make Hipgnosis the preferred choice of the Songwriting community.

Best wishes,

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

13 July 2022

Consolidated Statement of Profit and Loss

For the year ended 31 March 2022

	Notes	1 April 2021 to 31 March 2022 $'000	1 April 2020 to 31 March 2021 $'000
Income			
Total revenue	13	200,384	160,667
Interest income		5	88

Royalty costs		(32,041)	(22,450)
Net revenue		**168,348**	**138,305**
Expenses			
Advisory and performance fees	19	(16,548)	(12,050)
Administration fees		(1,152)	(1,186)
Legal and professional fees		(5,999)	(7,381)
Audit fees	21	(600)	(732)
Brokers' fees		(274)	(128)
Directors' remuneration	18	(696)	(680)
Listing fees		(34)	(625)
Subscriptions and licences		(526)	(236)
Public relations fees		(702)	(36)
Charitable donations		(208)	(307)
Other operating expenses	14	(12,403)	(10,161)
Amortisation of catalogues of songs	6	(105,787)	(67,875)
Impairment of catalogues of songs	6	(1,490)	–
Amortisation of borrowing expenses		(1,635)	(2,600)
Fixed asset depreciation		(712)	(137)
Finance charges for deferred consideration		(212)	(339)
Loan interest	9	(20,377)	(7,331)
HSG FV gain		–	2,139
Net (loss)/profit from joint ventures		(836)	85
Foreign exchange (losses)/gains	15	(14,857)	15,814
Operating expenses		**(185,048)**	**(93,766)**
Operating (loss)/profit for the year before taxation		**(16,700)**	**44,539**
Taxation	5	(2,743)	(5,604)
(Loss)/profit for the year after tax		**(19,443)**	**38,935**
Basic Earnings per Share (cents)	20	**(1.65)**	**4.72**
Diluted Earnings per Share (cents)	20	**(1.65)**	**4.72**

All activities derive from continuing operations.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2022

	Notes	1 April 2021 to 31 March 2022 $'000	1 April 2020 to 31 March 2021 $'000
(Loss)/profit for the year after tax		(19,443)	38,935
Other comprehensive income:			
Movement in foreign currency translation reserve		(1,816)	(7)
		(1,816)	**(7)**
Total comprehensive income for the year		**(21,259)**	**38,928**

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

Consolidated Statement of Financial Position

As at 31

	Notes	31 March 2022 $'000	31 March 2021 $'000
Assets			
Catalogues of Songs	6	2,036,732	1,878,924
Other assets		568	3,740
Goodwill	3	272	272
Non-current receivables	8	640	3,298
Non-current assets		**2,038,212**	**1,886,234**
Trade and other receivables	8	144,450	104,330
Cash and cash equivalents	7	30,067	112,634
Current assets		**174,517**	**216,964**
Total assets		**2,212,729**	**2,103,198**
Liabilities			
Loans and borrowings	9	593,992	565,860
Non-current deferred investment payables	10	925	1,588
Non-current liabilities		**593,992**	**565,860**
Other payables and accrued expenses	10	35,413	72,905
Current liabilities		**35,413**	**72,905**
Total liabilities		**630,330**	**640,353**

	Note		
Net assets		**1,582,399**	**1,462,845**
Equity			
Share capital	11	1,692,198	1,466,851
Other reserves		–	234
Foreign currency translation reserve		(2,235)	(419)
Retained earnings		(107,564)	(3,821)
Total equity attributable to the owners of the Company		**1,582,399**	**1,462,845**
Number of Ordinary Shares in issue at year end		**1,211,214,286**	**1,073,440,268**
IFRS Net Asset Value per Ordinary Share (cents)	12	**130.65**	**136.28**
Operative Net Asset Value per Ordinary Share (cents)	12	**184.91**	**168.29**

Approved and authorised for issue by the Board of Directors on 13 July 2022 and signed on their behalf by:

Andrew Sutch Chair **Andrew Wilkinson** Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

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

* The loss for the period ending 31 March 2022 of $19.4 million is calculated net of total amortisation, foreign exchange losses, finance charges for deferred consideration and impairment which amount to $126.3 million. This results in net income of $106.8 million which represents 1.27x dividend cover on the dividends paid of $84.3 million. Retained earnings as at 31 March 2022, when adjusted for total amortisation, foreign exchange losses, finance charges for deferred consideration and impairment is $18.7 million.

For the year ended 31 March 2021

	Note	Number of Ordinary Shares	Share capital $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Other reserves $'000	Total equity $'000
As at 1 April 2020		**615,851,887**	**801,844**	**(412)**	**9,253**	**–**	**810,685**
Shares issued	11	457,588,381	677,056	–	–	–	677,056
Share issue costs	11	–	(12,049)	–	–	–	(12,049)

Performance fees to be paid in shares	19	–	–	–	–	234	234
Dividends paid	16	–	–	–	(52,009)	–	(52,009)
Profit for the year		–	–	–	38,935	–	38,935
Foreign currency translation reserve movement		–	–	(7)	–	–	(7)
As at 31 March 2021		**1,073,440,268**	**1,466,851**	**(419)**	**(3,821)**	**234**	**1,462,845**

* The underlying retained earnings figure has been shown to be in a deficit position due to the foreign currency translation therefore does not show the true nature of retained earnings. The Sterling retained earnings position at 31 March 2021 is £6.3 million. This is entirely linked to the functional currency change, and the strengthening of Sterling against the Dollar. Profit for the Year of $38.9 million is calculated net of Amortisation of Catalogues of Songs, which is $67.9 million. The Profit, when adjusted for Amortisation, is therefore $106.8 million which represents 2.05x dividend cover on the dividends paid of $52.0 million.

Consolidated Statement of Cash Flows

	Notes	1 April 2021 to 31 March 2022 $'000	1 April 2020 to 31 March 2021 $'000
Cash flows generated from operating activities			
Operating (loss)/profit for the year before taxation		(16,700)	44,539
Adjustments for non-cash items:			
Loan interest		20,377	7,331
Movement in trade and other receivables	8	(35,704)	(54,005)
Movement in other payables and accrued expenses	10	(1,545)	38,712
Movement in equity for share-based payments	19	–	234
Depreciation of fixed assets		712	–
Amortisation of Catalogues of Songs and borrowing costs		107,422	70,475
Impairment on catalogue of songs		1,490	–
Foreign exchange losses/(gains)	15	14,857	(15,814)
Taxation paid		(6,040)	(5,604)
Net cash generated from operating activities		**84,869**	**85,868**
Cash flows used in investing activities			
Purchase of Catalogues of Songs	6	(300,455)	(1,089,293)
Purchase of other assets		(173)	(3,740)
Movement in writer advances		(8,509)	–
Goodwill paid on acquisition		–	(272)
Net cash used in investing activities		**(309,137)**	**(1,093,305)**
Cash flows generated from financing activities			
Proceeds from issue of shares	11	229,468	677,056
Issue costs paid	11	(4,355)	(12,049)
Dividends paid	16	(84,300)	(52,009)
Interest paid	9	(20,775)	(8,942)
Borrowing costs	9	(1,274)	(9,199)

Bank loan repaid	9	(50,000)	–
Bank loan drawn down	9	72,708	503,278
Net cash generated from financing activities		**141,472**	**1,098,135**
Net movement in cash and cash equivalents		**(82,796)**	**90,698**
Cash and cash equivalents at the start of the year		112,635	17,391
Effect of foreign exchange rate changes on cash and cash equivalents		228	4,545
Cash and cash equivalents at the end of the year	7	**30,067**	**112,634**

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

Notes to the Consolidated Financial Statements

1. General information

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

The Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 11 July 2018 and migrated to a Premium Listing on the Main Market of the London Stock Exchange on 25 September 2019. The Company was added as a constituent of the FTSE 250 Index effective from after the market close on 20 March 2020. The Company makes its investments through its subsidiaries, which are registered in the UK and US as limited companies. The Consolidated Financial Statements present the results of the Group for the year to 31 March 2022, rounded to the nearest US Dollar. As disclosed in the prior year Annual Report, the functional and presentation currency changed from Sterling to US Dollars. The Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property.

There has been a presentational change in the comparative period in the Consolidated Statement of Profit and Loss, as set out in Note 22.

2. Accounting policies

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

New and amended standards and interpretations applied

On incorporation, the Company adopted all of the IFRS standards and interpretations that were in effect at that date and are applicable to the Group. No new standards during the year ended 31 March 2022 had a material impact on the Consolidated Financial Statements.

Amended standards and interpretations not applied

The following are amended standards and interpretations in issue effective from years beginning on or after 1 January 2022:

Amended standards and interpretations		Effective date
IFRS 9	Financial Instruments (Amendments regarding pre-replacement issues in the context of the LIBOR reform)	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Presentation of Financial Statements (Amendments regarding financial statements' on classification of liabilities)	1 January 2022

The Group has considered the IFRS standards and interpretations that have been issued but are not yet effective. None of these standards or interpretations are likely to have a material effect on the Group, as it is the belief of the Board that the activities of the Group are unlikely to be affected by the changes to these standards, although any disclosures recommended by these standards, where applicable, will be provided as required.

a) Group information

As at 31 March 2022, the details of the Company's subsidiaries are as follows:

Name of the subsidiary [3]	Place of incorporation and operation	% of voting rights	% Interest	Consolidation method	Functional Currency
Hipgnosis Holdings UK Limited	UK	100	100	Full	USD
Hipgnosis SFH I Limited	UK	100	100	Full	USD
Hipgnosis SFH XIII Limited	UK	100	100	Full	USD
Hipgnosis SFH XIX Limited	UK	100	100	Full	USD
Hipgnosis SFH XX Limited	UK	100	100	Full	GBP
RubyRuby (London) Limited [1]	UK	100	100	Full	GBP
Hipgnosis Songs Group LLC [2]	US	100	100	Full	USD
Hipgnosis Acquisition Corp [2]	US	100	100	Full	USD
Kennedy Publishing & Productions Limited [1]	UK	100	100	Full	GBP
Robot of the Century Music Publishing Company Inc	US	100	100	Full	USD
Deamon Limited [1]	UK	100	100	Full	GBP
PB Songs Ltd [1]	UK	100	100	Full	GBP

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

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

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

During the year, the Company dissolved F.S. Music Limited and C H Publishing Limited on 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.

b) Going concern

The Directors monitor the capital and liquidity requirements of the Company on a regular basis. They have also reviewed cash flow forecasts prepared by the Investment Adviser which are based in part on assumptions about the future purchase and returns from existing Catalogues of Songs and the annual operating cost.
Based on these sources of information and their judgement, the Directors believe it is appropriate to prepare the Consolidated Financial Statements of the Group on a going concern basis.

c) Basis of preparation

Basis of accounting

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

Consolidation

In accordance with section 244 of the Companies Law, the Directors have elected to prepare consolidated accounts for the financial period for the Group. Therefore, there is no requirement to present individual accounts for the Company within the Consolidated Financial Statements.
The Company is not considered to be an Investment Entity, as defined in IFRS 10. Whilst the Company evaluates the Portfolio on a fair value basis as demonstrated by the Operating NAV provided as an alternate performance measure, the Company also actively manages the Songs to add further value and has no defined exit strategy for any of its investments.
All companies in which the Company has a controlling interest, namely those in which it has the power to govern financial and operational policies in order to obtain benefits from their operations, are fully consolidated. Control as defined by IFRS 10 is based on the following three criteria to be fulfilled simultaneously to conclude that the parent company exercises control:

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

- the parent company is exposed, or has rights, to variable returns from its involvement with the subsidiary which may vary as a result of the subsidiary's performance. The concept of returns is broadly defined and includes, among other things, dividends and other economic benefit distributions, changes in the value of the investment in the subsidiary, economies of scale, and business synergies; and

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

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

Segmental reporting

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

d) Revenue recognition

Bank interest income

Interest income from cash deposits is recognised as it accrues by reference to the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset to the asset's carrying value or principal amount, and is accounted for on an accruals basis.

Revenue from operations and associated costs

Revenues from operations are recorded when it is probable that future economic benefits will be obtained by the Group and when they can be reliably measured. The revenue earned by the Group is recognised in accordance with IFRS 15 and solely consists of royalty income, which is divided into three main revenue categories:
i) Mechanical royalties – these are collected by PROs worldwide which represent songwriters and other copyright owners. Mechanical royalties are also collected by royalty collection agents or the portfolio administrators with whom the Group contracts;
ii) Performance royalties – these are collected by various PROs worldwide which represent songwriters and other copyright owners; and
iii) Synchronisation fees – these are typically paid directly to the owner of the relevant copyright or its publisher, on the terms and in the amounts agreed with the relevant film or television production company, advertising agency or end customer.
These revenue categories are further disaggregated into individual revenue streams which are disclosed in detail in Note 13. The Group follows the same accounting policies in respect of all revenue streams, unless otherwise disclosed.
As royalty income is typically reported by the royalty collection agents/performance rights organisations on an arrears basis via statement and where statements have not been received at the year end, the Group accrues for those reporting delays by assessing historic and forecasted earnings over the equivalent reporting period based on evidenced historic revenue reporting, seasonality and industry consumption and growth rates since the last statement date.
Licence arrangements for all income types which include publishing income (mechanical, performance, downloads, Streaming, Synchronisation and writer share income), income derived from master recordings and producer royalties.
The Group enters into licence arrangements in respect of Catalogues of Songs with third-party collection agents. Licences granted to collection agents are deemed to constitute usage based, right of use licences as per IFRS 15.
Revenue arising from licences entered into with collection agents is therefore recognised in the period. Payment is received once the royalty statement is delivered, the royalty statement includes amounts covered by both the usage and processing accrual.
This revenue, which is net of the administration fee retained by the collection agent, is disaggregated to be reviewed by song usage period, source of income, work title, reporting period and any third party royalty entitlements where necessary.

The contractual basis of the licence arrangements are such that the agents are deemed as 'principals' for tax purposes, therefore the Group recognises its revenue net of administration fees.
Where available at the end of each month or at an earlier interval to which the revenue relates, revenue is recorded on the basis of royalty statements received from collection agents.
Where notification has not yet been received from collection agents, an estimate is made of the revenue due to the Group at the end of the month to which the usage of the music copyright relates. Estimates are made on the basis of the historical track record of music Catalogues, ad hoc data provided by collection agents, industry forecasts and expected seasonal variations.
Non-recourse fixed fee arrangements are recognised at the point at which control of the licence passes to the collection agents. Variable consideration is recognised in the period when the usage of the Catalogues of Songs occurs.

e) Royalty costs

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

f) Expenses

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

g) Dividends to Shareholders

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

h) Assets

Catalogues of Songs

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

Asset impairment

Each time events or changes in the respective Catalogues of Songs or economic environment indicate a risk of impairment of intangible assets, the Group re-examines the value of these assets for indicators of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value (less costs to sell) as described hereafter, for each individual asset.
The value in use of each asset is determined by the Board and Investment Adviser with the support of independent third parties commissioned to appraise the Catalogue value at time of acquisition, which is the discounted value of future cash flows using cash flow projections consistent with the expected portfolio cash flows and the most recent forecasts as at that time. Applied discount rates are determined by reference to an appropriate benchmark as determined by the Board and reflect the current assessment by the Group of the time value of money and risks specific to each asset. Growth rates used for the evaluation of individual assets are based on industry growth rates sourced from independent market reports and other third-party sources.
The fair value is determined by the Portfolio Independent Valuer, which is also the discounted value of future cash flows by using cash flow projections consistent with the expected Portfolio cash flows and the most recent forecasts as at that time cross referenced, where appropriate, against market multiples for recent transactions for similar assets. The Portfolio Independent Valuer use their own proprietary analysis to project out income streams, which is based on independent market reports and third-party sources. The discount rate used by the Portfolio Independent Valuer is 8.5% and unchanged since the interim results of 30 September 2021 (31 March 2021: 8.5%).
Whilst the Board and Investment Adviser regularly assess other indicators of impairment (such as a songwriter's or key performance artist's reputation etc.), the Board and Investment Adviser typically use the fair value of the assets, being the

Catalogues of Songs, as an initial indicator of impairment. For assets that are currently valued below their fair value, the Board and Investment Adviser will review the prevailing qualitative and quantitative factors that determine the value in use in assessing whether the indication of impairment holds true.
Given the potential delays within the music industry, of copyright registrations and LOD assignments, an impairment is only considered when the recoverable value is less than fair value after a two year period. A co-efficient analysis, which incorporates various factors including the time remaining when the recoverable value equals the fair value based on the rate of amortisation, the ability for the Company to renegotiate administration rates and the active management that is undertaken, which then informs the asset impairment to be made. If the recoverable amount is still lower than the carrying value of an asset or group of assets and the qualitative and quantitative aspects do not support a recoverable amount higher than the carrying amount, an impairment loss equal to the difference is recognised in profit and loss. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

Loans and receivables

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

Derecognition of assets

The Group derecognises an asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity.
If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.
On derecognition of an asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the Consolidated Statement of Profit and Loss.

i) Contingent consideration

Under the terms of the acquisition agreements for Catalogues, contingent consideration may be payable dependent on future independent valuations of the Catalogues or revenue received within a specific time frame of acquiring the Catalogues that reach agreed upon revenue targets. At 31 March 2022 a provision of $0.9 million was recognised as contingent consideration as it is likely the performance conditions will be met and an economic outflow will arise.

j) Deferred consideration

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

k) Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the value of proceeds received, net of direct issue costs.
Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

l) Share-based payments

Investment Adviser's performance fee

The Group recognises the variable fee for the services received in a share-based payment transaction as the Group becomes liable to the variable fee on an accruals basis.
The fair value of the performance fee, as defined in the Investment Advisory Agreement, which is payable to the Investment Adviser in Shares is recognised as an expense when the fees are earned with a corresponding increase in equity.

m) Cash and cash equivalents

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

n) Functional and foreign currency

Determination of functional currency

Whilst the functional currency of the Company is Dollars, some subsidiaries have a functional currency of Sterling which is translated into the presentation currency. The entities which continue to have a functional currency of Sterling are shown in Note 2(a).
Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Dollars, which is the Group's functional and presentation currency of the Company and each of its subsidiaries.

Treatment of foreign currency

At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise. Transactions denominated in foreign currencies are translated into Dollars at the rate of exchange ruling at the date of the transaction.
As disclosed in the prior year Annual Report, the functional and presentation currency of the Company and a number of its subsidiaries changed from Sterling to US Dollars with effect from 1 October 2020. The change in presentation currency is a voluntary change with retrospective application. The accounting policy for the change in functional and presentation currency is outlined below:

Period to 31 March 2021

All movements in the Consolidated Statement of Profit and Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, have been translated using the prevailing daily foreign exchange rates.

Period from 1 April 2020 to 30 September 2020

All movements in relation to the Consolidated Statement of Profit and Loss, Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity were translated using the prevailing daily foreign exchange rates. All Equity reserves in the Consolidated Statement of Financial Position were also translated using the prevailing daily foreign exchange rates.
Assets and liabilities in the Consolidated Statement of Financial Position were translated into Dollars at the closing foreign currency rates as at 30 September 2020, with the exception of the Catalogues of Songs figure which was fully recalculated using applicable daily rates.
The movement in the Foreign currency translation reserve in this period was calculated as the difference between the movement in the net asset position and the total Equity reserves as translated at 1 April 2021 and 30 September 2020.
The Consolidated Statement of Cash Flows was translated as follows; movements which related to the Consolidated Statement of Profit and Loss, Consolidated Statement of Comprehensive Income and those in relation to Equity reserves were translated using the prevailing daily foreign exchange rates, movements which related to assets and liabilities are calculated as the movements using the rates at 1 April 2021 and 30 September 2020.

Periods ended before or on 31 March 2020

All movements in relation to the Consolidated Statement of Profit and Loss, Consolidated Statement of Comprehensive Income were translated at the average prevailing daily rates for the relevant accounting period, this is also the basis for the historical profit or loss held in Retained earnings per the Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity.
All historical capital raises and dividend payments were translated at the prevailing daily foreign exchange rates.
Assets and liabilities in the Consolidated Statement of Financial Position were translated into Dollars at the closing foreign exchange rates as at each reporting date, with the exception of the Catalogues of Songs figure which was fully recalculated using applicable daily rates.
The Foreign currency translation reserve was calculated as the difference between the net asset position and the total Equity reserves as stated at each reporting date.
The Consolidated Statement of Cash Flows was translated as follows; movements which related to the Consolidated Statement of Profit and Loss were translated at the average prevailing daily rates for the relevant accounting period, those in relation to dividend payments or capital raises were translated at the prevailing daily foreign exchange rates, and movements which related to assets and liabilities were calculated as the movements using the closing foreign exchange rates as at each reporting date.

3. Business combinations

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

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

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.
On 10 September 2020, the Company acquired the entire share capital of Big Deal Music Group (rebranded as Hipgnosis Songs Group) a boutique full-service song company which owns a portfolio of copyright interests and is headquartered in the US. It was acquired for total consideration of $88.2 million based on the fair value of assets transferred into the Group of $87.9 million, resulting in $0.3 million of Goodwill being recognised on acquisition (including $1.6 million cash, advances, copyright investments and operating company working capital items). The consideration for the acquisition was funded from the proceeds of the Company’s C Share equity fundraise in July 2020 and through the issue of 17,609,304 new Ordinary Shares issued at a price of 120.65p per Ordinary Share. As part of the business combination, the assets were revalued to fair value on the date of the business combination and liabilities evaluated and recognised in the respective balances in the Consolidated Financial Statements.
The results of Hipgnosis Songs Group are not disclosed separately in the Consolidated Statement of Profit and Loss as these are deemed immaterial on a consolidated Group basis.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires the application of estimates and assumptions which may affect the results reported in the Consolidated Financial Statements. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Group based its assumptions and made estimates based on the information available when the Condensed Consolidated Financial Statements were prepared. However, these assumptions and estimates may change based on market changes or circumstances beyond the control of the Group.

Functional currency

Functional currency is defined as the currency of the primary economic environment in which the Company operates, and IAS 21 outlines primary and secondary factors a Company should consider when determining its functional currency.
As disclosed in the prior year Annual Report, the functional and presentation currency of the Company and a number of its subsidiaries changed from Sterling to US Dollars with effect from 1 October 2020. The change in presentation currency is a voluntary change with retrospective application. The methodology used to apply the presentation currency change in the prior year is outlined in Note 2(n).

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

In calculating accruals, the Investment Adviser makes judgments around seasonality, over or under performance, and commercial factors based on historical performance, and its knowledge of each Catalogue through its regular correspondence with the various administrators, record labels and international societies.
Estimated royalty revenue receivable is accrued for on the basis of historical earnings for each Catalogue, which incorporates an element of uncertainty. The estimated revenue accrual may not therefore directly equal the actual cash received in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual revenue received is known, and these adjustments may be material.
Net revenues also include an accrual for performance income, to account for the writer's share of performance royalties which are subject to a significant time lag in reporting in the industry, but which the Group is entitled to receive in due course. In recommending the estimate of this accrual to the Board of Directors the Investment Adviser used its analysis of each Catalogue's revenue history as well its knowledge of the respective Catalogue performance trends to recommend the estimated accruals. In the current year, the Investment Adviser recommended changes to the revenue accrual estimation methodology to include a PRO income accrual based on each Catalogue's revenue history and a Usage Accrual based on the expected usage lag for each PRO and publisher, which was adopted by the Board of Directors.
Net revenue is subject to a royalty cost accrual applied to gross revenue receipts primarily within the Hipgnosis Songs Group subsidiaries. Royalty cost accruals represent contractual royalties due to songwriters and other rights holders that are payable on a 6-monthly basis for writers under publishing contracts and quarterly for clients under administration contracts. Royalty rates vary by writer (negotiated by contract) and by revenue stream.

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

Royalty earnings for accruals and receivables recognised in the year ending 31 March 2022 are distributed by PROs, Publishers and Record Labels who collect royalties at the source of usage and distribute those earnings directly to Hipgnosis.
The probability of future default has been deemed close to nil, due to the long-standing history of PROs, Publishers and Record Labels within the music industry and the existing framework of cash collection amongst the Company's stakeholders. Whilst there are smaller/newer organisations that have relatively unproven credit resilience these account for a small minority of our receivables.
The Company's current risk assessment includes analysis of the exposure to commercial risk by PROs, Publishers and Record Labels, and the likely impact of their credit risk on Hipgnosis' revenue streams.
Findings from the Company's sensitivity analysis demonstrates revenue by source from the following types of organisations:

- 34% Independent publishers
- 29% Major publishers (US & UK)
- 19% US PROs

- 13% Record labels
- 5% Ex-US PROs

As demonstrated in the following breakdown of Accrued Income and Income Receivable, 64% ($4.6 million) of the $7.2 million Income receivable balance outlined in Note 8, has been received at the time of signing the Consolidated Financial Statements, with the remainder expected within 30 days. To date, there has been no default of debt for royalty payments by PROs, Publishers or Record Labels.

Additional credit risk with regards to Accrued income is taken into consideration at the point of calculating each accrued amount. On calculation, latest forecast earnings are considered and adjusted down for the latest trend of cash receipted earnings if there Is any suggestion of a downwards performance indicator.

Accrued Income and Receivables at 31 March 2022 were $111.9 million (on a gross basis), a breakdown of which is set out below:

- $7.2 million receivable representing royalty statements received in March 2022 with payment received in April 2022 and May 2022.
- $32.9 million for calendar Q1 2022 earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q3 and Q4 2022;
- $9.7 million for calendar Q4 2021 earnings which are not reported to the Company until calendar Q2 2022;
- $7.3 million income accrual relating to time-lagged international reporting on PRO earnings. International PRO reporting has a significant time lag due to the additional collection time taken for PROs to distribute income from territories. The lag is due to the nature of processing royalties locally, then distributing them to the domestic PRO, which will in turn process and distribute these royalties to the Group. Six months of international PRO earnings are accrued, although can typically result in an earnings lag of up to 24 months;
- $6.8 million HSG gross revenue accrual, which includes the accrued PRO lag. Separately, a $5.6 million royalty creditor representing contractual royalties due to writers has been recognised;
- $36.0 million income Usage Accrual, see Usage Accrual section for more details; and
- $12.0 million relating to calendar Q2 2021 to Q3 2021 earnings for Catalogues where royalty reporting is still in the process of being redirected/switched over to the Company. These accruals are based on royalty statements received with invoices due to be raised on completion of the Letter of Direction.

The Audit and Risk Management Committee continues to evaluate credit risk during COVID-19 and has not become aware of any issues with cash collections or changes in the existing royalty collection arrangements.

Expected Credit Loss (ECL) in relation to HSG advances

Hipgnosis Songs Group LLC advance royalty payments to songwriters. Management are required to assess the recoverability of these advances bi-annually in accordance with IFRS 9 Financial Instruments. Management will consider market conditions and historic trading patterns effecting the relevant assets.

Management have analysed their historical loss ratio data and apply this using the risk based methodology as there are no defined terms of repayment related to advances. The risk categories to which the historical loss ratios assessed and expected credit losses calculated are:

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

At year end HSG gross recoupable advances are $31.6 million with an expected credit loss provision of $13.0 million recognised against the advances. The movement in the provision for expected credit losses is included as an other operating expense in the Consolidated Statement of Comprehensive Income.

Assessment of useful life of intangible assets

In order to calculate the amortised cost of the intangible assets it is necessary to assess the useful economic life of the copyright interests in Songs. This requires forecasts of the expected future revenue from the copyright interests, which contains significant uncertainties as the ongoing popularity of a Song can fluctuate unexpectedly. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with industry standard.

Assessment of impairment and the calculation of Operative NAV

As disclosed in Note 2(h) above, intangible assets are subject to bi-annual impairment review which relies on assumptions made by the Board. Assumptions are updated bi-annually, specifically those relating to future cash flows and discount rates.

The fair value estimates that are prepared in order to calculate the Operative NAV and Operative NAV per Share are also used to assess whether there is evidence that the intangible assets may be impaired. Management's impairment review as at 31 March 2022 concluded that $1.5 million (31 March 2021: $nil) impairment was required to the Group's Catalogues. Valuations of music publishing rights typically adopt the DCF valuation approach which measures the present value of anticipated future revenues from acquiring the Catalogues, which are discounted at a 'market cost of capital' of 8.5% (31 March 2021: 8.5%) and a terminal value in 16 years. This method is accepted as an objective way of measuring future benefits; taking into account income projections from various music industry sources across various revenue flows whilst also factoring in the associated cost of capital.

It is the intention of the Board that Catalogues of Songs will be valued on an ongoing basis using a consistent DCF valuation methodology, and that this be used as an initial indicator of impairment for each Catalogue of Songs.

When considering whether a Catalogue of Songs should be impaired, the Board considers a co-efficient analysis that incorporates various factors, including the time remaining of when the recoverable value equals the fair value based on the rate of amortisation, the ability for the Company to renegotiate administration rates and the active management that is undertaken.

Future revenue derived from active song management is not reflected in the fair value of each Catalogue of Songs as determined in accordance with IFRS 13.

5. Taxes

The major components of income tax expense for the year ended 31 March 2022 and year ended 31 March 2021 are:

Current income tax

	Year ended 31 March 2022 $'000	Year ended 31 March 2021 $'000
United Kingdom corporation tax based on the profit for the year at 19% (2021: 19%)	123	5,604
Adjustments in respect of prior periods	2,369	–
Non-reclaimable withholding tax on royalty payments received	251	–
Total current tax	**2,743**	**5,604**
Deferred taxation		
Origination and reversal of timings differences	–	–
Total tax	**2,743**	**5,604**

The Company was Guernsey tax resident for the current and previous periods but exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 and was charged an annual fee of £1,200.

Whilst the Company is incorporated in Guernsey, the majority of the Company's subsidiaries are incorporated and tax resident in the UK and the majority of the Group's income and expenditure is incurred in these UK entities. Therefore, it is considered most appropriate to prepare the tax reconciliation below at the standard UK tax rate for the year of 19% (2021: 19%).

The Group currently has no exposure to US Tax given HSG is currently not making a taxable profit. Aside from the US, the Group has no other foreign subsidiaries.

It is noted that the Company applied to Her Majesty's Revenue & Customs (HMRC) for approval of the Company as an investment trust company and such approval was granted. The Company's conversion to an investment trust company took effect from 1 April 2021 (and shall continue for such time as the Company maintains this status). The Company will be treated as being resident in the UK for tax purposes from such date. With effect from this change, the Company will cease to be a Guernsey tax exempt vehicle under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, as amended.

The March 2021 Budget announced an increase to the main rate of UK corporation tax to 25% from April 2023. This rate which is substantively enacted at the statement of financial position date, however the impact of this proposed change is not included within these Consolidated Financial Statements.

The actual tax charge for the current year and the previous period differs from the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March 2022 $'000	Year ended 31 March 2021 $'000
(Loss)/Profit on the Group's ordinary activities before tax	(16,700)	44,538
Tax on the (loss)/profit on the Group's ordinary activity at the standard UK rate of 19%	(3,173)	8,462
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	887	–
Adjustment in respect of previous periods	2,369	–
Effect of overseas tax rate	(760)	–
Deferred tax not recognised	3,169	–
Net non-reclaimable withholding tax on royalty payments received	251	–
Tax effect on non-taxable income	–	(2,858)
Total actual amount of current tax	**2,743**	**5,604**

6. Catalogues of Songs

	$'000
Cost	
At 1 April 2021	1,972,199
Additions	265,085
At 31 March 2022	**2,237,284**
Amortisation and impairment	
At 1 April 2021	93,275
Amortisation	105,787
Impairment	1,490
At 31 March 2022	**200,552**
Net book value	
At 1 April 2021	1,878,924
At 31 March 2022	**2,036,732**
Fair value as at 31 March 2022 (used in Operative NAV)	**2,693,974**
Cost	
At 1 April 2020	882,906
Additions	1,089,293
At 31 March 2021	**1,972,199**

Amortisation and impairment	
At 1 April 2020	25,400
Amortisation	67,875
Impairment	–
At 31 March 2021	**93,275**
Net book value	
At 1 April 2020	857,506
At 31 March 2021	**1,878,924**
Fair value as at 31 March 2021 (used in Operative NAV)	**2,213,719**

The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years (other than in exceptional circumstances for specific Catalogues of Songs). At 31 March 2022 the Portfolio consisted of Catalogues of Songs held for no longer than 4 years. An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years, in line with industry standard. At 31 March 2022 accumulated amortisation for Catalogue of Songs is $199.1million (31 March 2021: $93.3 million) and the accumulated impairment to date is $1.5 million (31 March 2021: $nil).

The Board engaged Portfolio Independent Valuer, Citrin Cooperman Advisors LLC (formerly Massarsky Consulting, Inc.), to value the Catalogues as at 31 March 2022. 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. The Board are comfortable that Kobalt is valued on this basis as the Kobalt Catalogue was purchased as a whole. Future revenues were also estimated, often at the level of individual Songs, and incorporated into their valuation. Citrin Cooperman has also taken into consideration macro factors including the growth of Streaming revenue, the global growth of the recorded music industry and the short – and medium-term impact of COVID-19 in their analysis.

The Board has approved and adopted the valuations prepared by the Portfolio Independent Valuer which are used as an input into the impairment review process and for the Operative NAV.

The sensitivity to the discount rate used in the Operative NAV is as follows:

-0.5% discount rate will grow the FV of the Portfolio by 8.0%, increasing the Operative NAV by $254.8 million which represents an increase of 21.0 cents Operative NAV per share.

+0.5% discount rate will reduce the FV of the Portfolio by 9.0%, reducing the Operative NAV by $214.9 million which represents a decrease of 20.3 cents Operative NAV per share.

7. Cash and cash equivalents

Cash and cash equivalents comprise cash held by the Group available on demand and cash held in deposits. Cash and cash equivalents were as follows:

	31 March 2022 $'000	31 March 2021 $'000
Cash available on demand	30,067	112,634
	30,067	**112,634**

8. Non-current receivables, trade and other receivables

	31 March 2022 $'000	31 March 2021 $'000
Non-current receivables	640	3,298
Accrued income	104,658	71,100
Royalties receivable	6,605	8,687

HSG net recoupable advances	18,604	9,095
Prepayments and other debtors	7,274	15,448
VAT Receivable	7,309	–
	145,090	**107,628**

Credit Risk and Provision for Expected Credit Losses

The Group has applied IFRS 9, Financial Instruments, during the year, which includes the requirements for calculating a provision for expected credit losses on financial assets. As disclosed in Note 4, the probability of future default against revenue receivable balances has been deemed close to nil. At 31 March 2022, an ECL provision is recognised against the HSG recoupable advances as below:

	High Risk	Medium Risk	Low Risk	Total
Expected loss rates	*-100.0%*	*-41.1%*	–	*-41.1%*
Gross carrying amounts	6,712	15,324	9,576	31,612
Provision for expected credit losses	(6,712)	(6,296)	–	(13,007)
Net carrying amounts	**–**	**9,028**	**9,576**	**18,604**

9. Loans and borrowings

During 2021, the Company entered into an agreement with a syndicated group of lenders, with JPMorgan Chase Bank (JPM) as Lead Arranger, to increase its Revolving Credit Facility (RCF) from £150 million to $400 million. On 6 January 2021 it was announced that the facility was upsized to $600 million subject to total borrowings not exceeding 30% of Net Asset Value. On 26 March 2021, the Company drew down $90.0 million under its RCF resulting in gross indebtedness of $577.3 million and net indebtedness of $438 million. This gross indebtedness represented approximately 32.8% of the last published Adjusted Operative Net Asset Value at that time and therefore constituted an inadvertent breach of the Company's borrowing restriction under its investment policy of 30% of Net Asset Value. The amounts drawn down were held by the Company as cash and were unutilised, and on 5 April 2021 $50.0 million of these drawings were repaid thereby curing the temporary breach.

On 22 June 2021 the Company drew down $13.0 million of the RCF and on 22 July 2021 the Company drew down a further $58.7 million of the RCF. This results in gross indebtedness of $600 million which is the maximum available limit of the RCF. The RCF, which had its maturity date extended to 2 April 2025 on 15 April 2020, provides the Company with greater flexibility to fund investments and provide additional working capital.

The RCF's key covenant imposes a loan to value test, a fixed charge coverage test and a liquidity test reviewed quarterly and is secured by, inter alia, a charge over the shares in all the subsidiaries of the Company and over all of their assets including all Catalogues of Songs of the Company held through these subsidiaries, a charge over the bank accounts of the Company and a floating charge at the fair value deemed by J.P. Morgan. The Company has also provided a parent company guarantee. In accordance with the Investment Policy, any borrowings by the Company will not exceed 30% of the value of the net assets of the Company.

The RCF bears interest at a fixed rate of 3.25% plus a floating rate of interest based on London Interbank Offered Rate (LIBOR). In the financial year ending 31 March 2023, the RCF will transition from a floating rate of interest based on LIBOR to a floating rate of interest based on Secured Overnight Financing Rate (SOFR). The Company has considered the impact this will have on interest payments and it is not expected to have a material impact. The Board, together with the Investment Adviser, is in the process of reviewing its leverage structure with a view to reducing interest rate risk and controlling costs for the Company.

	31 March 2022 $'000	31 March 2021 $'000
Opening balance – loan drawn down	577,292	74,014
Amounts drawn down during the period	72,708	503,278
Amounts repaid during the year	(50,000)	–
Total loan drawn down	**600,000**	**577,292**
Cumulative borrowing costs	(6,008)	(11,432)
Closing balance	**593,992**	**565,860**

During the year, $20.4 million (31 March 2021: $7.3 million) was charged as interest on the amounts drawn down.

10. Non-current deferred investment payables, other payables and accrued expenses

	31 March 2022 $'000	31 March 2021 $'000
Non-current investment acquisition payables	925	1,588
Amounts owed to songwriters	16,957	18,522
Investment acquisition payables	11,197	40,459
Trade payables and accruals	4,106	5,250
VAT payable	–	2,609
Loan interest payable	500	1,277
Corporation tax payable	2,570	4,798
Directors' fees payable	83	–
	36,338	**74,493**

As at 31 March 2022 an amount of $12.1 million relating to the acquisition of 4 Catalogues remained outstanding (31 March 2021: $42.0 million relating to the acquisition of 10 Catalogues).

The Group have a number of contingent bonuses which are dependent on the individual catalogues meeting certain defined performance hurdles as defined in the catalogue acquisition agreement. Management's assessment based on the underlying catalogue acquisition agreement and catalogue performance to date, is that there is a remote probability that a number of contingent bonuses will become payable. The fair value of this contingent liability is $5.8 million.

11. Share capital and capital management

The share capital of the Company may consist of an unlimited number of: (i) Ordinary Shares of no par value which upon issue the Directors may classify as Ordinary Shares; and (ii) C Shares denominated in such currencies as the Directors may determine.

Ordinary Shares of no par value

	No. of Units
Issued and fully paid:	
Shares as at 1 April 2021	1,073,440,268
Shares issued on 29 April 2021	9,000,000
Shares issued on 9 July 2021	128,774,018
Shares as at 31 March 2022	**1,211,214,286**

	$'000
Issued and fully paid:	
Share capital at 1 April 2021	1,466,851
Shares issued on 29 April 2021	14,938
Shares issued on 9 July 2021	214,764
Share issue costs	(4,355)
Shares as at 31 March 2022	**1,692,198**

On 29 April 2021 the Company issued 9,000,000 new Ordinary Shares at a price of 119.5p per Ordinary Share and on 9 July 2021 the Company issued 128,774,018 new Ordinary Shares at a price of 121p per Ordinary Share. These shares rank pari

passu with the existing Ordinary Shares in issue. The net proceeds have been used to fund an investment in accordance with the Company's Investment Policy.

	No. of Units
Issued and fully paid:	
Shares as at 1 April 2020	615,851,887
Shares issued on 10 September 2020	17,609,304
Shares issued on 24 September 2020	163,793,103
Shares issued on 30 November 2020 [1]	214,202,503
Shares issued on 5 February 2021	61,983,471
Shares as at 31 March 2021	**1,073,440,268**

	$'000
Issued and fully paid:	
Share capital at 1 April 2020	801,844
Shares issued on 10 September 2020	27,600
Shares issued on 24 September 2020	241,702
Shares issued on 30 November 2020 [1]	304,132
Shares issued on 5 February 2021	103,622
Share issue costs	(12,049)
Shares as at 31 March 2021	**1,466,851**

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

On 10 July 2020 236,400,512 C Shares were issued and converted on 30 November 2020 to 214,202,503 Ordinary Shares at a conversion rate of 0.9061 Ordinary Shares for each C Share held.
Under the Company's Articles of Incorporation, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every Ordinary Share held.
Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the residual assets of the Company.

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

	31 March 2022	31 March 2021
Number of ordinary shares in issue	1,211,214,286	1,073,440,268
IFRS NAV per share (cents)	**130.65**	**136.28**
Operative NAV per share (cents)	**184.91**	**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

	31 March 2022 $'000	31 March 2021 $'000
IFRS NAV	**1,582,399**	**1,462,845**
Adjustments for revaluation of Catalogues of Songs to fair value	457,441	250,343
Reversal of amortisation	199,800	93,275
Operative NAV	**2,239,640**	**1,806,463**

13. Revenue

	1 April 2021 to 31 March 2022 $'000	1 April 2020 to 31 March 2021 $'000
Mechanical income	10,657	9,535
Performance income	22,291	24,652
Digital downloads income	4,405	4,480
Streaming income	72,850	34,348
Synchronisation income	22,530	28,020
Publishing admin income	300	199
Masters income	8,448	8,424
Writer share income	45,103	34,889
Other income	6,037	7,675
Producer royalties	7,763	8,445
Total revenue	**200,384**	**160,667**

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

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

14. Other operating expenses

	1 April 2021 to 31 March 2022 $'000	1 April 2020 to 31 March 2021 $'000
Aborted deal expenses	1,951	848
Bank charges	34	42
Contingent bonuses	936	–
Directors' and officers' insurance	366	512
Disbursements and sundry expenses	355	594
Postage, stationery and printing	42	59
Movement in ECL provision for HSG advances	1,570	4,247
HSG staff payroll and expenses	6,598	3,678
Travel and accommodation fees	551	184
Total other operating expenses	**12,403**	**10,164**

15. Foreign exchange

	1 April 2021 to 31 March 2022 $'000	1 April 2020 to 31 March 2021 $'000
Foreign exchange (losses)/gains	(14,857)	15,814
	(14,857)	**15,814**

The foreign exchange impact reflects the effect of movements in foreign currency exchange rates throughout the year. In the prior year, the foreign exchange gain includes an adjustment as a result of the Company changing its functional currency from GBP to USD.

Currency risk is discussed further in Note 17.

16. Dividends

A summary of the dividends is set out below:

1 April 2021 to 31 March 2022	Dividend per share Pence	Total Dividend $'000
Interim dividend in respect of quarter ended 31 March 2021	1.3125	20,093
Interim dividend in respect of quarter ended 30 June 2021	1.3125	21,807
Interim dividend in respect of quarter ended 30 September 2021	1.3125	21,214
Interim dividend in respect of quarter ended 31 December 2021	1.3125	21,186
	5.25	**84,300**

1 April 2020 to 31 March 2021	Dividend per share Pence	Total Dividend $'000
Interim dividend in respect of quarter ended 30 March 2020	1.25	9,485
Interim dividend in respect of quarter ended 30 June 2020	1.25	10,108
Interim dividend in respect of quarter ended 30 September 2020	1.3125	13,979
Interim dividend in respect of quarter ended 31 December 2020	1.3125	18,437
	5.125	**52,009**

Subsequent to the year end, the Company announced an interim dividend for the quarter from 1 January 2022 to 31 March 2022 of 1.3125p per Ordinary Share, paid on 15 June 2022. The Company continues to pay dividends in Sterling.

17. Financial risk management

Financial risk management objectives

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

Fair values

Management assessed that the fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amount largely due to the short-term maturities and high credit quality of these instruments.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the capital return to Shareholders. The capital structure of the Group consists of issued share capital and retained earnings, as stated in the Consolidated Statement of Financial Position.

In order to maintain or adjust the capital structure, the Group may buy back shares or issue new shares. There are no external capital requirements imposed on the Group.

During the year ended 31 March 2022, the Group drew down $72.7 million (31 March 2021: $503.3 million) and repaid $50.0 million of the RCF which remained drawn down as at 31 March 2022 by $600 million (31 March 2021: $577.3 million).

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

Market risk

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

a) Currency risk

Currency risk is the risk that the fair values of future cashflows will fluctuate because of changes in foreign exchange rates. The revenue earned from the Catalogue of Songs may be subject to foreign currency fluctuations. Royalties are earned globally and paid in a number of currencies, therefore the Group may be impacted by adverse currency movements. The Group will convert the majority of overseas currency receipts into US Dollars by agreeing to currency exchange arrangements with collection agents, or otherwise itself undertaking foreign exchange conversions. The Group may engage in full or partial foreign currency hedging and interest rate hedging. The Group will not enter into such arrangements for investment purposes.

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

As at 31 March 2022	USD $	GBP Converted to $	EUR Converted to $	Other Converted to $	Total $
Current and non-current receivables	132,276,352	10,502,849	1,744,705	565,596	145,089,502
Cash and cash equivalents	25,453,842	4,314,025	298,750	–	30,066,617
Total financial assets	**157,730,194**	**14,816,874**	**2,043,455**	**565,596**	**175,156,119**
Revolving Credit Facility	600,000,000	–	–	–	600,000,000
Current and non-current payables	31,448,059	4,882,926	7,259	–	36,338,244
Total financial liabilities	**631,448,059**	**4,882,926**	**7,259**	**–**	**636,338,244**
Net asset/(liability) position	**(473,717,865)**	**9,933,948**	**2,036,196**	**565,596**	**(461,182,125)**

*At the reporting date 31 March 2022, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the net assets and movement in profit and loss would have been $993,395 higher/lower.

**At the reporting date 31 March 2022, if the EUR had strengthened/weakened by 10% against the Dollar with all other variables held constant, the net assets and movement in profit and loss would have been $203,620 higher/lower.

As at 31 March 2021	USD $	GBP Converted to $	EUR Converted to $	Other Converted to $	Total $
Current and non-current receivables	158,928,673	(54,090,437)	2,342,940	446,482	107,627,658
Cash and cash equivalents	117,349,227	(6,549,651)	1,834,603	–	112,634,179
Total financial assets	**276,277,900**	**(60,640,088)**	**4,177,543**	**446,482**	**220,261,837**
Revolving Credit Facility	577,292,000	–	–	–	577,292,000
Current and non-current payables	140,174,178	(66,307,194)	625,732	(165)	74,492,551
Total financial liabilities	**717,466,178**	**(66,307,194)**	**625,732**	**(165)**	**651,784,551**
Net (liability)/asset position	**(441,188,278)**	**5,667,106**	**3,551,811**	**446,647**	**(431,522,714)**

*At the reporting date 31 March 2021, if Sterling had strengthened/weakened by 10% against the Dollar with all other variables held constant, the net assets and movement in profit and loss would have been $566,711 higher/lower.

**At the reporting date 31 March 2021, if the EUR had strengthened/weakened by 10% against Dollar with all other variables held constant, the net assets and movement in profit and loss would have been $335,181 higher/lower.

b) Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk on cash and cash equivalents and also on the interest bearing RCF. The RCF bears a fixed rate of interest plus a floating rate of interest based on London Interbank Offered Rate (LIBOR). This interest rate is LIBOR rolling over at 7 November 2020, the Group is able to elect 1, 3 or 6 month rollovers, with no change expected.

At 31 March 2022, based on the value of interest-bearing RCF balance held at that date, if interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's loss after tax for the year would not have been materially impacted.

Credit risk

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

As reported in Note 4, there is no impairment of the receivables balance, credit risk of third parties has been taken into account when calculating accruals, and expected credit loss charge for the year on HSG advances was $1.6 million (31 March 2021: $4.2 million).

The Group is exposed to credit risk through its balances with banks and its indirect holdings of money market instruments through those money market funds which are classified as cash equivalents for the purposes of these Consolidated Financial Statements.

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

	Location	Rating	31 March 2022 $'000	31 March 2021 $'000
Barclays Bank plc	Guernsey/UK	A-1*	27,367	106,889
City National Bank	US	A+*	2,599	5,241
Pinnacle Financial Partners	US	Baa1	79	461
JPMorgan Chase Bank, N.A.	US	A-1*	12	12

*Rated by Standard & Poor's

Liquidity risk

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

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

The Group prepares a 3 year rolling cash forecast, which is reviewed by the Board on a monthly basis. The cash flow forecast includes a sensitivity analysis with downside scenarios on income streams impacted specifically relating to COVID-19 and interest rate movements. Cash is delivered with royalty statements, and the majority are delivered quarterly or semi-annually. A small number of collections are delivered monthly. Cash is collected and processed throughout calendar quarters or half years by the administrators and paid out on either 60/90 day accounting.

During the year ended 31 March 2022, the Group had no financial liabilities other than the RCF: $600 million (31 March 2021: $577.3 million) and trade and other payables: $36.3 million (31 March 2021: $74.5 million).

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

Current and non-current receivables	Carrying amount assets $'000	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Accrued income	104,750	4,882	51,381	48,395	92	–	–	104,750
Royalties receivable	7,153	4,977	241	1,387	411	137	–	7,153
HSG net recoupable advances	18,604	–	–	18,604	–	–	–	18,604
Prepayments and other debtors	7,274	1,442	–	5,831	–	–	–	7,274
VAT Receivable	**7,309**	**–**	**(1,383)**	**8,692**	**–**	**–**	**–**	**7,309**
Total	**145,090**	**11,301**	**50,239**	**82,909**	**503**	**137**	**–**	**145,090**

Other payables, accrued expenses, loans and borrowings	Carrying amount assets $'000	Less than 1 month $'000	1-3 months $'000	3-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Bank loan	(593,992)	–	–	–	–	(593,992)	–	(593,992)
Amounts owed to songwriters	(16,957)	–	–	(16,957)	–	–	–	(16,957)
Investment acquisition payable	(12,122)	(2,500)	–	(8,697)	(925)	–	–	(12,122)
Trade payables and accruals	(4,106)	(829)	(3,250)	(27)				(4,106)
Loan interest payable	(500)	(500)	–	–	–	–	–	(500)
Corporation tax	(2,570)	–	–	(2,570)	–	–	–	(2,570)
Directors' fees payable	(83)	(83)	–	–	–	–	–	(83)

Total	**(630,330)**	**(3,912)**	**(3,250)**	**(28,251)**	**(925)**	**(593,992)**	**–**	**(630,330)**
Net receivable/(payable)	**(485,240)**	**7,389**	**46,989**	**54,658**	**(422)**	**(593,855)**	**–**	**(485,240)**

18. Related party transactions and Directors' remuneration

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

All Directors are non-executive. The Directors' remuneration, excluding disbursements, for the year ended 31 March 2022 amounted to £458,360/$613,720, with outstanding fees of £18,750/$24,745 due to the Directors at 31 March 2022 (31 March 2021: £582,000/$762,068 with outstanding fees of £nil due at 31 March 2021). There were no supplementary fees paid to Directors in the year ended 31 March 2022. Directors are reimbursed for out-of-pocket expenses incurred in fulfilling their roles, including costs of travel and accommodation (as required).

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

19. Material agreements

Investment Adviser

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

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

Advisory fee

The advisory fee is calculated at the rate of:

i) 1% per annum of the Average Market Capitalisation up to, and including, £250 million;
ii) 0.90% per annum of the Average Market Capitalisation in excess of £250 million and up to and including £500 million; and
iii) 0.80% per annum of the Average Market Capitalisation in excess of £500 million.

Advisory fees for the year were $16.5 million (31 March 2021: $11.5 million) with $nil outstanding at the reporting date (31 March 2021: $nil).

Performance Fee

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

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

For the purposes of calculating the Performance Fee:

"Performance Share Price" means, in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the 1 month period ending on the last business day of that accounting period (which shall be adjusted as appropriate: (i) to include any dividend declared but not paid where the Ordinary Shares are quoted ex such dividend at any time during that month; (ii) to exclude any dividend paid in respect of the shares during that month; and (iii) for the PSP Adjustments). During the period, the average of the middle market quotations was 120.80p; and

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

The amount of Performance Fee payable to the Investment Adviser shall be paid in the form of a combination of:

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

The Performance Shares are subject to 18-month lock-up arrangements.

The performance fee for the year was calculated and accrued as below:

	31 March 2022 $'000	31 March 2021 $'000
Cash amount accrued as payable	–	300
Amount to be paid as shares	–	234
Total performance fee	**–**	**534**

Administration Agreement

Pursuant to the Administration Agreements: (i) Ocorian Administration (Guernsey) Limited has been appointed as Administrator of the Company; and (ii) Ocorian Administration (UK) Limited has been appointed as administrator to the subsidiaries. The Administrator or Ocorian Administration (UK) Limited (as applicable) are responsible for the day-to-day administration of the Company and the subsidiaries which accedes to the relevant Administration Agreement (including but not limited to the calculation and publication of the semi-annual NAV, the IFRS NAV and Operative NAV) and general secretarial functions required by the Companies Law (including but not limited to maintenance of the Company's accounting and statutory records). For the purposes of the RCIS Rules, the Administrator is the designated manager of the Company.

Under the terms of the Administration Agreement between the Administrator and the Company, the Administrator is entitled to a fixed fee as at 31 March 2022 of £187,500 ($246,259) (31 March 2021: £172,500, $236,977) per annum for services such as administration, accounting, corporate secretarial, corporate governance, regulatory compliance and stock exchange continuing obligations. Additional ad hoc fees are payable in respect of certain additional services, these amounted to £177,112 ($232,616) (31 March 2021: £275,300, $345,829). Administration fees for the year to 31 March 2022 amounted to £364,612 ($478,875) (31 March 2021: £447,800, $582,806) of which £43,125 ($56,639) (31 March 2021: £20,822, $28,593) was outstanding at the year end.

Under the terms of the Administration Agreement between Ocorian Administration (UK) Limited and the subsidiaries the Administrator is entitled to a fixed fee as at 31 March 2022 of £14,000 ($18,387) (31 March 2021: £14,000, $19,233) per subsidiary and a variable incremental fee per annum per additional Catalogue held by a subsidiary for services such as administration, corporate secretarial and accounting. Administration fees for the subsidiaries for the year amounted to £489,683 ($673,007) (31 March 2021: £455,877, $602,770) of which £237,490 ($311,916) (31 March 2021: £145,117, $196,743) was outstanding at the year end.

Registrar Agreement

Computershare Investor Services (Guernsey) Limited (a company incorporated in Guernsey on 3 September 2009 with registered number 50855) has been appointed as registrar to the Company pursuant to the Registrar Agreement. In such capacity, the Registrar will be responsible for the transfer and settlement of Shares held in certificated and uncertificated form. The Registrar is also entitled to reimbursement of all out-of-pocket costs, expenses and charges properly incurred on behalf of the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to a fixed fee as at 31 March 2022 of £7,500 ($9,850) per annum in respect of the Ordinary Shares (31 March 2021: £7,500, $10,303), together with additional ad hoc fees in respect of additional out of scope services provided by the Registrar of £44,464 ($58,399) (31 March 2021: £39,284, $51,641). Registrar fees for the year were £51,964 ($68,249) (31 March 2021: £52,284, $69,500) with £14,644 ($19,233) outstanding at the reporting date (31 March 2021: £10,875, $15,154).

20. Earnings per share

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

	31 March 2021 Basic	31 March 2021 Diluted
Loss for the year ($'000)	38,935	38,935
Weighted average number of Ordinary Shares in issue	825,090,869	825,090,869
Earnings per share (cents)	4.72	4.72

The earnings per share is based on the profit or loss of the Group for the year and on the weighted average number of Ordinary Shares for the year ended 31 March 2022.
There are no dilutive shares at 31 March 2022.

21. Auditor's remuneration

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

	1 April 2021 to 31 March 2022 $'000	1 April 2020 to 31 March 2021 $'000
PricewaterhouseCoopers CI LLP annual audit fees	600	732
PricewaterhouseCoopers CI LLP annual audit fees	**600**	**732**
Pricewaterhouse Coopers CI LLP C Share conversion fees	–	11
Pricewaterhouse Coopers CI LLP reporting accounting services	–	346
Pricewaterhouse Coopers CI LLP Interim review fees	53	54
PricewaterhouseCoopers CI LLP non-audit fees	**53**	**411**

22. Presentation change

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

Consolidated Statement of Profit and Loss

	As reported in 31 March 2021 Annual Report 1 April 2020 to 31 March 2021 $'000	Presentation change $'000	As reported in 31 March 2022 Annual Report 1 April 2020 to 31 March 2021 $'000
Income			
Total revenue	160,752	(85)	160,667
Interest income	88	–	88
Royalty costs	(22,450)	–	(22,450)
Net revenue	**138,390**	**(85)**	**138,305**
Expenses			
Advisory and performance fees	(13,236)	1,186	(12,050)

Administration fees	–	(1,186)	(1,186)
Legal and professional fees	(7,840)	459	(7,381)
Audit fees	(732)	–	(732)
Brokers' fees	(81)	(47)	(128)
Directors' remuneration	(666)	(14)	(680)
Listing fees	–	(625)	(625)
Subscriptions and licences	(236)	–	(236)
Public relations fees	–	(36)	(36)
Charitable donations	(307)	–	(307)
Other operating expenses	(10,561)	400	(10,161)
Amortisation of Catalogues	(67,875)	–	(67,875)
Impairment loss of Catalogues	–	–	–
Amortisation of borrowing expenses	(2,600)	–	(2,600)
Fixed asset depreciation	–	(137)	(137)
Loan interest	(7,331)	–	(7,331)
Finance charges for deferred consideration	(339)	–	(339)
HSG FV gain	2,139	–	2,139
Net JV income	–	85	85
Foreign exchange gain/(losses)	15,814	–	15,814
Operating expenses	**(93,851)**	**85**	**(93,766)**
Operating (loss)/profit for the period before taxation	**44,539**	**–**	**44,539**
Taxation	(5,604)	–	(5,604)

(Loss)/profit for the period after tax	**38,935**	**–**	**38,935**

Consolidated Statement of Financial Position

	As reported in 31 March 2021 Annual Report 1 April 2020 to 31 March 2021 $'000	Presentation change $'000	As reported in 31 March 2022 Annual Report 1 April 2020 to 31 March 2021 $'000
Assets			
Catalogues of Songs	1,878,924	–	1,878,924
Other assets	3,740	–	3,740
Goodwill	272	–	272
Non-current receivables	–	3,298	3,298
Non-current assets	**1,882,936**	**3,298**	**1,886,234**
Trade and other receivables	107,628	(3,298)	104,330
Cash and cash equivalents	112,634	–	112,634
Current assets	**220,262**	**(3,298)**	**216,964**
Total assets	**2,103,198**	**–**	**2,103,198**
Liabilities			
Loans and borrowings	565,860	–	565,860
Non-current deferred investment payables	–	1,588	1,588
Non-current liabilities	**565,860**	**1,588**	**567,448**
Other payables and accrued expenses	74,493	(1,588)	72,905
Current liabilities	**74,493**	**(1,588)**	**72,905**
Total liabilities	**640,353**	**–**	**640,353**
Net assets	**1,462,845**	**–**	**1,462,845**

Equity			
Share capital	1,466,851	–	1,466,851
Other reserves	234	–	234
Foreign currency translation reserve	(419)	–	(419)
Retained earnings	(3,821)	–	(3,821)
Total equity attributable to the owners of the Company	**1,462,845**	**–**	**1,462,845**

23. Subsequent events

On 12 May 2022 the Company declared a dividend of 1.3125p per Ordinary Share in respect of the quarter ended 31 March 2022 which was paid on 15 June 2022.