# ANNUAL REPORT

**For the year ended 31 December 2022**

ROUND HILL MUSIC

ROYALTY FUND LIMITED

ROUND HILL MUSIC | ROYALTY FUND LIMITED

# MUSIC ROYALTIES WITH A PROVEN TRACK RECORD

## OVERVIEW



## STRATEGIC REPORT



## GOVERNANCE



## CONSOLIDATED FINANCIAL STATEMENTS



## ADDITIONAL INFORMATION



## NOTICE OF ANNUAL GENERAL MEETING



Defined terms used throughout this Annual Report have the meanings given in the Glossary unless the context otherwise requires. In addition, the Alternative Performance Measures provide explanations for certain terms used in this Annual Report.

# HIGHLIGHTS

## FOR THE PERIOD ENDED 31 DECEMBER 2022

**GROUP REVENUE[1]**

**+32% to US$32.4m**

**LIKE-FOR-LIKE NPS/NLS GROWTH OF INITIAL INVESTMENTS[2]**

**+15%**

**FAIR MARKET VALUE OF PORTFOLIO[3]**

**+13% to US$602.6m**

**ECONOMIC NET ASSET VALUE[4]**

**+13% to US$519.6m**

**ECONOMIC NET ASSET VALUE PER ORDINARY SHARE[4]**

**US$1.27**

**ORDINARY SHARE ECONOMIC NAV TOTAL RETURN SINCE INCEPTION[5,6]**

**35%**

**ORDINARY SHARE DIVIDEND COVER[5,7]**

**0.98x**

**ONGOING CHARGES RATIO[5,8]**

**1.67%**

1 Group Revenue is made up of Royalty income, Investment income and Royalty expenses as detailed on the Consolidated Statement of Comprehensive Income.

2 Represents the year-on-year growth of the Initial Investments, which includes the First Investment (Round Hill Fund One) and the Carlin Investment, for the period ended 31 December 2022. Net Publisher Share ("**NPS**") is the amount received by the music publisher after deduction of all fees, commissions and all royalties and other shares of income payable to third parties. Net Label Share ("**NLS**") is the amount received by the owner of master recordings after deduction of all fees, commissions and all royalties and other shares of income payable to third parties.

3 Valuations provided by Citrin Cooperman (incorporating Massarsky Consulting Inc.) for Catalogues and the Investment in Carlin. Includes net recoupable advances to songwriters of US$3.8 million.

4 The Directors are of the opinion that an Economic NAV provides a meaningful alternative performance measure and the values of Catalogues are based on fair values produced by an independent valuer, Citrin Cooperman (incorporating Massarsky Consulting, Inc.). This figure is as at 31 December 2022.

5 This is an Alternative Performance Measure, refer to page 106.

6 A measure showing how the Economic Net Asset Value per Ordinary Share has performed over a period of time (in this case from Initial Admission on 13 November 2020 to 31 December 2022) taking into account the reinvestment of any dividends or capital gain distributions paid to holders of Ordinary Shares.

7 Net profit for the period after tax US$493,797 and Amortisation of Catalogues US$17,657,749 divided by the weighted average number of Ordinary Shares 379,106,590 results in the Earnings per share (US$0.0479). This is divided by the Dividend per share (US$0.0488).

8 Calculated in accordance with the AIC recommended methodology.

# PORTFOLIO HIGHLIGHTS
AS AT 31 DECEMBER 2022

**51 CATALOGUES**

**120,000+ SONGS**

## 2 new Catalogue acquisitions



**INCOME TYPE**

31% MASTERS
69% PUBLISHING

**GENRE**

56% ROCK MUSIC
(based on 31 December 2022 Fair Market Value)

**VINTAGE**

94% PRE-1950S TO THE EARLY 2010S
(Based on 2022 Group Revenue)

# CHAIRMAN'S STATEMENT

ROBERT NAYLOR

**On behalf of the Board, I am pleased to present the second annual report for Round Hill Music Royalty Fund Limited and my first as Chairman, having taken up the position in November 2022.**

## OVERVIEW

The Company presents an incredible addition to the Main Market of the London Stock Exchange. The opportunity to invest in music that is recognised, loved and listened to around the world, and to play a part in its distribution and permeation through the Round Hill platform, is truly exciting.

The Investment Manager, Round Hill, under the guidance of CEO Josh Gruss, was one of the first movers in the music rights investment class in 2010 and, as a result, it has almost 15 years of experience in acquiring and managing music rights. It has a team of around 70 music industry experts located across key music markets in North America and Europe, who are deeply knowledgeable and passionate about the industry, as well as being keenly aware of the special nature of the assets they are working with.

The Company's Portfolio is comprised of 51 Catalogues, representing a collection of over 120,000 songs, of carefully selected evergreen music rights that have been selected by Round Hill based on their ability to generate resilient income; deliver a positive performance in an inflationary environment; and the opportunity to unlock latent potential leading to revenue growth.

The 51 Catalogues are diversified by income type and genre, with a majority being Rock music because of its enduring demand and loyal consumption across various age groups and geographies. They are also strategically concentrated in older vintages preceding the early 2010s. This means that they have already demonstrated durable, time-tested royalty cash flows that have withstood various economic cycles. The Portfolio also generates revenue across a variety of income streams, from the fast-growing streaming market to radio and live performances as well as the use of music in TV productions, films and adverts.

## FINANCIAL PERFORMANCE AND VALUATION

Under Round Hill's stewardship, the Company's Portfolio performed exceptionally well in 2022, its second full year since inception in August 2020. Since IPO, the Company has delivered an Economic NAV total return of 35%.

Group Revenue[1] for the period increased by just over 32% year-on-year to US$32.4 million (31 December 2021: US$23.7 million). On a like-for-like basis, excluding the impact of acquisitions made in 2021 and 2022, income for the Initial Investments grew 15% year-on-year reflecting the quality of the underlying Catalogues. A breakdown of the Group Revenue can be found on page 32.

The fair value of the Portfolio increased over the year by 13%, or US$71.5 million, to US$602.6 million[2] (31 December 2021: US$531.1 million), driven by a combination of Round Hill's active rights management approach, underlying growth and continued recovery following the disruption to the industry caused by the pandemic. Economic NAV grew by 13% year-on-year, or US$59.9 million, to US$519.6 million (31 December 2021: US$459.7 million).

1 The Group Revenue is made up of Royalty income, Investment income and Royalty expenses as detailed on the Consolidated Statement of Comprehensive Income.

2 Includes net recoupable advances to songwriters of US$3.8 million.

Alongside this positive performance, we are mindful at all times of the need to keep costs down and the ongoing charges ratio, calculated in line with AIC guidelines, is 1.67%. The Board believes there is further potential for a reduction, which will be kept under assessment in the year ahead.

The valuations on which the financial results are based derive from a report provided by the Company's independent valuer, Citrin Cooperman (incorporating Massarsky Consulting, Inc). In December 2022, the Board commissioned FTI Consulting to provide a second independent valuation which, as announced on 13 April 2023, affirms Citrin Cooperman's analyses, providing a useful benchmark and underlining the strength of the Company's Portfolio.

Against these assessments of the fair value of the Company's investments, we are fully cognisant of the fact that the Company's Shares have, like many alternative asset income funds, been trading at a discount to NAV against a backdrop of rising interest rates. The Board and the members of the Investment Manager are strongly aligned with Shareholders through their combined 3% stake in the Company and we continue to examine all of the options available for managing any persistent share price discount.

In December 2022, the Board convened with the Investment Manager and its advisers to agree on actions that can be taken in a targeted effort to address the trading discount. These targeted actions include broadening accessibility to the Board and the management team and enhancing the way in which the Company communicates and engages with the market, including through regional investor roadshows, the media and its owned assets such as the website and social media. Efforts in this regard have progressed in the first quarter of 2023, including the appointment of Fourth Pillar, which specialises in the music sector, as the Company's public relations adviser. Fourth Pillar has been working with the Company since March 2023 and its remit will cover all corporate and financial communications for the Company, including a revamp of the website.

The benefits or otherwise of a share buyback programme are regularly considered by the Board. The launch of any such programme will only be undertaken with a keen analysis of the potential risks and benefits in the context of the Company's working capital position and taking into account any economic or other factors that the Board considers appropriate at the relevant time. If we were to move forward with a share buyback programme, the Company would be required to use its revolving credit facility to acquire Shares, and the resultant increase in gearing would have a longer-term impact on dividend cover and EPS, which could outweigh any potential benefits. The Directors will therefore consider repurchasing Shares in the market only if we firmly believe it to be in the Shareholders' interest as a whole and as a means of effectively correcting any imbalance between supply and demand for the Shares.

While, in our view, the fair value of the Company's music Catalogues are not being reflected by the Share price, as noted above, they are delivering strongly and we believe they can continue to do so, meeting the targets set out at IPO: an annualised dividend yield for 4.5% (based on the IPO price of US$1.00 per Ordinary Share) and a net total return of 9% to 11% per annum over the medium term, giving the Company a sustainable long-term future.

The positive performance and our confidence in the outlook for the Company, with the dividend now 0.98x covered, resulted in the Board approving a total dividend for the 2022 financial year of US$0.045 per Ordinary Share, reflecting a 4.5% yield in line with the IPO target, following the Company's quarterly dividend of US$0.01125 per Ordinary Share for the quarter to 31 December 2022 paid in March 2023. A total of US$0.04875 per Ordinary Share was paid in 2022 and included a quarterly dividend of US$0.015 per Ordinary Share, announced on 9 March 2022, comprising US$0.01125 per Ordinary Share for the quarter to 31 December 2021, together with a further dividend payment of US$0.00375 per Ordinary Share, being the balance payable for the initial quarterly dividend for the quarter to 31 March 2021.

## ACTIVITY IN 2022

In the first quarter, two investments were undertaken, marking the full deployment of the US$86.5 million of proceeds raised through a share placement in July 2021. These comprised the full set of rights (i.e., the master and publishing rights) for the Catalogue of David Coverdale, of Whitesnake and Deep Purple fame, and a significant majority of the rights to the American rock band, Alice In Chains.

In July, the Company's listing was migrated from the Specialist Fund Segment and admitted to the Premium Segment of the Main Market of the London Stock Exchange. The benefits that this can provide include exposure to a wider pool of investors and a broader shareholder base over the longer term; enhanced liquidity; and the potential for inclusion in the FTSE UK Index Series.

At the Board level, on 1 November 2022, the retirement was announced of Trevor Bowen as Chairman of the Board with immediate effect, and my appointment as a non-executive Director and Chairman of the Company was announced with effect from the same date. The Board wishes to express its sincere gratitude for the contributions that Trevor made to the Company during his time as Chairman, including oversight of its listing on the London Stock Exchange and migration to the Premium Segment of the Main Market.

Previous to my appointment, Audrey McNair was welcomed to the Board as a non-executive Director, with effect from 20 July 2022. Audrey brings extensive knowledge of regulatory, governance and investment management processes and products and has proven an excellent addition to the Board; we are very pleased to have the benefit of her experience.

## GOVERNANCE

Having taken up the position of Chairman, in early November I met with Shareholders representing approximately 70% of the Company's register, as well as a number of sell side equity analysts, to listen to their concerns and overall feedback on the Company's performance to date.

I firmly believe in maintaining an open dialogue with our investors and I and the Board will continue to make ourselves available, while also giving due attention to views on where we can further improve as a company.

To this end, transparency and disclosure, together with consistent communication between reporting periods, is important and we are always striving to improve where we can, to enable the investor community to make informed decisions.

ESG, of which governance is just one pillar, remains a priority and the Investment Manager continues to recognise its importance to the Board and our Shareholders. NorthPeak Advisory, a specialist firm in ESG, is engaged to assist with Round Hill's ESG strategy and you will see from the relevant section in this report that efforts in this regard have moved along some distance, with a focus on responsible investment practices, addressing material environmental and social issues, and Diversity, Equity and Inclusion.

## NOTICE OF AGM

My fellow Directors and I would be pleased to meet with Shareholders at the Company's Annual General Meeting ("**AGM**") to be held on 12 June 2023 at 1pm at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London, SE1 2AU. The Notice of AGM which is included on pages 115 and 116 of this report sets out the proposed resolutions, together with explanatory notes. Members of the Board and representatives from the Investment Manager will also be present in person at the AGM to answer questions from Shareholders.

## MARKET AND OUTLOOK

Globally, 2022 was a challenging year for financial markets, with inflation and interest rates on the rise and events, including the horrific war in Ukraine, taking their toll.

Despite these macro challenges, the music sector continued to thrive and the outlook for the music industry continues to be positive across leading reports and sector research. Exciting new prospects are also continually emerging, including in new territories and with new technology advances, providing increasing opportunities to license music and grow royalties.

Given these positive structural tailwinds, the quality of the Company's time-tested Portfolio of music rights and the proven experience of the Investment Manager, we are confident that, even in challenging market conditions, Round Hill Music Royalty Fund is well positioned to continue to deliver sustainable revenue and value growth.

**Robert Naylor**
Chairman
24 April 2023

# STATEMENT FROM THE CEO OF THE INVESTMENT MANAGER

JOSH GRUSS

**We are very pleased with the performance of the Round Hill Music Royalty Fund Portfolio over the course of 2022.**

## INTRODUCTION

At Round Hill we care deeply about the music that we manage. Across our entire business we currently oversee over 150 Catalogues with more than 330,000 songs and a combined value of c.US$1.2 billion.

Our diligence and reputation mean we maintain strong relationships across the industry; we are viewed as a trusted partner to rightsholders who may be looking to transfer ownership to a new home; and we are well networked across the key music and entertainment markets, which positions us well as we seek to maximise the visibility and opportunities to use our music. As a songwriter and musician myself, I am mindful every day that songs are pieces of art which hold significant value and this needs to be unlocked in a way that protects the song's future value, so ensuring it retains its worth and appeal over the long term.

Round Hill has been investing in music for almost 15 years and we regard ourselves as pioneers in this alternative asset class. As one of the first to recognise the opportunity that music rights present, we strategically took an investment approach that reduced risk by selecting Catalogues that already had a proven longevity and timelessness and investing in them at sensible multiples. It means that the music we invest in has long term inherent value and a track record in income delivery, that we can grow through our team of around 70 experts that includes specialists in data, synchronisation, licensing and dealmaking.

The Round Hill Music Royalty Fund benefits from all of this knowledge and expertise; the Company's Portfolio contains some incredible music, which a quick listen to its 'Top 50 earners' playlist on Spotify will show, and we are proud to be custodians of these songs on your behalf.

## PORTFOLIO PERFORMANCE AND ACTIVITY

We are very pleased with the performance of the Round Hill Music Royalty Fund Portfolio over the course of 2022. We have grown the value of the Portfolio substantially and much of this growth resulted from our careful, active management and commercialisation of the Portfolio that resulted in a 32% uplift in revenues.

Within that, income from the Portfolio's masters rights grew by 13%, comparing favourably to the wider industry where global revenues from recorded music grew by 9%, as reported by IFPI in its Global Music Report. Synchronisation income increased by 33% year-on-year, following the hard work of our dedicated team which secured multiple successful placements across high profile films, television series and brand campaigns.

**Highlights included the following placements:**

"All by Myself", by signer songwriter Eric Carmen, in advertisements for Adobe Photoshop and the popular Mexican snacks company, Sabritas;

Spacehog's "In the Meantime" in the trailer for Marvel Studios' Guardians of the Galaxy Volume 3;

"Best Day of my Life" in a Nutella advertisement through our relationship with Ferrero; and

'Alice In Chains' "Rooster" in the Netflix series, Super Pumped.

Since the year end, we have also placed our highest value sync yet for the Company, with Lancôme using "What a Wonderful World" in its latest campaign. That we have been able to secure a licensing agreement of this scale and profile is testament to the hard work, expertise and experience of our sync team and it is incredibly exciting for the Company's Shareholders who can claim a piece of this iconic project. Placements like this not only secure direct revenue from the licensing of the song for the campaign, but also serve to remind audiences of the song's existence, or indeed introduce it to new listeners, leading to a resurgence in streaming, visibility and additional income.

Publishing rights currently account for 69% of the Company's income, while the remainder (31%) consists of masters rights, which are managed diligently by the Investment Manager's in-house recorded music arm. This diversification into recorded music rights allows the Investment Manager to collect a new set of royalties for this rights type, generating a new revenue stream for the Company when recorded music is played and facilitating revenue growth through active management.

Notably, the Company owns 100% of the masters, publishing and administration rights to 135 of The Offspring's songs, including their 90s anthems "Come Out and Play", "Pretty Fly (for a White Guy)" and "Self Esteem". Over the year, this Catalogue enjoyed 25% organic revenue growth. This was supported by the band's European and North American tour, which brings new profile to the music and drives streaming numbers. Round Hill also proactively sought to leverage this visibility and renewed appetite for The Offspring's music by releasing a Greatest Hits album on vinyl, through Round Hill Records.

Overall, the Portfolio is delivering just as we expected it to from curation and we are creating new value from its amazing songs in a sustainable and considered way.

An example of this is the focus we put on enhancing the quality and management of the data pertaining to the Company's rights. Our efforts, which are detailed later in this report, have already delivered significant upside for the Company and, in 2022, enabled us to negotiate new two-year licence agreements with TikTok and Meta on more favourable terms, resulting in higher digital revenues in the second half of the year.

During the year, we used the remaining proceeds from the US$86.5 million C Share fund raise the Company completed in July 2021 to further enhance its repertoire, in line with our strategy of investing in enduring music with proven recurring revenues:

- In January 2022, the Company invested in the music publishing and master rights for the Catalogue of frontman to the legendary UK rock band Whitesnake and Deep Purple lead singer, David Coverdale. The Catalogue, which stretches back nearly 50 years giving us a clear view of the income potential of the songs, includes recordings from Coverdale's career as a solo artist and as the frontman of Whitesnake; the master royalty participation from recordings during Coverdale's tenure as the lead singer of Deep Purple; and the music publishing assets and long-term administration rights for Coverdale's neighbouring rights income. Coverdale, who was inducted into the Rock and Roll Hall of Fame in 2016, has sold over 40 million albums throughout his career.

**Coverdale commented:**

**"I am thrilled beyond words to joyfully announce that my existing catalog of works, both songs and master recordings, which I have been involved in creating for over 50 years, is now in exceptionally safe hands with the fine people at Round Hill. I look forward immensely to working together with Josh Gruss and all at Round Hill to ensure the legacy of my existing works for future generations to enjoy."**

- In February 2022, the Company acquired a significant majority of the rights to the legendary and influential American rock band, Alice In Chains. The investment covered the publishing and masters rights of this enduring band, which formed in Seattle in 1987 and was one of the leaders of the City's Grunge rock scene, and comprises 94 compositions and 159 recordings, including "Rooster" and "Would?" which are now two of the Portfolio's top 50 earning songs.

Since then, there has been significant dislocation in the public equity markets which has constrained the Company's ability to raise additional equity. We are working hard with the Company to address this so that the Company can look to raise additional capital once the markets allow. In the meantime, Round Hill's position in the market leaves us well placed to monitor opportunities and possible transactions, as well as trading multiples. In 2022 alone, Round Hill saw over 100 potential investments passed across our desks and we are seeing multiples in the 15-22x range. Deal volume in 2022 was down and a number of high-profile deals failed to close due to an inability to meet pricing expectations. Sellers pulled deals when pricing expectations were not met and, as a result, average transacted deal multiples in 2022 did not contract meaningfully and remain elevated.

Since the year end, against a challenging market backdrop, we have negotiated a new banking facility for the Company with City National Bank on favourable and more flexible lending terms. This new facility continues to have a variable interest rate of 2.25% above SOFR and, after careful review, the Board does not believe it is the right time to swap out for a fixed interest rate.

For now, our continued focus is on the Portfolio's current repertoire, where there is ample opportunity to continue to drive income. This includes data management, which underpins the flow of monies around the global music business. As the music industry has become increasingly data-driven, it is vitally important for any music business to standardise and enrich its data set, while sharing it with other parties involved in the ecosystem. This ensures that anyone who created, performed on or owns the rights to the music that has been used or played receives the royalties and revenues due to them.

The volume of metadata (the digital data that details the contents of a song) moving across the entire music industry is increasing dramatically each year, so it is ever more important to ensure that our technology is still fit for purpose and the demands of our business. Round Hill has made notable progress in upgrading and improving our data and tech in 2022, which has been a significant project and has made a direct contribution to the notable increase in the Company's digital revenue in the second half of the year.

## MUSIC INDUSTRY BACKDROP

The music industry continues to thrive and the investment opportunity that royalties offer is looking stronger than ever, underpinned by annual growth in revenues, expanding monetisation opportunities and positive regulatory momentum. Importantly, more people are engaging with music across more platforms than ever before, as it continues to be accessed, loved and enjoyed increasingly across the world.

Backing this trend, in its annual Music in the Air Report, Goldman Sachs raised its music publishing forecasts by c.9% over the 2022-30 period with higher than predicted streaming, physical (vinyl, CDs and cassettes) and performance revenues. For recorded music, forecasts were raised by 8% for 2023 and by 16% for 2030, mainly driven by higher streaming revenues, as digital income powers ahead to fuel industry-wide growth.

Further, as Goldman Sachs confirms, streaming shows no signs of saturation. Revenues are increasing, due in large part to the growing number of subscribers. The IFPI's Digital Music Report 2022 estimated there to be 589 million "users of paid subscription accounts" at year end, up from 523 million at 2021's conclusion, with Goldman Sachs forecasting 1.26 billion paying subscribers around the world by 2030.

Alongside this, regulatory changes are promising for the future direction of royalty payments, particularly in the US, where legislative rulings have favoured songwriters and publishers, with a resultant increase in the percentage of revenues that US streaming services are required to pay to these rightsholders.

The momentum behind the music industry has never been more positive and Round Hill Music Royalty Fund, with its carefully curated and diversified Portfolio, is very well positioned to benefit from these structural tailwinds.

## OUTLOOK AND THE YEAR AHEAD

Music is an exciting and energised place to be working and invested in. There is an incredible amount of innovation and technological evolution which is opening up exciting new opportunities and contributing to the positive outlook that so many of us share across the business.

Your Company is ideally positioned to benefit from these positive structural trends; but even without the expected underlying growth to come, the way in which the Portfolio has been curated means that it will continue to deliver income and valuation growth because of the vintage and durability of its songs.

Finally, I would like to take this opportunity to thank Trevor Bowen for all his help and support during his term as Chairman, which was critical to our successful IPO of the Round Hill Music Royalty Fund. Our new Chairman, Robert Naylor, is a more than worthy successor and we are very pleased to be working with someone with such extensive capital markets and corporate experience. Finally, thank you to the Shareholders for your ongoing support. You can be assured that we are working hard on the Shareholders' behalf and that our focus continues to be on delivering risk adjusted returns from this special asset class.

**Josh Gruss**
Founder and CEO of Round Hill Music L.P.
24 April 2023

# MUSIC INDUSTRY OVERVIEW

## MARKET OVERVIEW: A POSITIVE OUTLOOK FOR A THRIVING MUSIC MARKET

**With revenues increasing year-on-year, new monetisation opportunities emerging in a digital world, and positive changes to the regulatory framework for Copyright, the music royalty economy is looking healthier than ever, as the global music market bounces back from the impact of the pandemic to thrive in an exciting and innovative landscape, where more people are engaging with music across more platforms than ever before.**

The impact of these events is borne out in the growth forecasts for the industry, all of which position music as an attractive asset class for investment. In June 2022, Goldman Sachs Research, in its *Music In The Air* report, revised its initial global music revenue forecasts by 5% to US$94.9 billion for 2023 and by 10% to US$153 billion for 2030, primarily off the back of a stronger 2021 base where revenues exceeded expectations.

### GLOBAL MUSIC REVENUE FORECASTS

**+5% to US$94.9bn for 2023**

**+10% to US$153bn for 2030**

# Music Publishing in 2022

**A significant source of revenue for Round Hill Music Royalty Fund initially flows through performance rights organisations to Round Hill – this is income which would previously go directly to the songwriters who have since chosen Round Hill as custodians of their work.**

In this sphere, CISAC[1]'s €9.58 billion of global collections represents a 5.8% year-on-year increase, while their tireless lobbying efforts in countries around the world serve to protect and enhance the value of music copyright.

The three largest music regions, Canada-USA, Europe and Asia-Pacific, returned to growth in 2021, according to CISAC's Global Collections Report 2022. Publishing revenues from digital sources reported via CISAC grew 27.9% to €3.12bn, up 49.1% from the pre-pandemic revenue total of 2019. Sharp organic growth in the streaming market, rising music subscriptions, new and renewed deals with digital platforms, such as YouTube and TikTok, and continued strong growth of subscription video on demand (SVOD) helped drive growth.

## Changes to US legislation positively affect publishing revenues

In July 2022, the US Copyright Royalty Board (CRB) reaffirmed its decision on the percentage of revenues that US streaming services have to pay to songwriters and publishers, ruling that this figure be increased from 10.5% to 15.1% for the years 2018-2022. Referred to as the CRB III ruling, this represents the highest rate increase in the history of the CRB, and a hugely significant moment for the song and the songwriter, bringing this status closer to reflecting their importance.

The requirement to pay backdated royalties resulted in a net income accrual for the Company of US$2.3 million in relation to this CRB receipt. This accrual equates to a revenue increase of c. US$0.0055 per Share. This progress continued with the latest rate settlement, set at a headline rate of 15.35% to be phased in over the years 2023-27. It should be noted that these phonorecord rate increases are theoretically not at the expense of recording artists and labels (where Round Hill has a vested interest through masters rights acquisitions); the National Music Publishers' Association has emphasised that the streaming services must be the ones to sacrifice part of their portion.

PUBLISHING REVENUES FROM DIGITAL SOURCES

**+27.9% to €3.12bn**

1 CISAC is the representative body of songwriters, composers and authors worldwide: https://www.cisac.org/.

## Recorded music

**The global recorded music industry continued its resurgence and proved its strength against wider economic turbulence with yet more significant growth in 2022.**

The IFPI's Global Music Report 2023 showed that global revenue from recorded music grew by 9% in 2022 to reach US$26.2 billion, an 8th consecutive year of growth. This is driven by the sustained success of streaming, comprising two thirds of this revenue, assisted by a 10.3% growth in subscription revenue.

The US continues to be the largest single music market in the world. Here, recorded music revenue grew by 6% in 2022 to US$15.9 billion, again driven by a 7% increase in streaming revenue, as reported by the Recording Industry Association of America (RIAA). Streaming continues to drive the recovery of the music industry since its decimation by music piracy in the 2000s; US recorded music revenue has now surpassed its previous peak in 1999. There is, however, no sign of saturation just yet. Adjusted for inflation, the industry has only reached around two thirds of its 1999 figure, leaving room for significant revenue growth in the coming years.

As well as the continued growth of streaming, which has underpinned the recent success of the music industry, we continue to see a story of the resilience, and indeed resurgence, of physical sales, comprising 17.5% of global recorded music revenues in 2022. This is largely in the form of vinyl: Luminate's 2022 annual report shows that vinyl album sales increased by 4.2% in 2022 to 43.5 million units.

GLOBAL REVENUE FROM RECORDED MUSIC

**+9% to US$26.2bn in 2022**

### STREAMING AS A REVENUE-GENERATING MACHINE

*Music In The Air* by Goldman Sachs Research confirmed streaming as showing no signs of saturation, with revenues from this format set to grow by an average of 12% per year between 2021 and 2030 due, in large part, to the number of subscribers as a percentage of smart phone owners growing from 11% in 2021 to 20% in 2030.

In 2022, according to The Luminate U.S. Year-End 2022 Report, combined global audio and video streams rose by 25.6% to 5.3 trillion, driven by a 31.2% uptick in video song streams. The same report underlined the invaluable status of streaming, reporting 2022 as the first year that American consumers played more than 1 trillion streams. The benchmark was reached in late November, with the year-end total reaching 1.1 trillion. Streaming's role as a dominant driver reached a landmark milestone on 31 March 2023, with global on-demand audio streams from services like Apple Music and Spotify reaching the 1 trillion mark, setting a new record for the earliest this threshold has ever been reached in a single year.

### CONSUMPTION OF CATALOGUE MUSIC GROWS YET AGAIN

The enduring success of 'catalogue music', i.e., songs released more than 18 months ago – was noted as a recurring trend in the Luminate U.S Year-End Music Report for 2022. Last year, US consumption of this category of music grew to 72.2% (or 703.9 million equivalent units) compared to 270.9 million units for 'current music' (i.e., new music released within the past 18 months). Around a third of Spotify's weekly Top Songs are now catalogue music tracks, the portion taken up by these songs having risen by 155% since 2020, and showing no signs of stopping its upward trajectory. These iconic songs – which form the mainstay of Round Hill Music Royalty Fund's Portfolio– have not only maintained their value, but have found new, bigger audiences through new forms of music discovery and powerful sync placements in film and television.

## CONSUMER SPEND ON MUSIC REMAINS RESILIENT

Goldman Sachs continued its forecasts by confirming that spend on music should remain resilient in a higher inflation and weaker macro environment. The firm's analysis shows that music remains one of the most under-monetised forms of entertainment, with spending still 40% below its historical peak when adjusted for inflation, while consumption continues to grow year after year.

## A NEW WORLD OF OPPORTUNITY

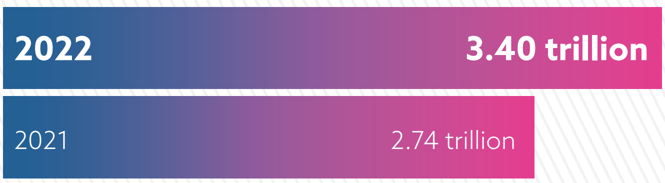
New platforms for content consumption represent an opportunity to drive further growth for the music industry in the coming years.

Emerging social platforms such as TikTok are providing new routes for consumers to discover music. They allow younger generations to experience the work of celebrated songwriters, many of whom have chosen Round Hill as the custodians of these songs. TikTok is estimated to have paid roughly US$180m[1] to the recorded music industry in 2021, and with their revenues expected to rise by two and a half times to US$10 billion[2] for 2022, there is plenty of room for this figure to grow. Social platforms represent not only a new medium of music discovery, but a significant new opportunity for licensing music. The rise of these short form video apps has taken music listeners by storm; the IFPI noted in their Engaging with Music report that 50% of music fans use apps like TikTok and Triller and that 63% of people consider music to be a major factor in their time spent on those apps.

The metaverse has also shown itself to be the source of huge future opportunities for music licensing. Gaming platforms such as Roblox, for example, have transformed their user experience through virtual concerts. After winning their copyright dispute with Roblox in 2021, the National Music Publishers' Association in the US declared that the settlement, "*paves the way for innovative partnerships between Roblox and publishers that will offer songwriters new ways to monetize their songs and catalogues.*" With over 65 million daily active users, over half under the age of 16, Roblox provides an avenue to license music to huge new audiences, on top of existing income from music streaming. This opportunity is particularly acute for catalogue music; Elton John recently unveiled his own world - Elton John Presents: Beyond the Yellow Brick Road, combining digital fashion, quizzes, and interactive challenges set to his music with a series of virtual concerts made up of his most iconic songs.

Crucially, the licensing of music to these new platforms seems only to build on global streaming revenue. Combined with the long-term growth opportunities for streaming, the potential for subscription prices to rise in a resilient market, and the global industry efforts to invest in data management systems and educate creators on the data management of their songs, the potential for iconic music to find new audiences, and therefore additional revenue streams, has never been bigger.

**Global On-Demand Audio Song Streams**




Source: Luminate 2022 Year-End Music Report.

**Catalogue Share - US Consumption**


Source: Luminate 2022 Year-End Music Report.

1 https://www.musicbusinessworldwide.com/podcast/tiktok-start-paying-the-music-industry-properly/.
2 https://www.ft.com/content/c4ce8f13-bec0-4cde-a885-7857f0bbb733.

# INVESTMENT MANAGER'S REPORT

## COMPANY OVERVIEW

**Round Hill Music Royalty Fund invests in high quality, evergreen music Catalogues that have proven longevity and revenue streams, with the aim of providing investors with an attractive level of regular and growing income and capital returns, underpinned by the positive structural drivers of the global music industry.**

The Portfolio is diversified by income stream and music genre, with value created through the proactive and careful management and commercialisation of the repertoire through synchronisation (placement in films, television series and brand campaigns); licensing; data cleaning; distribution (including across platforms such as Amazon Music, Apple Music, Deezer and Spotify); and monetisation of music when used in content uploaded to platforms such as TikTok and YouTube.

Its 51 Catalogues, totalling over 120,000 songs, include music performed by artists such as Alice In Chains, Bonnie Tyler, Bruno Mars, Céline Dion, Lady A, Louis Armstrong, The Offspring, The Supremes, Whitesnake and Wilson Pickett.

The Portfolio of rights includes Copyright interests in a musical composition or song (which can be the writer's share, publisher's share and / or performance rights); the rights to the recording of a musical composition or song (the master recording rights); as well as music rights and assets that meet the Company's investment strategy and objectives, including its 29.14% equity stake in Carlin.

# INVESTMENT MANAGER'S REPORT: PORTFOLIO OVERVIEW

2022 saw the further expansion and diversification of the Portfolio, which now stands strong at 51 unique Catalogues comprising over 120,000 songs, with the proceeds from the IPO and subsequent fundraises, totalling US$417 million, now fully deployed.

Two acquisitions were made over the course of the period. In January, the Group purchased the Catalogue of David Coverdale, frontman of the legendary British rock band Whitesnake, lead singer of Deep Purple and inductee of the Rock and Roll Hall of Fame, securing the rights to several hit songs including "Crying in the Rain", "Fool for your Loving" and the iconic rock anthem "Here I Go Again". In February, the Portfolio was further bolstered with the addition of the Alice In Chains Catalogue, including Rock staples "Would?", "Man in the Box" and "Rooster" and bringing with them legions of loyal fans the world over who continue to consume and enjoy the band's music.

These investments complement the existing Portfolio which, whilst rooted in Rock, spans multiple genres and includes the music of a diversified roster of legendary artists and songwriters who have performed or penned globally renowned songs such as "All By Myself" (Carmen/Rachmaninoff), "What A Wonderful World" (Thiele/Weiss) and "You Can't Hurry Love" (Holland/Dozier/Holland).

It also includes the 29.14% equity stake in Carlin whose Catalogue, built up over the last 50 years, includes a vast repertoire of Rock and Pop classics, such as Elvis's "Are you Lonesome Tonight," "Lollipop" (The Chordettes) and "Video Killed the Radio Star" (Bruce Woolley & The Camera Club), as well as Christmas classics "Santa Baby", "Jingle Bell Rock" and "Christmas (Baby Please Come Home)". Carlin is considered one of the highest quality publishing Catalogues in existence.

## 2 new Catalogue acquisitions

David Coverdale

Alice In Chains

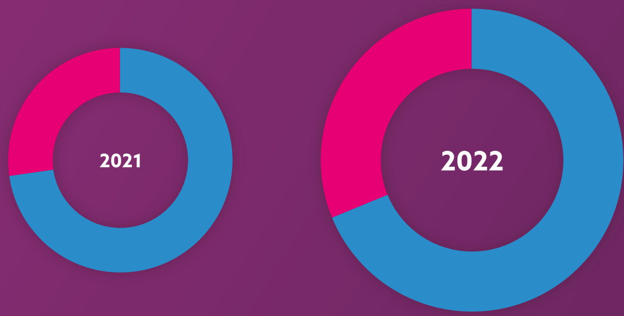
## A SOUND INVESTMENT: PORTFOLIO BREAKDOWN BY INCOME

There are more ways than ever before for people to engage with music today. According to the IFPI, which represents the recorded music industry worldwide, consumers and fans across the globe use more than six different methods to engage with music, ranging from video and audio streaming, physical CDs and vinyl and gaming soundtracks, to radio, television, film and short-form videos on platforms like TikTok and Meta. These various forms of music consumption create rich opportunities for the monetisation of the Group's Portfolio.

In music, there are two sets of rights in any song: (a) the publishing rights and (b) the master rights. Publishing rights refer to the actual music composition (i.e., the notes, melodies and lyrics). Whoever owns the publishing rights receives royalties whenever the song is played and when the composition is reproduced or covered by another performer. Master rights refer to the sound recording of the written song or piece of music. These ensure that the recording artist, record label, recording studio or music company who owns the master rights receive royalties any time the recorded song is played, for example, on radio or television, via streaming services, or in public places like shops, bars and cafes.

Publishing rights currently account for 69% of the Company's income, while the remainder (31%) consists of master rights, which are managed diligently by the Investment Manager's in-house recorded music arm. This diversification into recorded music rights allows the Investment Manager to collect a new set of royalties for this rights type, generating a new revenue stream when recorded music is played and facilitating revenue growth through active management.

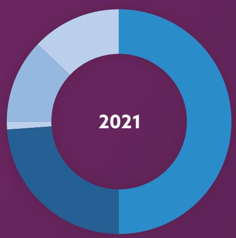
## INCOME TYPE



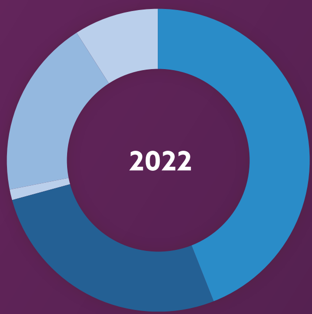

| | 2021 | | 2022 |
|---|---|---|---|
| Publishing | 73% | Publishing | **69%** |
| Masters | 27% | Masters | **31%** |

The ownership of these publishing and master rights means that the Company can collect the following types of royalties when its Portfolio is used.

## PUBLISHING INCOME



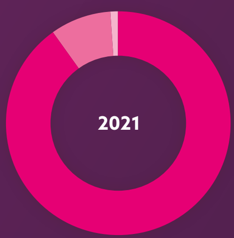

| | |
|---|---|
| Performance | 50% |
| Sync | 24% |
| Other | 1% |
| Mechanical Streaming | 12% |
| Mechanical | 13% |



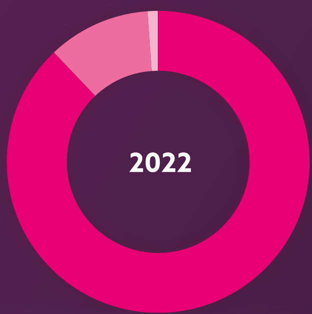

| | |
|---|---|
| Performance | **44%** |
| Sync | **27%** |
| Other | **1%** |
| Mechanical Streaming | **19%** |
| Mechanical | **9%** |

The Company's publishing income was generated through a diverse range of music uses and licensing agreements. Performance income accounted for almost half (44%), with royalties being derived from the use of music in public via radio and television broadcasts, live concerts and internet performances, and the playing of music in shops, bars, restaurants and other public spaces. The Company enjoyed significant success with sync deals in 2022, with this form of income accounting for more than a quarter of publishing revenues (27%), with songs placed in films, TV productions, video games and advertisements; a selection of these are highlighted later in the report. Mechanical streaming remained strong, with 19% of publishing income being generated through the use of music on interactive streaming services, with mechanical royalties - which flow from the sale of digital downloads, CDs and vinyl - completing the Portfolio income at 9%.

## MASTERS INCOME




| | |
|---|---|
| Label Sales | 90% |
| Neighbouring Rights | 9% |
| Other | 1% |




| | |
|---|---|
| Label Sales | **88%** |
| Neighbouring Rights | **11%** |
| Other | **1%** |

The Company's masters income, which pertains to the rights it owns in the recording of a song, were largely derived from the consumption of music on streaming services and the sale of CDs, vinyl and digital downloads. Neighbouring rights – royalties which flow from the use of recorded music in public and on TV and radio around the world – accounted for 11% of all masters revenue, strengthening and diversifying the Company's overall Portfolio income.

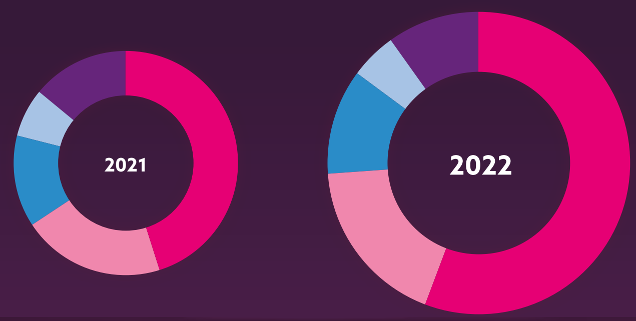
## SOLID AS A ROCK: PORTFOLIO BREAKDOWN BY GENRE

The Group's strategic approach to Catalogue acquisition aims to minimise risk and maximise returns through its choice of repertoire. This has resulted in a Portfolio weighting towards Rock music, with the genre providing a compelling case for investment. Rock songs represent over half of the Portfolio by value (56%), including hits from some of the biggest Rock legends in the world including Alice In Chains, Bush, Supertramp and The Offspring.

Rock fans are known for their enduring loyalty, resulting in predictable and steady purchase patterns and music consumption habits, translating into income characteristics. These facts are borne out in recent independent market studies. The Luminate U.S. Year-End Music Report for 2022 shows that total on-demand streaming in the US for Rock grew by 14.2% year-on-year from 2021 to 2022; whilst in the UK – the world's third largest music market – Rock was the leading genre in 2022 for album sales for the fifth consecutive year, according to All About The Music 2022, the yearbook from the record industry trade body BPI. Physical records also remain a favourite format for Rock fans, boosting the genre's appeal for investors and offering an avenue towards positive returns. In 2022, according to Luminate, over half of vinyl album sales (51.7%) were Rock titles, meaning the genre sold more in vinyl than all other genres combined.

Pop, which accounts for 18% of the Portfolio by value, is considered the most mainstream genre of music; it has commercial appeal due to its accessibility and versatility and was named the number one genre globally by the IFPI in its Engaging with Music report in 2022. The Company's Shareholders can be proud to have an investment in some of the most famous pop songs and power ballads enjoyed the world over, from the Backstreet Boys' "I Want It That Way" (Carlsson/Max/Norlem) and Bonnie Tyler's "Total Eclipse of the Heart" (Steinman) to Celine Dion's "It's All Coming Back To Me Now" (Steinman) and Michael Bolton's "When A Man Loves A Woman" (Lewis/Wright).

### GENRE (BY FAIR MARKET VALUE)




| | 2021 | 2022 |
|---|---|---|
| Rock | 45% | **56%** |
| Pop | 21% | **18%** |
| Country | 13% | **11%** |
| Classic R&B | 7% | **5%** |
| Other | 14% | **10%** |

Country music, at 11%, accounts for a growing proportion of the Company's Portfolio. The genre has always enjoyed a strong following in the US, but it is becoming increasingly globalised with its songs and performers enjoying success outside of its traditional heartlands. The strength and quality of the genre's songwriters, many of whom are represented by the 35-strong Round Hill team based in the heart of Nashville's Music City, drive its popularity with songs that tell stories and resonate the world over.

In the UK, the Official Charts Company reported in March 2023 that Country music has seen the fastest growth of any genre over the past five years with streams increasing in the territory by 381%. According to the Country Music Association, Q4 2022 was especially strong for the genre, with double-digit growth (12%) being recorded on streaming services year-over-year and emerging artists rising to fame through new platforms like TikTok. Amongst the Top 50 earners in 2022 from the Company's Portfolio were American Idol winner Carrie Underwood's "Before He Cheats" (Kear/Tompkins) at Number 2, as well as the platinum-selling Dierks Bentley's "Drunk On A Plane" (Kear/Tompkins/Bentley) and Lady A's "Need You Now" (Kear/Scott/Haywood/Kelley).

The strategic focus on Rock, combined with the enduring popularity of Pop music and the growth of Country music, continues to make the Portfolio an attractive option for long term investment in music Copyrights and underpins its secure, recurring and growing revenues.


In April 2023, Round Hill was named the Independent Publisher of the Year at the Association of Independent Music Publishers ("AIMP") Nashville Country Music Awards, demonstrating its success in this growing genre. The award is strictly metric driven, based on the number of Billboard charted singles, and how many of those singles went to number 1 on the Country charts. Round Hill emerged as the clear winner from a short list of high-profile industry peers.

## VINTAGE YEARS: PORTFOLIO BREAKDOWN BY AGE

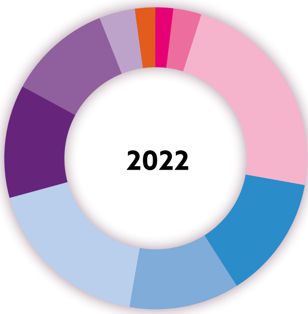
In the music industry, 'catalogue music' is the term traditionally given to songs that are over 18 months old. Music in this category is deemed to offer greater stability and is considered less susceptible to natural decline typically seen during its first ten years of release. It also has a longer track record of income delivery, which enables a more informed analysis of a song's future potential and, therefore, investment decision.

Consumers' deep engagement with catalogue music versus 'new' or 'current' music is well understood by the Round Hill team, with acquisitions primarily focusing on songs recorded and released in the early 2010s and before. Almost a quarter of the Group Revenue is derived from music released in the 1960s, a decade that has produced some of the world's most enduring songs including Louis Armstrong's "What A Wonderful World" (Thiele/Weiss) and Motown classics from the Supremes such as "You Can't Hurry Love" (Holland/ Dozier/Holland) and "You Keep Me Hangin' On" (Holland/ Dozier/Holland), which all feature in the Company's Portfolio. Almost a fifth of Group Revenue (18%) stems from music from the 90s – an era when everything from grunge, thrash metal and Britpop, to alternative and indie rock flooded the charts. Bands like Alice In Chains, Bush and The Offspring, some of the Company's top earners, rose to prominence and their music is still heard and consumed today, more than thirty years on.

The Luminate U.S. Year-End Music Report for 2022 states that the total consumption of catalogue music increased by 12.9% in 2022, accounting for 72.2% of all music consumed in the territory via audio streaming services, downloads, sales of CDs, vinyl and other physical products and digital album sales – the continuation of a trend that has seen the share of current (or "frontline") music decline.

As such, Round Hill continues to prioritise investments in timeless Catalogues with a demonstrable history of steady, consistent cash flows. 94% of the Group's Revenue in 2022 was from releases ranging from pre-1950 to the early 2010s.

### VINTAGE (BY GROUP REVENUE)




| | |
|---|---|
| Pre-1950s | 2% |
| 1950s | 3% |
| 1960s | 23% |
| 1970s | 13% |
| 1980s | 12% |
| 1990s | 18% |
| 2000s | 12% |
| Early 2010s | 11% |
| Late 2010s | 4% |
| 2020s | 2% |

## 2022 Top 50 Earners in the Group

| Rank | Song Title | Composers |
|---|---|---|
| 1 | All By Myself | Carmen/Rachmaninoff |
| 2 | What A Wonderful World | Thiele/Weiss |
| 3 | Before He Cheats | Tompkins/Kear |
| 4 | Total Eclipse of The Heart | Steinman |
| 5 | I Want It That Way | Carlsson/Max/Norlem |
| 6 | The Kids Aren't Alright | Holland |
| 7 | You're Gonna Go Far, Kid | Holland |
| 8 | Self Esteem | Holland |
| 9 | You Can't Hurry Love | Dozier/Holland/Holland |
| 10 | Here I Go Again | Aldrich/Coverdale |
| 11 | Hit Me with Your Best Shot | Schwartz |
| 12 | Land Of 1000 Dances | Kenner |
| 13 | The Bones | Robbins/Morris/Veltz |
| 14 | Owner of a Lonely Heart | Anderson/Horn/Rabin/Squire |
| 15 | It's All Coming Back to Me Now | Steinman |
| 16 | I'd Do Anything For Love (But I Won't Do That) | Steinman |
| 17 | Happy Together | Gordon/Bonner |
| 18 | Come Out and Play | Holland |
| 19 | Gone Away | Holland |
| 20 | Cherry Pie | Cagle/Chamberlin/Dixon/Oswald/Turner |
| 21 | When A Man Loves a Woman | Lewis/Wright |
| 22 | Holding Out for a Hero | Steinman/Pitchford |
| 23 | Pretty Fly (For a White Guy) | Holland |
| 24 | Stranglehold | Nugent |
| 25 | Come See About Me | Dozier/Holland/Holland |

| Rank | Song Title | Composers |
|---|---|---|
| 26 | Burnin' It Down | Tompkins/Clawson/Hubbard/Kelley |
| 27 | Why Don't You Get a Job | Holland |
| 28 | Best Day of My Life | Shelley/Barnett/Rublin/Sanchez/Goodman/Accetta |
| 29 | I Can't Help Myself (Sugar Pie, Honey Bunch) | Dozier/Holland/Holland |
| 30 | I'm Alive | Carlsson/Lundin |
| 31 | Drunk On A Plane | Kear/Tompkins/Bentley |
| 32 | Rooster | Cantrell |
| 33 | You Keep Me Hangin' On | Dozier/Holland/Holland |
| 34 | This Is How We Roll | Bryan/Hubbard/Kelley/Swindell |
| 35 | In The Meantime | Langdon |
| 36 | Ain't Too Proud To Beg | Holland/Whitfield |
| 37 | Go All the Way | Carmen |
| 38 | Need You Now | Kear/Scott/Haywood/Kelley |
| 39 | Reach Out I'll Be There | Dozier/Holland/Holland |
| 40 | Blown Away | Tompkins/Kear |
| 41 | Cruise | Rice/Rice/Hubbard/Kelley/Moi |
| 42 | Mah Nà Mah Nà | Umiliani |
| 43 | Would? | Cantrell |
| 44 | Bye Bye Bye | Carlsson/Lundin/Schulze |
| 45 | Where Did Our Love Go | Dozier/Holland/Holland |
| 46 | I've Got My Mind Set On You | Clark |
| 47 | Fly Away From Here | Chapman/Fredericksen |
| 48 | Cat Scratch Fever | Nugent |
| 49 | Drunk On You | Clawson/Kear/Tompkins |
| 50 | Marry You | Hernandez/Lawrence/Levine |

# INVESTMENT MANAGER'S REPORT: PORTFOLIO MANAGEMENT AND PERFORMANCE

## DRIVING THE BEST DEAL FOR INVESTORS

Round Hill, the Company's Investment Manager, is a full service, creative music company with more than 70 employees across the main entertainment markets in US and Europe, including London, Los Angeles, Nashville and New York. Its experienced team has an established reputation, a musical pedigree and proven track record in proactively identifying monetisation opportunities for the large body of high quality, iconic and commercially appealing music it owns, manages, or administers, creating value and returns for shareholders.

Since it was founded in 2010, Round Hill has become embedded in the global music industry as a partner of choice for artists and songwriters within the creative community. Including its private funds, Round Hill has closed on more than 150 Catalogues acquisitions representing over 330,000 songs and has grown to more than US$1.2 billion in assets under management. Round Hill has developed into a trusted brand, renowned for its excellent relationships with the music business and the wider media sector which seeks to license its Catalogues.

Its dynamic and proactive approach to the management of the Company's assets – over 120,000 songs across 51 Catalogues – is made possible by the in-house expertise of its leading professionals in their respective fields. The combination of the experience, knowledge and skillset its team has, enabling it to navigate the complex music rights landscape and the direct relationships developed with users - or licensees - of music, sets the Investment Manager apart from others in this space.

## INVESTMENT IN TECHNOLOGY AND ENHANCED DATA MANAGEMENT SUPPORTS REVENUE GROWTH

The value chain around which music royalties flow in the industry is underpinned by sophisticated technology infrastructure and is dependent on quality metadata to identify who has written on, performed or recorded a song or who owns the rights. This information supports faster and more accurate collection of revenues. Simply put, the industry is driven by data and, as such, investment in cutting edge IT systems generates operational and cost efficiencies and helps to maximise revenues.

In recent months, Round Hill has taken significant steps towards further enhancing the quality and management of the data pertaining to the rights it owns, manages or administers, overseen by its in-house data analytics expert. The Company's rights data was migrated from a multi-system, multi-database environment to a single database, with the project completed ahead of schedule in February 2023 and providing an opportunity to consolidate, streamline and enrich its data set.

As the music business has evolved over recent years to being a data-driven industry, it is vitally important for intellectual property rights administrators, like Round Hill, to have an appropriate technology stack and enriched, consistent data, to facilitate providing data to third parties with ease.

Over the last number of years, the Investment Manager has been actively driving data enrichment across its rights portfolios. These efforts have delivered significant upside for the Company. In 2022, the ability to provide a more complete Portfolio data set on behalf of the Company to digital platforms, including Spotify, Tik Tok and Meta, enabled greater reporting and automated matching, which directly resulted in higher digital revenues in the second half of the year.

Another notable change in October 2022 was the partnership the Investment Manager struck with the leading technology company, Orfium. Used by significant players in the music industry including major multinational companies, Orfium's digital claiming and music recognition technology is some of the best available. This partnership allows the Investment Manager to more accurately identify the use of the music it owns across a plethora of platforms where individuals upload their own video content, such as YouTube, and claim royalties for the use of such music, resulting in higher revenues from these services.

## NEW FRONTIERS: EMBRACING INNOVATION TO MAXIMISE REVENUES

As the number of Round Hill's managed and administered Catalogues continue to grow, so too do the opportunities to license the repertoire. The more rights that Round Hill acquires for the Company and its own private funds, the more it is seen as a "go to" for trending digital media platforms to license music.

Music is now being consumed and monetised in more ways than ever and Round Hill continues to benefit from the digital boom, both from novel licensing opportunities that open entirely new sources of revenue, to building on existing relationships, evolving deal terms and coming to better relationships with existing licensing partners. The past year was no exception, and even more licensing opportunities lie on the horizon, providing opportunities for revenue growth.

Building on recent successes with shortform video platforms TikTok and Triller, whereby Round Hill was able to successfully procure licence fees for utilising the Portfolio and other music, Round Hill continued to be successful in enforcement campaigns against Roblox and Twitch, two online gaming platforms which were not licensed to use copyrighted music. In the case of Roblox, Round Hill, in conjunction with its fellow industry publishers and the NMPA, undertook coordinated action and negotiations which were successfully concluded between Roblox and the music publishing industry in October 2021. The Company subsequently received a settlement payment from Roblox in February 2022 for past unauthorised usage of managed and administered content on the platform. Crucially, this establishes Roblox as a new ongoing source of licensing income.

With respect to Twitch, Round Hill again played a significant role in a critical industry-wide effort to agree licensing terms with the popular Amazon-based streaming platform for the use of copyrighted music. The agreement reached with Twitch provided for a licensing payment that was received by the Company in December 2021 and includes greater rights for Round Hill to control the use of its managed and administered content on Twitch going forward.

Round Hill expects increased licensing opportunities to emerge via its existing partners. Most notably, with the platforms Tik Tok and Meta expanding, Round Hill has negotiated new two-year licence agreements with both platforms, on more favourable terms which have already benefited the Company.

Round Hill is also in communication with its digital licensing administrators to further new licensing opportunities, including SNAP (a short-form video platform), Singa (a karaoke platform), Apple Fitness+ (a fitness app), and WithInVR (a virtual reality fitness app). Each represents entirely new opportunities and revenue sources that previously did not exist for the Company's Catalogues.

These initiatives enhance the viability of the Company's time-tested Copyrights in the constantly evolving digital marketplace; the continued monetisation of content; and, ultimately, the return on investment for the Portfolio and future acquisitions.

# INVESTMENT MANAGER'S REPORT: SYNC SNAPSHOT

## GLOBAL LICENSING DEALS WITH MAJOR BRANDS CONTINUE TO DRIVE REVENUE GROWTH

The Company's popular Catalogues continued to be used, heard and enjoyed the world over through multiple global licensing deals with major brand and media partners in 2022. The Investment Manager proactively seeks out valuable opportunities to license the Portfolio's music for use in adverts, films, television productions, trailers, promos, and the fast-growing video games sector, providing the soundtrack to our everyday lives. This activity is referred to in the industry as synchronisation or "sync". The Investment Manager has a dedicated sync team of around 18 talented, well-connected and music-loving employees, strategically located in the entertainment and media hotspots of London, Los Angeles, Nashville and New York.

This area of the business continued to thrive in 2022, with 560 unique songs from across the Company's entire Portfolio, used in various sync projects, contributing to a 33% like-for-like increase in income from this source[1]. These impressive placements are a testament to the outstanding capabilities of the team in negotiating various new song placements as well as renewals and to the quality and marketability of the Portfolio.

1 Represents the like-for-like growth of synchronisation income for the Initial Investments.

### Advertising highlights

In the advertising market, songs from the Round Hill Music Royalty Fund Portfolio could be heard on both sides of the Atlantic, with "Total Eclipse of the Heart" (Steinman) being selected to soundtrack the car manufacturer, Kia's, Superbowl advert; with Uber Eats and Porsche also choosing Portfolio songs, "Streets Favourite" (Morton) and "Aymo" (Jasarevic) respectively, to bring their Superbowl campaigns to life.

In Europe, the iconic Italian Ferrero brand opted for two songs, The American Authors' hit "Best Day of My Life" (Rublin, Shelley, Sanchez, Barnett) and George Harrison's single "Got My Mind Set On You" (Rudy Clark) to promote Nutella in the market.

In a year where Baz Luhrmann's Elvis biographical film was winning awards, Aldi selected Elvis's "A Little Less Conversation" (Strange, Days) as the music of choice for the supermarket's Christmas advert.

The Top 10 Billboard hit "Lola" (Davies) from British Rock band, The Kinks, was the perfect placement for Jennifer Aniston's haircare product line LolaVie; Katy Perry's "Waking Up In Vegas" (Carlsson) accompanied the advert for BEHR's paint line; and the timeless classic "What A Wonderful World" (Thiele, Weiss) was licensed for use in adverts by The Vanguard Group and Biktarvy.

### Trailer highlights

The team worked with Marvel Studios to secure the use of "In The Meantime" (Royston) by Spacehog in a trailer for the blockbuster franchise, Guardians of the Galaxy, Vol. 3, which will be released in May 2023.

The popular miniseries Pam & Tommy which chronicled the marriage of Pamela Anderson and Mötley Crüe drummer Tommy Lee, featured "I Would Do Anything For Love (But I Won't Do That)" (Steinman) in its main promotional campaign. This promo utilised the Carlin-owned master recording of the song as well as the original recording by Meatloaf.

Media giant Apple utilised Bronze Radio Return's "Light Me Up" (Henderson) in its Q1 2022 platform spots; White Flag" (Reid) by Joseph could be heard in promos for Amazon Prime's Hacks, Season 2; and "Happy Together" (Bonner, Gordon) was used in a trailer for the action-comedy film The Unbearable Weight of Massive Talent starring Hollywood actor Nicolas Cage.

## SPACEHOG SYNC GENERATES +100% REVENUE GROWTH

**Example of a vintage catalogue with current sync success... All it takes is one!**

- The Spacehog Catalogue includes all of the songs from the 90s English rock band, Spacehog. The Group owns both the publishing and the master recordings rights to this collection, allowing the Investment Manager to be the "one stop shop" from licensing to synchronisation.
- In December 2022, the band's hit song 'In the Meantime' which topped the US and UK Rock charts in the 90s, was placed in the trailer for Guardians of the Galaxy Vol. 3. The film is the next instalment of the incredibly popular films produced by Marvel Studios.
- The trailer for the anticipated blockbuster has already amassed 27 million views on Youtube. Guardians of the Galaxy Vol. 3 is the 32nd release in the Marvel Cinematic Universe and is slated for release in May 2023.
- Income generated by the catalogue for the year ending 31 December 2022 increased more than 100%.

### Film highlights

Olivia Wilde's dramatic thriller, Don't Worry Darling, featured four Carlin compositions: "Sleep Walk" (Farina, Farina, Farina), "El Merengue" (Dimanlig, Ramos), "Need Your Love So Bad" (John, John) and "Who's Sorry Now" (Snyder, Kalmar, Ruby).

The ensemble-cast comedy Amsterdam, starring Christian Bale and Margot Robbie, used the 1930 composition "The Peanut Vendor" (Simons, Gilbert, Sunshine).

"The Revolution Will Not Be Televised" (Heron), "There Was a Time" (Hobgood) and "Bye Bye Blackbird" (Henderson, Dixon) were all featured in the crime drama and prequel to the Sopranos, The Many Saints of Newark.

In the UK, the Portfolio could be heard in British productions including Downton Abbey: The New Era, Allelujah starring Judy Dench and Jennifer Saunders, Mrs. Harris Goes to Paris and the seasonal Amazon Prime film, Your Christmas or Mine.

Amongst the many film syncs secured in 2022 were songs featured in productions by media conglomerates 20th Century Fox and Warner/HBO; whilst the Portfolio beat off the competition to appear in Adam Sandler's comedy, Home Team, and the Aretha Franklin biopic, Respect.

### TV highlights

The Netflix thriller series, The Midnight Club, used Bush's "Glycerine" in two episodes, as well as the Carlin composition, "Seasons In the Sun" (Brel, McKuen); whilst Harlen Coben's popular Netflix drama, Stay Close, featured "What a Wonderful World" (Thiele, Weiss) and The Animals' hit "Don't Let Me Be Misunderstood" (Benjamin, Ott, Marcus).

"All By Myself" (Carmen) was placed in a season 19 episode of the US hit animated sitcom, American Dad; whilst Dawn Penn's version of "You Don't Love Me (No No No)" (Penn, Diddley, Cobbs) was perfectly placed in the fourth and final season of the British spy thriller, Killing Eve.

The hit drama Atlanta, created by and starring Donald Glover (Childish Gambino), used "When It's Time To Go" (Lee), "Dedicated to the One I Love" (Pauling, Bass) and "Poinciana" (Simon, Bernier).

Many other syncs were secured for use in television series such as Gossip Girl, Ru Paul's Drag Race, Limitless starring Chris Hemsworth, BBC's The Pact and more, across platforms including Apple TV+, Disney+, and the US TV network Showtime, bringing the Company's Catalogues to millions of consumers worldwide.

# FINANCIAL REVIEW

## CATALOGUE VALUATIONS

On 6 March 2023, the Company announced that, following receipt of an independent valuation from Citrin Cooperman (as at 31 December 2022), its Economic Net Asset Value per Ordinary Share was US$1.27 and its unaudited IFRS NAV per Ordinary Share was US$0.93. The Economic NAV increased over the year by 13%, or US$59.9 million, to US$519.6 million, while the fair value of the Portfolio (including the Carlin Interest) was up US$71.5 million (13%) to US$602.6 million[1].

At the same time, the Board indicated that it had commissioned a second independent valuation report (the "**FTI Report**") from FTI Consulting ("**FTI**"). This was reported to the market on 13 April 2023.

The FTI Report affirmed the valuation prepared by the Company's Independent Valuer, Citrin Cooperman, and provides an additional data point for the market on the fair value of the Company's investments.

**Citrin Cooperman independent valuation report**

Over the twelve months to 31 December 2022, the fair value of the Portfolio (including the Carlin Interest) was up 13%, or US$71.5 million, to US$602.6 million[1].

The fair value of the Company's Carlin Interest, which is measured at fair value based on the net asset value of the underlying entity, increased by 6% (US$4.1 million) to US$67.6 million.

Citrin Cooperman used a discount rate of 8.5% to determine the fair value of the Company's Catalogues and the Carlin Catalogue as at 31 December 2022, which is consistent with the discount rate used as of 30 June 2022 and 31 December 2021. There were no significant changes to the growth rate assumptions compared to the previous valuation cycle.

The implied multiple from this year-end valuation is 19.45x. Citrin Cooperman also offered broader market calibration, identifying the following multiples of transactions that took place in 2022 that most closely resemble the assets held by the Company, as follows:

| Genre | Vintage | Simplified Vintage | Multiple |
|---|---|---|---|
| Rock | 1960s, 1970s | Standards Music | 24.15x |
| Rock | 1960s, 1970s, 1980s | Standards Music | 23.97x |
| Hip Hop, Pop | 1990s | Standards Music | 17.32x |
| Country | 1970s, 1980s | Standards Music | 15.70x |
| Country | 1990s, 2000s, 2010s | Standards Music | 20.40x |
| Latin, Pop | 1990s, 2000s, 2010s | Standards Music | 23.64x |
| Country | 1970s, 1980s, 1990s | Standards Music | 17.40x |
| Pop | 1980s, 1990s | Standards Music | 16.73x |
| Pop | 2000s, 2010s | Standards Music | 25.46x |
| Rock, R&B | 1960s, 2010s | Standards Music | 18.76x |
| **Average Multiple** | | | **20.35x** |

1 Includes net recoupable advances to songwriters of US$3.8 million.

The Portfolio value increase was driven by year-on-year organic earnings growth, which was generated by a range of factors including:

- Improved licence fee agreements with digital platforms such as TikTok and Meta.
- Successful synchronisation placements of 560 unique songs throughout the year.
- An uplift in valuations, including the Company's largest Portfolio position by fair value, The Offspring Catalogue, which increased by more than 10% compared to its half year valuation at 30 June 2022. Royalty earnings for the iconic Rock band increased by 25% in 2022 compared to 2021.
- The receipt of delayed royalty income payments from the Covid period, due to the lag time in royalty income payments that can range from 6 to 12 months after income is earned, as the industry returns to pre-pandemic levels.

The discount rate used by the Independent Valuer is sensitive to many factors, including changes in interest rates, cost of capital, investors' risk appetite, industry specific risk and macro risk. The sensitivity to the discount rate used to determine the fair value of the Catalogues owned directly by the Group, excluding the Carlin Interest, on the Economic NAV of the Company is as follows:

- -1% discount rate will grow the fair value of the Catalogues by 20.01% increasing the Economic NAV of the Group by US$107.062 million, which represents an increase of 20.60% to the Economic NAV per Ordinary Share of the Company.
- +1% discount rate will reduce the fair value of the Catalogues by 14.31%, reducing the Economic NAV of the Group by US$76.526 million, which represents a decrease of 14.73% to the Economic NAV per Ordinary Share of the Company.

Details of the sensitivity discount rate used in the valuation of the Catalogues owned by Carlin, and the impact on the Economic NAV of the Company at 31 December 2022, are set out in Note 15 to the Notes of the Consolidated Financial Statements.

In late August 2022, a joint agreement among songwriters, publishers and digital services was announced whereby all three parties intended to submit a joint proposal to the CRB suggesting that the new 2023 to 2027 on-demand streaming mechanical rate in the US should be set at a headline rate of 15.35%. This is slightly up from the most recent 15.1% rate set in 2022. As the announcement took place after the Portfolio's mid-year valuation, the year-end valuations have been updated to reflect mechanical streaming rates of 15.1%, 15.2%, 15.25%, 15.3%, and 15.35% for the 2023 to 2027 rate period.

**FTI Consulting independent valuation report**

The FTI Report provides two valuations. One is based on a transaction using financing with traditional bank debt and one financed through an asset backed securitisation ("**ABS**") structure. The discount rate that results from the Weighted Average Cost of Capital ("**WACC**") analysis in the bank debt valuation is 9.25% and the discount rate that results from the WACC analysis of the ABS valuation is 8.25%. This compares to a discount rate of 8.50% used by Citrin Cooperman, the Independent Valuer. FTI applies a low, mid and high range of valuations.

In its mid case, FTI forecasts that overall Portfolio cash flow will grow by 7%, 6% and 5% in 2023, 2024 and 2025, respectively. The FTI growth rates compare to Citrin Cooperman's base case assumption of 5% for all income types (excluding a 2% assumption for 'Other' income) in 2023, 2024 and 2025, respectively. While FTI assumes a higher discount rate, their elevated growth assumptions largely offset any negative impact. Accordingly, FTI's valuation for the traditional bank debt approach results in an overall variance of just (3)% compared to the Citrin Cooperman valuation.

The results of the FTI Report are set out below and are based on the mid case valuation.

### FTI Bank Financing Structure Valuation (as at 31 December 2022)

| | Citrin Cooperman Valuation | Implied Multiple | FTI | Implied Multiple | % increase/ (decrease) |
|---|---|---|---|---|---|
| Company's Portfolio (excluding Carlin Interest) | US$534,939,570 | 19.4x | US$523,490,000 | 19.0x | (2)% |
| Carlin Interest | US$67,647,500 | 20.1x | US$63,312,040 | 18.8x | (6)% |
| **Overall[1]** | **US$602,587,070** | | **US$586,802,040** | | **(3)%** |
| **Discount Rate Applied** | **8.50%** | | **9.25%** | | **9%** |

### FTI ABS Financing Structure Valuation (as at 31 December 2022)

| | Citrin Cooperman Valuation | Implied Multiple | FTI | Implied Multiple | % increase/ (decrease) |
|---|---|---|---|---|---|
| Company's Portfolio (excluding Carlin Interest) | US$534,939,570 | 19.4x | US$605,641,000 | 22.0x | 13% |
| Carlin Interest | US$67,647,500 | 20.1x | US$72,744,400 | 21.6x | 8% |
| **Overall[1]** | **US$602,587,070** | | **US$678,385,400** | | **13%** |
| **Discount Rate Applied** | **8.50%** | | **8.25%** | | **(3)%** |

FTI's comprehensive valuation methodology is based on a combination of the following:

- Analysis of by-track, by-source of income historical performance data;
- Identification of non-recurring historical royalty collections;
- Analysis of forecasted revenue for new song releases and sync placements;
- Analysis of trends among vintage, genre and territory cohorts;
- Analysis of administrative contract attrition trends, statutory reversions or other potential loss of income events, as necessary; and
- FTI's knowledge of ongoing industry trends, including the impact of recent legislative and/or regulatory developments.

FTI benchmarks to the observed long-term trends for similar music publishing and recorded music Catalogues, as well as the broader music industry, and prepares an independent range of valuation indications.

FTI Consulting is a publicly traded business advisory firm with 7,600+ employees worldwide and a suite of services, that has a deep music specialisation. It performs valuation services for many of the music industry players and is commonly engaged in support of music securitisation transactions to provide independent financial forecasts and valuations for underlying music Catalogue assets. In addition to the forecast and valuation services, FTI is also asked to provide additional support services to underwriters, ratings agencies and/or investors, as required.

When announcing the results of the second independent valuation, Round Hill Music Royalty Fund also provided additional cross-reference of the implied multiples to recent transactions using the Shot Tower M&A multiples database. Shot Tower Capital ("**Shot Tower**") is an investment banking boutique that provides advisory and capital raising services in the media sector with a specific focus on the music industry, where it has completed more transactions globally than any other investment banking firm.

1 Includes net recoupable advances to songwriters of US$3.8 million.

Shot Tower maintains a database of music publishing Catalogue transactions and the average multiple of Net Publisher Share ("**NPS**") paid in 2022 was 19.4x for Catalogues that included high quality, iconic Copyrights, which are the focus of the Company's investment strategy. The 19.4x multiple is the raw average including all deals in Shot Tower's database for both iconic and non-iconic Copyrights (for every deal greater than US$20 million). This is in line with the implied multiples derived from the valuations provided to the Company by both Citrin Cooperman and FTI.

## NET ASSET VALUE

As at 31 December 2022, the Economic Net Asset Value per Ordinary Share was US$1.27 and the IFRS NAV per Ordinary Share was US$0.93. Economic NAV at 31 December 2022 was US$519.6 million, reflecting 13% growth (31 December 2021: US$459.7 million), driven by a combination of Round Hill's active rights management approach which delivered higher revenues, underlying Portfolio valuation growth and continued recovery following disruption to the industry caused by the pandemic. Since IPO, the Company has delivered an Economic NAV total return of 35%.

There are two net asset values reported by the Company. An IFRS NAV, which is the value, at any date, of the assets of the Company after deduction of all liabilities determined in accordance with IFRS. The IFRS NAV reflects the Portfolio (excluding the Carlin Interest) classified as intangible assets and measured at amortised cost less any impairment in accordance with IFRS. The Company's Carlin Interest is measured at fair value based on the net asset value of Carlin, as adjusted for the fair value of the underlying Carlin Catalogue.

An Economic NAV, which at any date, is the Gross Asset Value less the amount which (to the extent not otherwise deducted in the calculation of Gross Asset Value), in accordance with the Company's latest published valuation methodology, fairly reflects the amount of the liabilities and expenses of the Company. The Economic NAV reflects an adjustment to the IFRS NAV for the Portfolio (excluding the Carlin Interest) and to the fair value of the Carlin Interest, based on fair values determined by the Independent Valuer, Citrin Cooperman (incorporating Massarsky Consulting, Inc).

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

**Reconciliation of IFRS NAV to Economic NAV**
as at 31 December 2022

| | 31 December 2022 US$ |
|---|---|
| **IFRS NAV as at 31 December 2022** | **378,703,914** |
| Amortisation adjustment between Economic NAV and IFRS NAV | 17,657,749 |
| Non-cash revenue accruals recognised in terms of IFRS | (8,930,892) |
| Recognition of Catalogue Fair Value in Economic NAV | 132,193,000 |
| **Economic NAV as at 31 December 2022** | **519,623,771** |

### Economic NAV Progression Bridge

The Economic NAV increased by 13% from US$459.7 million at 31 December 2021 to US$519.6 million at 31 December 2022. This improvement was largely due to an increase in the fair value of Catalogues, including Carlin, and an increase in net income, which was slightly offset by expenses and dividends paid.

| | 31 December 2022 US$ |
|---|---|
| **Economic NAV as at 31 December 2021** | **459,714,298** |
| Increase in fair value of Catalogues | 67,892,196 |
| Net income | 27,462,884 |
| Finance cost | (4,176,777) |
| Taxation charge | (570,535) |
| Royalty income accruals | – |
| Operating Expenses | (11,989,578) |
| Dividends paid | (18,708,717) |
| **Economic NAV as at 31 December 2022** | **519,623,771** |

## GROUP REVENUE[1]

| US$ millions | 2022 | 2021[2] | YoY % Increase |
|---|---|---|---|
| **Group Revenue[1]** | **32.37** | **24.52** | **32%** |
| **Publishing Revenue** | **17.00** | **15.16** | **12%** |
| Publishing (NPS) | 15.71 | 10.63 | 48% |
| Publishing (Accrual movement)[3] | 1.29 | 4.53 | -72% |
| **Masters Revenue** | **10.92** | **6.41** | **70%** |
| Masters (NLS) | 8.86 | 5.36 | 65% |
| Masters (Accrual movement)[4] | 2.06 | 1.05 | 96% |
| **Carlin Investment Income** | **4.45** | **2.95** | **51%** |
| | | | |
| **Initial Investments Revenue (NPS/NLS)[5]** | **24.27** | **21.14** | **15%** |

1 Group Revenue is made up of Royalty income, Investment income and Royalty expenses as detailed on the Consolidated Statement of Comprehensive Income.

2 2021 represents income from the First Investment from February 2021 and the Carlin Investment from April 2021.

3 Includes CRB uplift.

4 Increase in Masters accrual is attributable to Catalogue acquisitions, such as Alice In Chains and David Coverdale.

5 Initial Investments includes full year of the First Investment (Round Hill Fund One) and the Carlin Investment.

Revenue is comprised of publishing revenue or Net Publisher's Share ("**NPS**"), recording revenue or Net Label Share ("**NLS**"), IFRS accrued income, and the net income received from the Company's 29.14% investment in Carlin. Group Revenue for the 12 months ended 31 December 2022 was US$32.4 million compared to US$24.5 million at 31 December 2021, reflecting a 32% increase.

The 32% increase in Group Revenue is due to several factors including:

- growth from acquisitions made throughout 2021 and 2022;
- significant organic growth in 2022 for the Portfolio;
- strong synchronisation growth; and
- income was not received by the Company during the full period from incorporation to 31 December 2021 (the "**Initial Period**") due to the timing of the Company's acquisition of the assets of Round Hill Fund One, excluding its investment in Carlin (the "**First Investment**"), which closed in February 2021, and the Company's acquisition of the Carlin Interest, which closed in April 2021 (the "**Carlin Investment**"). As such, the Company did not earn revenue for the First Investment and the Carlin Investment (together the "**Initial Investments**"), over the full Initial Period.

On a like for like basis, the NPS/NLS for the Initial Investments grew 15% year-on-year. This is comprised of 16% year-on-year NPS/NLS growth from Catalogues within the First Investment and 10% year-on-year NPS/NLS growth from the Carlin Investment. While much of the growth continues to be driven by streaming, of which part of the mechanical streaming is through improved licensing fees from Meta and TikTok, the Initial Investments also saw similar year-over-year NPS/NLS growth in synchronisation and masters, at 33% and 13%, respectively. Examples of the incredible synchronisation placements are included in the synchronisation highlights on page 7 of this Annual Report. The growth in masters income reflects a significant outperformance of the industry, where global revenues from recorded music grew by 9% .

## ACCRUALS AND RECEIVABLES

As noted above, due to the systematic peculiarities of the music industry collections and payment ecosystem, there is an inherent royalty time lag between the time a song is performed and the revenue being received by the Copyright owner. This time lag ranges from one to six months for United States income and, on average, three to 12 months for non-US income, although it can be up to 24 months.

The revenue accruals booked in 2022 are disclosed in detail within the accounts receivable and accrued income in Note 6 of the Consolidated Financial Statements. Since a material portion of the Group Revenue earned in 2022 continues to be collected into 2023, a 2022 analysis comparing cash received to revenue accrued will be undertaken in due course.

## DIVIDEND

The Company targets an annualised dividend yield per Ordinary Share of 4.5% (based on the IPO price of US$1.00 per Ordinary Share) and a total net return of between 9% to 11% per annum over the medium to long term.

During 2022, the Company declared and paid four dividends, totalling US$0.04875 per Ordinary Share, paid in quarterly instalments:

- March 2022: US$0.015 per Ordinary Share, in relation to the fourth quarter of 2021, comprising US$0.01125 per Ordinary Share, and an amount of US$0.00375 per Ordinary Share, being the balance payable for the initial dividend for the quarter period to 31 March 2021
- June 2022: US$0.01125 per Ordinary Share, in relation to the first quarter of 2022
- September 2022: US$0.01125 per Ordinary Share, in relation to the second quarter of 2022
- December 2022: US$0.01125 in December 2022, in relation to the third quarter of 2022.

Post year-end, on 9 March 2023, the Company declared a dividend of US$0.01125 for the quarter to 31 December 2022, which was paid on 24 March 2023.

As at 31 December 2022, the dividend was 0.98x covered. The lower dividend cover during the 2022 financial year was due to the strategic allocation of capital to the acquisitions of the David Coverdale and Alice In Chains Catalogues. Following the completion of the acquisitions, the C Shares were converted into new Ordinary Shares and received a full dividend in relation to the quarter ended 31 March 2022.

While revenues are expected to continue to demonstrate strong growth, the full impact of recent successive interest rate rises is set to result in downward pressure on dividend cover in 2023. However, it is anticipated that the dividend will revert to being fully covered by the end of 2024.

## OPERATING COSTS

Excluding the amortisation of Catalogues, operating costs were US$12.0 million for the year (31 December 2021: US$10.6 million).

Costs mainly comprised investment management, portfolio administration, legal and professional, audit and administration fees, in addition to deal expenses incurred to enhance income streams of existing Catalogues. The increase is largely due to higher Portfolio administration fees of US$0.9 million year on year, which is due to an increase in Net Publisher Share, US$0.5 million of audit fees for the 2021 audit booked in 2022 and the one-off cost of US$0.5 million for the move to the Premium Segment listing on the Main Market of the London Stock Exchange.

## DEBT

At 31 December 2022, debt to Economic NAV was modest at 17.7%, well within the borrowing cap of 25%.[1]

The Company had a revolving credit facility (the "**Truist RCF**"), which was provided by Truist Securities, Inc. ("**Truist**"), with a capacity of US$110 million. The interest rate on the outstanding balance was levied at a fixed margin rate of 2.25% per annum based on the applicable one-month LIBOR rate. In addition, the Truist RCF levied a commitment fee on the daily unused commitment balance of the facility at a rate of 0.375% per annum. The Truist RCF had a term of five years due on the 30 April 2026.

As at 31 December 2022, the Company had approximately US$10.9 million of cash on hand and approximately US$17.8 million of undrawn credit under the Truist RCF.

Post year-end, on 17 February 2023, the Company entered into a new revolving credit facility on enhanced and more flexible terms with City National Bank (the "**CNB RCF**"), replacing the Truist RCF which was repaid in full.

The interest rate on the outstanding balance is levied at a fixed margin rate of 2.25% per annum based on the applicable one-month Secured Overnight Financing Rate ("**SOFR**") during the period. In addition, the CNB RCF levies a commitment fee on the daily unused commitment balance of the facility at a rate of 0.375% per annum for utilisation of less than 50%, and a rate of 0.25% per annum for a utilisation of greater than 50%. The CNB RCF has a term of 3 years and is due on 17 February 2026.

## C SHARE CONVERSION

On 11 February 2022, the Board of the Company announced that the net proceeds of the C Share issue undertaken in July 2021 were fully invested and, pursuant to the Company's Articles, the Board resolved to trigger the process for the conversion of the C Shares in issue into Ordinary Shares.

As planned, the C Shares converted into Ordinary Shares on 11 May 2022. The calculation date for the conversion, to determine the conversion ratio, was 29 April 2022. Accordingly, the C Shares converted into new Ordinary Shares with a conversion ratio of 0.8962 new Ordinary Share for every one C Share held. Following the conversion, trading of the C Shares was terminated, and trading of the newly issued Ordinary Shares commenced. A total of 77,521,300 new Ordinary Shares (including 24 Ordinary Shares from aggregating fractional entitlements) were issued in connection with the conversion of the C Shares, and the Company now has a total of 407,621,300 Ordinary Shares in issue as at 31 December 2022.

The new Ordinary Shares arising on conversion of the C Shares rank pari passu with the existing Ordinary Shares for any dividends or distributions declared after the conversion date. The holders of the newly converted Ordinary Shares received their first quarterly dividend in June 2022.

1 The Company may, from time to time, be geared through the use of borrowings. Borrowings would principally be used for investment purposes. Gearing represented by borrowing will not exceed 25% of Economic NAV, calculated at the point of drawdown, in accordance with the Prospectus.

## MIGRATION OF LISTING

On 18 July 2022, the Company announced that it had received confirmation from the FCA that it was eligible for a premium listing on the Official List. Accordingly, the Company applied to the FCA and the London Stock Exchange for a premium listing on the Official List and a transfer to trading from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange in respect of its issued Ordinary Shares.

The Premium Segment of the Main Market is an established market which is accessible to a wide range of investors. Accordingly, the Migration is anticipated to result in a broader investor base over the longer term, which the Directors believe may enhance the liquidity of the Company's Shares in the secondary market. As a company whose Shares are admitted to the premium listing segment of the Official List, the Company is now required formally to comply with the Listing Rules, in particular, Chapter 15 of the Listing Rules for closed-ended investment funds. Prior to the Migration, the Company had voluntarily complied with a number of the Listing Rules.

In addition, the Board has taken steps to facilitate the Company's eligibility for inclusion in the FTSE Index which, it is expected, should help raise the Company's profile in the market. In particular, the Company has introduced an additional market quote for the Ordinary Shares on the London Stock Exchange denominated in Sterling which satisfies one of the criteria for inclusion in the Index (the "**Sterling Quote**"). The Sterling Quote appears alongside the Company's existing US Dollar market quote and there has been no change to the legal form or nature of the Company's issued Ordinary Shares nor to the reporting currency of the Company's financial statements (which remains in US Dollars). The Ordinary Shares traded under either quote have the same currency exposure, namely US Dollars, and all dividends continue to be declared and paid in US Dollars. Admission occurred at 8.00 a.m. on 19 July 2022.

The Company's existing ticker (RHM), ISIN (GG00BMXNVC81) and SEDOL (BMXNVC8) remained unchanged. The Sterling Quote has its own ticker (RHMP) and SEDOL (BM9YL36).

# INVESTMENT OBJECTIVE AND INVESTMENT POLICY

The Company's Investment Objective is to provide investors with an attractive level of regular and growing income and capital returns from investment primarily in high quality, music intellectual property.

In order to achieve its Investment Objective, the Company and other members of the Group invest in Copyrights, together with all such rights and assets considered by the Investment Manager to be ancillary thereto.

Although the Company will typically seek to acquire the entirety of a Copyright owner's interest in a musical composition or song, the Company may acquire a lesser or minority interest in a Copyright or Catalogue and enter into joint venture or other arrangements in respect of the same.

The Company invests in small to medium sized Catalogues (typically 100-1,000 Copyrights) that are diversified by artist, genre, decade and royalty type. The Company also invests predominantly in classic, older Copyrights with enduring appeal and which experience consistent usage. Such compositions have generally reached a steady state of earnings, are stabilised and not subject to the natural decline in earnings and value that typically occurs within the initial ten years of a composition's life.

Typically, the revenue generated by the Copyrights will comprise:

**Performance royalties:** generated from public performance, broadcasting and digital streaming. This includes: terrestrial and satellite radio and television broadcasts, live concerts, music in bars, hotels, restaurants, shops, sporting events, cinemas, YouTube and internet performances and theatrical performances.

**Mechanical royalties:** fees the Copyright owner receives upon the sale of any recording for the use of the underlying musical composition. Every time a digital download or a physical CD is sold a mechanical royalty is paid to the owner of the Copyright.

**Synchronisation royalties:** collected when the Copyright is used in films, television programming, advertising, ringtones and video games.

**Digital interactive royalties:** digital royalties from interactive streaming services, such as Spotify and Apple Music, are considered a hybrid of mechanical and performance royalties. In the UK and USA, 50% of the royalty is paid by the streaming service as a performance royalty to the relevant Performing Rights Organisations around the world. The remaining 50% is treated as a mechanical royalty payable to the owner of the Copyright.

**Other royalties:** for example royalties generated from print or sheet music, greeting cards, toys and clothing, and theatre music.

**Royalties and fees payable in respect of master recordings:** master recordings are the Copyright in the master recording of a musical composition or song. They earn synchronisation royalties and generate income from sales of both physical and digital records as well as from the streaming services. Additionally, master recordings earn significant royalties from digital radio, YouTube and similar streaming platforms.

**Neighbouring rights royalties:** royalties paid to performers (both featured and non-featured artists) and rights owners for the use of their phonographic recordings worldwide.

The Company will seek to acquire both the publishing and administration rights (being the right to collect royalties and revenues and commercially exploit the Copyrights) in Copyrights thereby allowing it not only to collect all or some portion of the royalty revenues but also to create value and unlock upside through diligent and creative Catalogue management.

The majority of the returns derived from the Company's investments will be derived from the royalty streams. However, the Company will seek to enhance returns through improved royalty collection, pro-active licensing activity and increased usage and song exposure.

The Company may acquire Copyrights for consideration comprising cash and/or Shares in the Company. It may also acquire vehicles (or interests in such vehicles) that own Catalogues as opposed to the Catalogues themselves. It may also, subject to the approval of the Board and the Company's Shareholders, acquire Copyrights and Catalogues from the Investment Manager, parties related to the Investment Manager and funds managed by the Investment Manager.

The Company has three subsidiaries, the UK Subsidiaries, each of which is incorporated in the United Kingdom and holds certain Group assets.

## INVESTMENT RESTRICTIONS

The following investment restrictions are observed, and calculated, where relevant, at the point of investment:

- when fully invested, the Portfolio will comprise not less than 15 Catalogues;
- when fully invested, the Portfolio will comprise not less than 5,000 musical compositions;
- the value of Copyrights from a single songwriter will not represent more than 25% of Economic NAV;
- the value of a Copyright in a single song will not represent more than 20% of Economic NAV;
- when fully invested, no more than 20% of the Economic NAV will be represented by Copyrights that are less than 5 years old; and
- the Company will not invest in closed-ended investment companies or other investment funds.

# DIVIDEND POLICY

The Directors will seek to maintain and grow the dividend over the long term.

The Company intends to pay dividends on a quarterly basis with dividends typically declared in respect of the quarterly periods ending March, June, September and December and paid in June, September, December and March respectively.

Distributions made by the Company may take either the form of dividend income, or of "qualifying interest income" which may be designated as interest distributions for UK tax purposes. UK tax treatment of the Company's distributions may vary for a Shareholder depending on the classification of such distributions.

The Company targets an annualised dividend yield for Ordinary Shares of 4.5% by reference to the Issue Price of US$1.00 per Ordinary Share. The Company is targeting a net total Shareholder return of 9% to 11% per annum over the medium to long term.

References in this paragraph to "dividends" and "distributions" are intended to cover both dividend income and income which is designated as an interest distribution for UK tax purposes and, therefore, subject to the interest streaming regime applicable to investment trusts.

Dividends are subject to compliance with the solvency test prescribed by the Companies Law and, in accordance with regulation 19 of the UK Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15% of its income (as calculated for UK tax purposes) in respect of an accounting period.

The Company continues to anticipate paying to holders of Ordinary Shares an annualised dividend of 4.5% by reference to the Company's IPO Issue Price of US$1.00, for the financial period to 31 December 2023.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

## INTRODUCTION

**The Board recognises that its Shareholders have a growing interest in the ESG considerations resulting from the Company's business, and appreciates the importance of ESG to creating sustainable investments that make a positive overall contribution to business and society as a whole.**

As neither the Company nor its UK Subsidiaries have employees or own physical assets and each of the Company's Board and the boards of each UK Subsidiary is formed exclusively of non-executive directors, the Board has taken the decision to delegate all ESG responsibilities to the Investment Manager.

Following engagement with certain Shareholders on devising an ESG strategy for the Company, NorthPeak Advisory, an external consultant with specialist ESG expertise, was engaged by Round Hill in 2021 to support the development of a suitable ESG plan and programme for the Round Hill group.

The Investment Manager has been working closely with NorthPeak Advisory, which has completed a deep dive assessment of Round Hill and the investment approach. At the investment level, this has focused on assessing current ESG and responsible investment practices within the existing investment process, formalising the approach being taken and documenting this in an updated Responsible Investment Policy. At the Investment Manager level, efforts have focused on structuring a firm-wide approach towards addressing material environmental and social issues.

Some highlights of work undertaken so far by the Investment Manager, reflecting on the overall status of the firm, are as follows:

## ENVIRONMENTAL

Round Hill believes that all businesses have a duty to be responsible environmental citizens and it will monitor its environmental footprint (and that of its service providers) to ensure that environmental practices are aligned with aspirations.

To gain an understanding of Round Hill's environmental footprint, it is in the process of quantifying its carbon emissions (particularly in relation to travel arrangements), energy efficiency and waste management. Once Round Hill has quantified its carbon emissions and wider environmental impact, it will look to develop an approach for reducing and potentially offsetting such impacts.

Round Hill moved into a new Nashville building in January 2022 and the office achieved a LEED Silver (Leadership in Energy and Environmental Design) certification, that touches on the building's carbon, energy, water, waste, transportation, materials, health and indoor environmental quality. Round Hill continues to replace ageing electrical equipment to ensure efficient power consumption going forward. In addition, bottled water is no longer provided, with staff and visitors encouraged to use the mains water fountain instead.

Although Round Hill is not in the business of manufacturing product at scale, it has utilised the Earth's raw materials in the production of printed royalty statements for its writers and artists which has amounted to almost one hundred thousand pages per annum. With reasonable notice to its client base, Round Hill switched off the generation of paper royalty statements in July 2022 and has moved to deliver such information, along with additional analytics, through an online Portal to which every writer and artist has been set up with a unique account.

Round Hill also has an internal Environmental Committee, known as "Ground Hill". This group's mission statement is:

**'To inspire and implement positive environmental changes both within our organisation and in the communities we are proud to be a part of.'**

In the past year Ground Hill organised a highway clean-up to improve its local Nashville community, while also sending out a firm-wide newsletter on how employees can reduce their own environmental footprint.

Going forward the group, in collaboration with NorthPeak Advisory, is looking to develop a key performance indicator driven strategy, while creating a unified approach through mobilising more people in the firm to participate in both internal and external environmental initiatives.

## SOCIAL

As a human capital-intensive business, Round Hill believes that the manner in which it (and its service providers) interacts with people, its shareholders, artists, writers, other wider stakeholders and the community at large are a good proxy for philosophy of the business. It believes that an approach to the fair treatment of all stakeholders can help it to attract and retain high quality employees and creators that want to partner with Round Hill.

Round Hill will monitor its activities (and those of its service providers) in terms of their social agenda. This will include monitoring relationships with people, artists, writers and the community at large and the extent to which Round Hill (and its service providers) actively embrace and champion social initiatives and good causes.

Round Hill has a committed Diversity, Equity and Inclusion ("**DEI**") Committee, comprised of senior staff members and non-management employees, with representation from every business unit. The DEI Committee looks to help support the employees of the firm and recently conducted a firm-wide employee engagement survey. The DEI Committee was pleased to receive responses from more than two-thirds of employees globally and will be reviewing the data and creating actions going forward in partnership with NorthPeak Advisory. This roadmap will look to tackle gaps identified to ensure that efforts are aligned with the needs of Round Hill's employees.

The DEI Committee has also planned events with the aim of bringing people together to socialise and discuss important topics. One of the most popular events has been the "Women in Music" panel, with female and Black, Indigenous and People of Colour ("**BIPOC**") artists, producers, and other professionals discussing their experiences in finding success in the face of underrepresentation and adversity.

The 'Women in Music' panel was a one-hour internal panel open to Round Hill staff, attended by 45 people. The purpose was threefold: to highlight underserved communities; foster a spirit of support and collaboration internally as a function of DEI; and to present an educational opportunity as Round Hill serves a diverse client base.

Round Hill is committed to mentoring and training individuals who wish to pursue a career in the music industry. It is focused on widening the outreach of its existing work experience and internship programmes to give as wide a section of society as possible, access into the music industry.

**'The four female leaders in their respective fields (music producer and engineer, artist, writer and entertainment lawyer), addressed the obstacles and stereotypes they faced; not only as women, but as mothers and representatives of the LGBTQ, BIPOC and LATINX communities. Feedback received from staff was positive and many were grateful for the speakers' honesty and openness.'**

**Madison Norris, EVP Creative Operations and DEI Committee Member**

Externally, Round Hill is already involved with the following initiatives:

- Ensuring its printed music licensees source their paper from sustainable, responsible sources, while committing to ensure the employees at any outsourced manufacturing plants are paid at minimum a living wage.
- Round Hill has invested in its Client Portal technology over the past year leading it to switch off the production of paper royalty statements to writers and artists from July 2022, saving the production of almost 100,000 pages of paper per annum.
- The Josh Gruss/Round Hill Music Endowed Scholarship Fund at Berklee College of Music, Boston, USA aids multiple students on an annual basis with financial assistance in pursuing music business or management degrees.

## GOVERNANCE

Round Hill is committed to good governance disciplines including in respect of diversity, inclusiveness, transparent shareholder communication and engagement, management of conflicts of interest and effective board management and controls.

Round Hill takes governance responsibilities very seriously, leveraging external independent services from Blue River Partners LLC, to support its work in the area of compliance.

Round Hill has responsibility for implementing the Company's investment strategy, the discretionary management of the Group's investments and reporting to the Board.

The Board has oversight of the business model and strategy of the Company. It meets at least four times a year and is responsible for the ongoing process of identifying, carrying out a robust assessment of, and managing and mitigating the principal and emerging risks and uncertainties faced by the Group. The Board has three committees: the Audit Committee, the Management Engagement Committee and the Remuneration Committee, each of which considers certain matters within their terms of reference before reporting to the Board, as required.

## RESPONSIBLE INVESTMENT

Round Hill formalised its approach towards responsible investment through creating a Responsible Investment Policy, available upon request, covering 100% of assets under management.

Given the asset class invested in, that is, intangible intellectual property music Copyright assets, Round Hill is not looking to become a formal signatory to the United Nations-Supported Principles for Responsible Investment (the "**PRI**") at this time. However, Round Hill supports the PRI, and looks to live up to the principles, where applicable.

Round Hill is not exposed to traditional ESG risks nor opportunities, but looks to manage exposure to ESG-themes such as inequality, social justice, human rights and other ethical aspects that may be relevant in terms of what the music content represents and is associated with, as well as how it treats its creative partners, including artists, writers, independent publishers, and other third-party holders such as record companies, managers, lawyers, artists and repertoire ("**A&R**") professionals and estate trustees.

Key elements of Round Hill's responsible investment approach include:

- **Exclusions:** Round Hill avoids investing in music content that may be considered controversial. This extends to the related creators or artists with whom the music asset is associated.
- **ESG Integration:** Round Hill conducts an assessment of key risks, which includes the profile of songwriters and artists to ensure that they have not been and are not involved with any controversial activities.
- **Active Ownership:** Round Hill actively manages the music assets to build a stronger and steady level of royalty earnings, while maintaining a cooperative and respectful relationship with writers and artists.

Round Hill has a fiduciary duty to act in the best interests of its investors and manage its assets with the objective of achieving optimal returns. It seeks to be a responsible manager and owner of its assets and places particular emphasis on building strong relations within the music industry ecosystem. Round Hill believes that the elements of its responsible investment approach support the Company to best understand any potential risks its assets may be exposed to.

## 2023 AMBITIONS

Round Hill is pleased with the progress made on ESG matters in 2022. However, it recognises that a strong ESG approach needs constant evolution. Therefore, Round Hill has set itself the following targets for 2023 and is keen to implement and report on them:

- **ESG Training** – to ensure both management and employees stay up to date on ESG; firm-wide briefings will be provided.
- **DEI Committee** – the Committee will look to set up a roadmap with key targets for 2023. Objectives set will be clear, actionable and informed through analysis undertaken on the engagement survey.
- **Ground Hill** – this Committee will look to quantify Round Hill's carbon emissions by the end of 2023 and, if possible, set up a roadmap to lower consumption.

**Josh Gruss**
Founder and CEO of Round Hill Music L.P.
24 April 2023

# STAKEHOLDERS AND SECTION 172

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

Section 172(1) says that the board of a company has a duty to promote the success of their company for the benefit of the members as a whole and, in doing so, have regard to (amongst other things):

(a) the likely consequences of any decision in the long term;

(b) the interests of the company's employees;

(c) the need to foster the company's business relationships with suppliers, customers and others;

(d) the impact of the company's operations on the community and the environment;

(e) the desirability of the company maintaining a reputation for high standards of business conduct; and

(f) the need to act fairly between members of the company.

The Company has no employees and all of the Directors are non-executive, so the Board considers that its key stakeholders are its Shareholders and its service providers.

An intention of the AIC Code, to which the Company fully subscribes, is that the Board should understand the views of the Company's key stakeholders and describe in the Annual Report how their interests and the matters set out in section 172 of the UK's Companies Act 2006 have been considered in Board discussions and decision-making.

The Board's engagement with its Shareholders is described in the section "Dialogue with Shareholders" on pages 53 to 54. All Shareholders are treated equally and no Shareholder receives preferential treatment. When making decisions of relevance to Shareholders, the Board considers first and foremost the likely consequences of their decisions in light of their duty to act in the best interests of the Company in the longer term. The Board also considers what is likely to be in the best interests of Shareholders as a whole, but does not consider individual Shareholder's specific circumstances or desires when making its decisions.

The Company engages third party service providers as the Company's Directors are all non-executive directors and the Company does not have any employees. In addition to the regular reporting provided by these key service providers, the Board, via the Management Engagement Committee, ensures that a review of the performance of these key service providers is performed on an annual basis. The services provided by these key service providers are critical to the ongoing operational performance of the Group. The Board believes that fostering constructive and collaborative relationships with the Company's service providers will assist in the Board's promotion of the success of the Company and other members of the Group for the benefit of all Shareholders.

The Board considers the interests of all stakeholders and oversees the activities of the Investment Manager and other service providers, as further explained below (in the sub-section "Review of Service Providers").

As described in detail in the Company's viability statement on pages 47 to 48, the Board considers the prospects of the Company and other members of the Group whenever it considers the Group's sustainability. All strategic decisions are therefore taken with the long-term success of the Company and other members of the Group in mind and the Board would take external advice whenever it considered that such would be beneficial to its decision-making process, primarily from its retained service providers (including legal counsel), but also from other external consultants.

The Board recognises that shareholders have a growing interest in ESG considerations resulting from a company's business. Please see more information regarding ESG in the report on pages 38 to 40.

The Board subscribes to the highest standards of business conduct and has policies in place to ensure compliance with all applicable laws and regulations. In addition to the monitoring of the Company's compliance with its own obligations, the Board also monitors compliance by its key service providers with their own obligations. Each service provider to the Group is required to have in place suitable policies to ensure that they maintain high standards of business conduct, treat customers fairly and are committed to ensuring that high standards of corporate governance are maintained.

The Board encourages openness and transparency with its service providers.

## MANAGEMENT OF THE GROUP

The Directors are responsible for managing the business affairs of the Company in accordance with the Company's Articles and have overall responsibility for the Group's activities, including investment activity. The Company has delegated management of the Group's investments and Portfolio administration to the Investment Manager, a Delaware limited partnership, with employees located in Nashville, New York, Los Angeles and London. Each member of the Group has delegated secretarial and administrative functions to JTC Fund Solutions (Guernsey) Limited, which is a company incorporated in Guernsey and licensed by the GFSC for the provision of administration services. JTC Registrars Limited is the Company's Registrar, Transfer Agent and Payment Agent.

## INVESTMENT MANAGER AND PORTFOLIO ADMINISTRATOR

The Investment Manager has been appointed by the Company to provide investment management services to the Group. Pursuant to the Amended and Restated Investment Management Agreement dated 2 November 2020, the Investment Manager has responsibility to perform investment management and risk management functions for the Company and its UK Subsidiaries in accordance with the Investment Policy, subject to the overall policies, supervision, review and control of the Board. Subject to the applicable investment guidelines, the Investment Manager has discretion to buy, sell, retain or otherwise deal in the Group's assets. Subject to certain restrictions, the Investment Manager is also required to comply with the regulatory requirements that may apply to it from time to time as the alternative investment fund manager of the Company for the purposes of the AIFM Directive.

Pursuant to the Portfolio Administration Agreement dated 19 October 2020, as supplemented, the Investment Manager has agreed to administer (on behalf of the Company and any UK Subsidiaries) the Copyrights owned by the Company (and any UK Subsidiaries) and, in respect thereof, the Investment Manager is responsible, subject to the overall supervision of the Board, for the administration and commercial exploitation of the Copyrights with full power and authority on behalf of the Company to i) license the exploitation of the Copyrights (including in respect of broadcast and other public performances, mechanical reproduction, the synchronisation of Copyrights and the use of Copyrights in connection with merchandising activities); ii) print, publish and sell alone or together, printed editions or other reproductions of Copyrights; iii) collect all royalties, revenues, profits and monies with respect to the Copyrights; iv) prosecute and defend litigation in respect of the Copyrights; and v) make arrangements for, or otherwise adapt or change, any of the Copyrights.

Also pursuant to the Portfolio Administration Agreement, the Investment Manager is responsible for ensuring that the Group's Copyrights (and all royalties, revenues, profits and monies generated by them) are readily identifiable and are segregated from assets of the Investment Manager or the assets of third parties on whose behalf the Investment Manager is acting.

During the year the Management Engagement Committee ("the Committee") reviewed the performance of the Investment Manager and whether it had fulfilled the terms of the Investment Management Agreement and complied with the Company's investment policy. The Committee agreed that the Investment Manager has the required skills and depth of experience to manage the Company's investments. The Committee also concluded that the performance of the Investment Manager was satisfactory, and that the continuing appointment of the Investment Manager was in the best interests of shareholders. The Committee agreed that the existing fee arrangements and other contractual terms remained appropriate and further aligned the Investment Manager's interest with those of the Company's shareholders.

Full details of the fees payable by the Company under the Investment Management Agreement are set out in note 12 of the Notes to the Consolidated Financial Statements.

## CORPORATE BROKER AND FINANCIAL ADVISER

Cenkos Securities plc acts at the Company's sole corporate broker and financial adviser.

## SECRETARY AND ADMINISTRATOR

JTC Fund Solutions (Guernsey) Limited is an independent provider of institutional and private client services to clients in numerous jurisdictions and is a member of the JTC Group. See the JTC Group's website at www.jtcgroup.com.

JTC Fund Solutions (Guernsey) Limited is a Guernsey incorporated company, which is licensed by the GFSC. JTC Fund Solutions (Guernsey) Limited provides administration and secretarial services to the Group pursuant to an Administration Agreement dated 19 October 2020 with the Company and separate administration agreements with each of the UK Subsidiaries, effective from the respective incorporation dates.

In such capacity, as the secretary (the "**Secretary**"), it is responsible for the general secretarial functions required by the applicable law and assists the Group in its compliance with its continuing legal and regulatory obligations, as well as providing advice on good corporate governance and best practice for a publicly traded company.

The Administrator is also responsible for the Group's general administrative functions such as the calculation of the Economic NAV and the IFRS NAV and for the preparation of unaudited half-yearly and audited annual financial reports, subject to the direction and oversight of the Board.

## REGISTRAR

JTC Registrars Limited has been appointed as registrar, transfer agent and paying agent by the Company pursuant to a Registrar Agreement dated 19 October 2020. The Registrar performs all the usual duties of a registrar, transfer agent and paying agent in relation to the Shares and the maintenance of the Company's Share register.

## REVIEW OF SERVICE PROVIDERS

With the assistance of the Management Engagement Committee, the Board keeps under review the performance of each of the Investment Manager, the Financial Adviser and Corporate Broker, the Secretary and Administrator and the Registrar and the powers delegated to each service provider. In the opinion of the Board, the continuing appointment of each of the current service providers on the terms agreed is in the interest of the Company and its Shareholders as a whole.

A full list of the Group's service providers is set out on page 107.

# BOARD OF DIRECTORS

## As at 31 December 2022 the Company had four directors, all of whom were independent and non-executive.

**ROBERT NAYLOR**

### Independent Non-Executive Director (Chairman)

Rob has 25 years' experience in capital markets. Rob is CEO of Intuitive Investment Group Plc (AIM: IIG) and a Non-Executive Director of Light Science Technologies Holdings plc (AIM: LST). Previously Rob was head of corporate finance and corporate broking in the investment funds team at Cenkos Securities plc, co-head of the investment funds team at Panmure Gordon (UK) Limited and head of product development, in the investment trust team at JPMorgan Asset Management Limited. Rob started his career with Ernst & Young LLP in 1996 where he qualified as a chartered accountant in the investment management group. Rob is resident in the United Kingdom.

**CAROLINE CHAN**

### Independent Non-Executive Director

Caroline has over 30 years' experience as a corporate lawyer and is a Guernsey Advocate. She retired from private practice in 2020. After studying law at St Anne's College, Oxford, Caroline trained and qualified as an English solicitor with Allen & Overy, where she worked in their corporate team for nearly nine years including three years in their Hong Kong office. Caroline returned to Guernsey in 1998, and practised locally, including as a partner with Ogier and then Mourant Ozannes. She is a director of BH Macro Limited, another Guernsey closed-ended fund that trades on the London Stock Exchange under the tickers LON: BHMG and LON: BHMU, and Chair of the Board of Governors of The Ladies' College. Caroline recently retired as a member of the Guernsey Competition and Regulatory Authority. Caroline is resident in Guernsey.

**FRANCIS KEELING**

### Independent Non-Executive Director

Francis is an experienced media and music industry professional and is currently Executive Vice President of Business Development at Orfium, a leader in rights management solutions. Francis previously served as Senior Vice President International for Discovery, and as Global Head of Licensing at Spotify, responsible for all music licensing with record labels, publishers and collecting societies. Francis was previously Global Head of Digital Business for Universal Music Group for nearly 10 years, spearheading recorded music licensing for all digital music services. He has a master's degree in mechanical engineering from Imperial College London and is resident in the United Kingdom.

**AUDREY MCNAIR**

### Independent Non-Executive Director

Audrey is an experienced director and is currently a non-executive director and chair of the Audit and Risk Committee of Octopus Renewables Infrastructure Trust plc, which trades on the London Stock Exchange under the ticker LON: ORIT. Previously Audrey has held the following non-executive roles – British Friendly Society where she chaired the risk and investment committee, Earl Shilton Building Society where she chaired the audit, risk and compliance committee and Jupiter Emerging and Frontier Income Trust plc where she was chair of the audit committee. In her executive career, across the buy and sell side in the City of London, she has gained extensive knowledge of regulatory governance and investment management processes and products, including having worked at Aberdeen Asset Management plc, starting as Head of Internal Audit (EMEA) and becoming Global Head of Business Risk (including operational, IT and strategic risk) and responsible for the group's risk management framework and internal capital adequacy assessment. Audrey is resident in the United Kingdom.

**The Board has established an Audit Committee, chaired by Audrey McNair, a Management Engagement Committee, chaired by Francis Keeling and a Remuneration Committee, chaired by Caroline Chan.**

# PRINCIPAL RISKS AND UNCERTAINTIES

## CORPORATE INFORMATION

A description of important events which have occurred during the financial year from 1 January to 31 December 2022 and their impact on the performance of the Company and its subsidiaries, as shown in this Annual Report which includes the Chairman's Statement, the Strategic Report, the Corporate Governance Statement and the Consolidated Financial Statements contained on pages 71 to 105, are incorporated here by reference.

## PRINCIPAL AND EMERGING RISKS AND UNCERTAINTIES

The Board regularly reviews the principal and emerging risks and uncertainties affecting the Group together with the mitigating actions at each Board meeting and in greater depth at the Audit Committee meetings. Throughout 2022 and continuing into 2023 the Board has been working on developing its risk management framework, assessing those risks it considers to be the Group's principal risks and uncertainties, ensuring these are well understood and are being managed by the Investment Manager's and key third parties' control framework. The Board has also considered those risks which are emerging and which may affect the Group. In this regard whilst the impact of covid on the music industry and the Group has reduced since 2021, the geopolitical risk of a ban on the use of social media on certain platforms and the possible impact to revenue for music royalty owners has emerged into the risk landscape.

The Board continues to develop its risk appetite in line with its Investment Policy and strategy.

The risks considered by the Board as the principal risks facing the Company and the mitigations applied are summarised below.

| Potential Impact | Mitigation |
|---|---|
| **Company Risks – risk that target returns and the Company objectives are not met over the longer term** | |
| **Share discount**<br>Where the Shares are trading at a discount to Economic NAV over a prolonged period, this may erode market confidence and leave Shareholders unable to achieve the price sought for their underlying investment. This may make investment in the Company unattractive. | The Board has in place a policy on discounts and where funds are available, they may consider a share buyback programme. This would be subject to all applicable legal and regulatory requirements and any economic or other factors relevant at the time. |
| **Dividend and target returns**<br>The Company may fail to achieve the target returns set out in its Investment Objective and may be unable to pay its stated annual target dividend which may harm the financial reputation of the Company. | The Board has delegated discretionary investment management responsibilities to the Investment Manager. They in turn have significant experience in music royalties and have acquired a diversified Portfolio of Catalogues which are generating a strong revenue stream and delivering real growth to achieve the target returns. The projected revenues are stress tested and dividend cover and ratios are monitored by the Investment Manager and reported to the Board. |
| **Communication with Shareholders**<br>The Company may be ineffective in its communication with Shareholders including failure to meet investor reporting requirements or ineffective marketing campaigns. | The Board has appointed several experienced key third parties including an Administrator, a Corporate Broker and Financial Adviser and a public relations adviser to deal with all aspects of reporting in a timely and effective way with Shareholders. The Chairman and the Board have met frequently with various Shareholders to provide details on the Company's strategy and will continue to develop the marketing offering of the Company. |
| **Economic and market risks – value of the Company's assets and cashflow generated may be affected by changes in the economic and market environment** | |
| **Interest Rates**<br>The rise in interest rates may impact the Company's cost base and consequently revenues may reduce. Rising interest rates may also have an impact on the assumptions used by the third-party valuer of the Group's Catalogues, including the discount rate that may be applied for future valuations. As interest rates rise the Company may become less attractive as an investment, making it more difficult to raise new capital. Each of these factors may impact the Company's ability to achieve its target returns. | The Board works with the Investment Manager and third parties to ascertain the potential impact of rising interest rates. Where applicable, mitigating actions will be taken to reduce the impact including a review of expenses, refinancing of the CNB RCF and communication with Shareholders to keep them appraised of developments. |

| Potential Impact | Mitigation |
|---|---|
| **Inflation**<br>Rising inflation and its impact on day-to-day costs for individuals and businesses may create challenging conditions for music providers and users of different music formats (e.g., prices for live performances and rates for subscribers to digital platforms), which may impact the Company's ability to achieve its target returns | The Board works with its service providers to monitor and review the impact of rising inflation on the Company's business and outlook, particularly in relation to activities which may be adversely impacted by rising costs of subscriptions to digital service providers' platforms. The Board and its services providers will also monitor the risks and the rising costs of doing business. The Investment Manager has bought Catalogues which have a diversified income stream (e.g., publishing, recordings, live, and sync) and have resilient cash generation which provide a hedge against any inflation impact on one particular source of income. |
| **Currency**<br>Currency risks may have a material impact on the Company's performance. | The Company may engage in full or partial currency hedging if it deems appropriate. |
| **Financial Risks** | |
| **Valuations**<br>Valuations are by their nature subjective and investors may not have confidence that they are sufficiently aligned to the market. | An external valuation is performed on the directly owned assets by a third-party valuer, bi-annually, and provided to the Administrator, with oversight and approval of such valuations provided by the Investment Manager and oversight by the Board. The Company's investment in Carlin (compared to its direct investment in Catalogues) is determined by a different accounting methodology, including reliance on Carlin unaudited semi-annual and audited annual accounts. At 31 December 2022, the Board commissioned a second independent valuation report, which provided an additional source of independent analysis on the valuation of the Portfolio. |
| **Debt**<br>The Company's Investment Policy allows the use of debt subject to limits. The use of leverage may increase the volatility of the Economic NAV per Ordinary Share and may increase its investment risk and lead to a breach of covenant. | The Investment Manager provides details of all borrowings and the cost over an extended time frame to allow the Board to review how the Company will meet its covenants and overall borrowing limits on an ongoing basis. The Investment Manager may refinance to achieve better terms where appropriate. The Company's leverage policy also keeps borrowing to a 25% Debt to Economic NAV threshold, which helps minimise volatility exposure to the Economic NAV. |
| **Operational Risks – items related to people, processes, systems and events which may impact the Company** | |
| **IT / Cyber**<br>The risks associated with poor controls around information technology leading to data breaches and/or cyber security being compromised. | A full suite of policies is in place with all key service providers relating to cyber security and data protection of the information technology provided to the Company. Any breaches are reported to the Board as well as quarterly reports provided to the Board on all related information technology issues. |
| **Oversight of third parties**<br>Oversight of delegated functions not conducted effectively and, in terms of legislative or regulatory requirements, resulting in regulatory sanctions. | Contracts are in place with all service providers. The Administrator will also perform oversight on delegated functions.<br>Formal signed agreements are in place and oversight of services provided are approved and undertaken by the Board.<br>Periodic service reviews and meetings are held with service providers as appropriate, including the Board's Management Engagement Committee annual review. |
| **Geopolitical – War in Ukraine**<br>The ongoing war in Ukraine and related sanctions may create challenging conditions for music providers and users of different music formats. | The Board is kept appraised on any related developments regarding sanctions, by its outsourced Administrator. The Company has a diversified Portfolio which may help to cushion some of the impact of one particular revenue stream being put under pressure. |

## RELATED PARTY TRANSACTIONS

There were no material related party transactions which took place in 2022, other than those disclosed at note 12 of the Notes to the Consolidated Financial Statements.

## INTERNAL CONTROL AND FINANCIAL REPORTING

The Board has delegated to the Audit Committee its responsibility for establishing and maintaining the Group's system of risk management and internal controls, which is reviewed fully for effectiveness on an annual basis. Internal controls are designed to meet the particular needs of the Group and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable and not absolute assurance against misstatement and loss.

The key procedures which have been established to provide effective internal controls are as follows:

- the Board is responsible for the Group's systems of risk management and internal controls and for reviewing their effectiveness. The Board confirms that through the Audit Committee there is an on-going process for identifying, evaluating and monitoring the significant risks faced by the Group. The internal controls, which are delegated to the applicable service providers as appropriate, are designed to meet the Group's particular needs and the risks to which it is exposed;
- the Board clearly defines the duties and responsibilities of the Company's service providers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved;
- the Board regularly reviews the performance of, and the contractual arrangements with, the Group's service providers, agents, advisers;
- investment management and Portfolio administration services are provided to the Group by the Investment Manager;
- corporate broking and financial advisory services are provided to the Company by the Corporate Broker and Financial Adviser;
- administration (including compliance) and secretarial services are provided to the Group by the Administrator and the Secretary;
- the Board reviews financial information produced by the Administrator on a regular basis;
- the Board also specifies which matters are reserved for a decision by the Board and which matters may be delegated to its service providers.

## GOING CONCERN

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

The Board has reviewed cash flow projections that detail revenue and liabilities and will continue to receive cash flow projections as part of the Group's reporting and monitoring processes.

The Group has seen further covid recovery in 2022 as mentioned previously and has sufficient cash balance as well as large positive net current assets and net assets at year end.

After reviewing the cash flow projections and receiving feedback from the Investment Manager, as well as considering the principal risks and uncertainties, the Board believes that the Group has adequate financial resources to continue its operational existence for the foreseeable future and at least 12 months from the date of approval of this Annual Report. The Group therefore continues to adopt the going concern basis in preparing its Consolidated Financial Statements.

## VIABILITY STATEMENT

The Investment Manager has prepared an assessment taking into account several risk factors that could affect the viability of the music business and income to the Company in the three-year period ending December 31, 2025.

The three-year assessment period is considered appropriate as: 1) music publishing and recorded music are expected to grow healthily over the long-term;

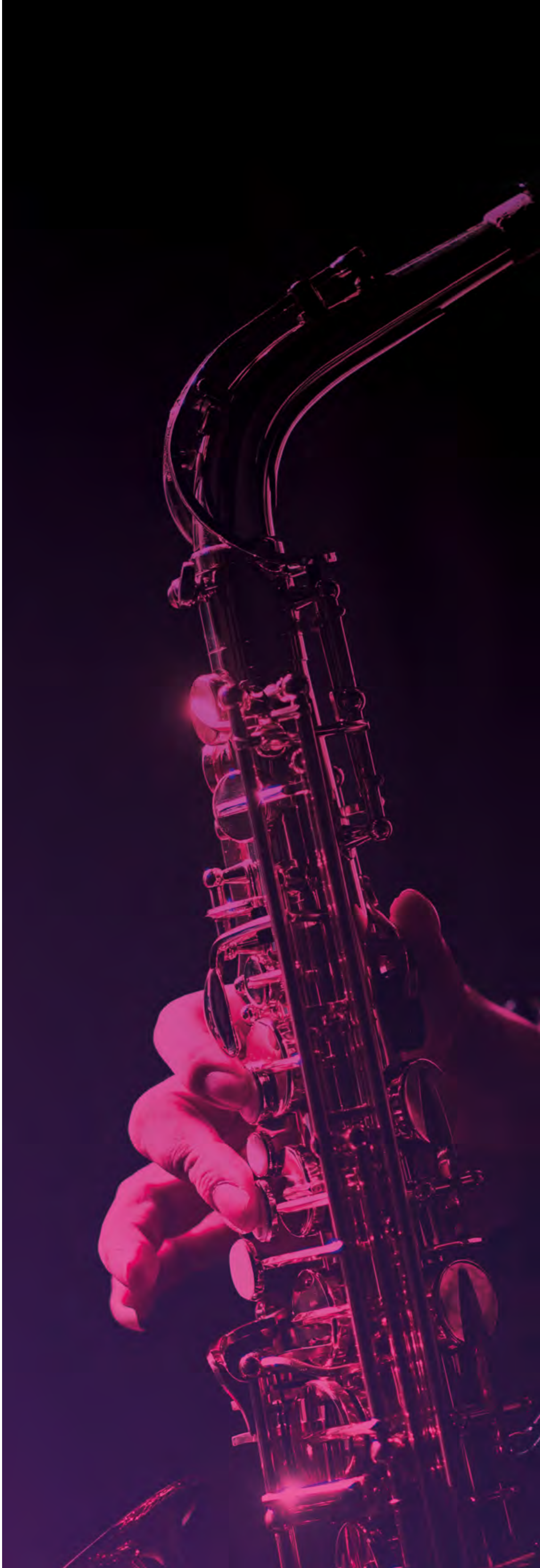
2) three years of income is deemed to reflect a normalised level of income within music publishing; and 3) accurate and precise external income projections are more readily available for the next three-year period.

The Group is expected to grow at a stable rate in the medium and long-term based on past performance and resiliency of music royalties even during the covid pandemic. The Group has seen recovery from the covid pandemic during 2022 and expects further recovery in 2023.

For purposes of stress testing, the Group considered downside plausible scenarios for this assessment that could have an impact on income and cash flows in the next three years. These risk factors include publisher service providers' inability to administer rights, inability of CMOs to license and distribute music, sustained decline in live music consumption, and standard repertoire falling out of favour with music streaming consumers.

The Board's considerations for the conclusion include the Group's ability to generate cash flows from operating activities which was approximately US$14.3 million as of December 31, 2022 and the Group's liquidity profile given the Group had approximately US$10.9 million of cash on hand and approximately US$17.8 million of undrawn credit under the Truist RCF as of December 31, 2022.

The Investment Manager's cash flow forecast for the next three years incorporates all the risks mentioned above that could impact the Group's income in a severe downside scenario. After reviewing the forecast and considering the Group's current financial profile, the Board has a reasonable expectation that the Group can continue its operations and meet all operational expense requirements despite a severe downside scenario applied to its income over the next three years.



# CORPORATE GOVERNANCE STATEMENT

**Statement of Compliance with the AIC Code, as published in February 2019**

The Board has considered the principles and provisions of the AIC Code, which addresses the principles and provisions set out in the UK Code, as well as setting out additional provisions on issues that are of specific relevance to listed investment companies, such as the Company. The Board considers that reporting in accordance with the principles and provisions of the AIC Code, which has been endorsed by the GFSC, provides more relevant information to Shareholders.

The GFSC's Finance Sector Code of Corporate Governance (the "**Code**") applies to the Company. The GFSC has stated in the Code that companies which report against the UK Code or the AIC Code are deemed to meet the requirements of the Code and need take no further action. Accordingly, as the Company reports against the AIC Code it will be deemed to meet the requirements of the Code.

A copy of the AIC Code is available on the AIC website at www.theaic.co.uk/sites/default/files/documents/AIC2019AICCodeofCorporateGovernanceFeb19.pdf. It includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

For the reasons set out in the introduction to the AIC Code, the Board has considered that the UK Code provisions relating to:

- the appointment of a senior independent director;
- the role of the chief executive;
- executive directors' remuneration;
- the establishment of a nomination committee; and
- the need for an internal audit function

are not relevant to the position of the Company, as an externally managed investment company, and has therefore not reported further in respect of these matters.

Having reviewed the AIC Code, the Board considers that it has maintained procedures during the financial period under review to ensure that it has complied with the principles and provisions of the AIC Code, subject to the following provisions with explanations provided further within this statement:

- **Provision 22:** The Board has decided not to establish a nomination committee because the Company is a relatively new investment company and, given the size of the exclusively non-executive and independent Board, the Company has no requirement for this committee. As such, it was deemed appropriate for the whole of the Board to undertake the responsibilities of a nomination committee, for at least the next financial year.
- **Provision 29:** whilst he was Chairman of the Board, Trevor Bowen's chairmanship of the Audit Committee was not consistent with the provisions of the AIC Code. At the time of the IPO, Mr Bowen had the most recent and relevant financial experience. Since the launch of the Company, to address the inconsistency with the AIC Code, the Board and its advisers had been actively taking steps to identify suitable candidates to join the Board. On 20 July 2022, Audrey McNair was appointed to the Board and, upon the resignation of Mr Bowen from the Board on 1 November 2022, she was appointed Audit Chair with effect from that date. Ms McNair has relevant financial experience to chair the Audit Committee and, since her appointment as Audit Chair, the Company has been in compliance with Provision 29 of the AIC Code. Given the size of the exclusively non-executive and independent Board and his financial experience, Mr Naylor, Chairman of the Board, is also a member of the Audit Committee.
- **Provision 30**: The Board has taken the decision that it would not be of any material benefit for the Group to appoint an internal auditor, as the Group does not have any employees and it does not operate any systems of its own; instead, it relies on the employees and systems of its external service providers. As such, the Board has decided that this provision is not relevant to the Company.

## BOARD COMPOSITION

The Board comprises four Directors, and their biographies appear on page 44 demonstrating the wide range of skills and experience they each bring to the Board. All the Directors are non-executive and, for the purpose of provision 13 of the AIC Code, all are considered to be independent. As part of their examination of the independence of the Board, the Board has concluded that all Directors remain independent under the principles of the AIC Code.

Robert Naylor is the Chairman.

Apart from Robert Naylor, who is Chief Executive Officer of Intuitive Investment Group plc and a non-executive director of Light Science Technologies Holdings plc, which are both London listed companies, Caroline Chan, who is a non-executive director of BH Macro Limited, which is a London listed company, and Audrey McNair, who is a non-executive director of Octopus Renewables Infrastructure Trust plc, which is also a London listed company, none of the Directors have directorships or employments in any other public company nor do any of the Directors hold cross-directorships or have significant links with each other through involvement in any other companies or bodies, save for their directorships of the UK Subsidiaries.

## BOARD SUCCESSION

The Company does not have a nomination committee given it is a relatively new investment company and, given the size of the exclusively non-executive and independent Board, the Company has no requirement for this committee. The Board therefore takes on the responsibility of leading the process for appointments, ensuring plans are in place for orderly succession to the Board, overseeing the development of a diverse pipeline for succession and any other matters as they arise. This includes ensuring that any appointments and succession plans are based on merit and objective criteria and, within this context, promotes diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

## BOARD DIVERSITY

It is the Company's aim to have an appropriate level of diversity in the boardroom. The Board considers diversity generally when making recommendations for appointments to the Board, taking into account gender, social and ethnic backgrounds, cognitive and personal strengths, and experience. The Board welcomes the recommendations from the FTSE Women Leaders Review (the successor to the Hampton-Alexander Review) on gender diversity and the Parker Review about ethnic representation on boards and is pleased to report that it is in compliance with these recommendations. The Company's priority when making new appointments is to identify the candidate with the best range of skills, experience and knowledge to complement those of the existing Directors.

## TENURE

The Board notes that provision 23 of the AIC Code expects all Directors to be subject to annual re-election. Accordingly, all Directors will retire and, being eligible, offer themselves for re-election at each annual general meeting of the Company. Papers accompanying the resolutions to elect each Directors will set out the specific reasons why their contribution is, and continues to be, important to the Company's long-term sustainable success.

Directors are able and encouraged to provide statements to the Board of their concerns and ensure that any items of concern are recorded in the Board minutes. The Chairman also encourages all Directors to present their view on matters in an open forum.

## BOARD EVALUATION

The Board is committed to ensuring that on an annual basis the strengths of the Board are recognised and any weaknesses are addressed. Each Director has undertaken to engage with the evaluation process and take appropriate action when development needs have been identified. An external facilitation of the performance evaluation will be considered by the Board on an annual basis. At the Board's quarterly meeting held in December 2022, it was noted that a firm would be instructed to carry out an external Board evaluation in 2023.

The Board conducted a performance evaluation of itself, its committees and each Director, as required under the AIC Code. The process was led by the Board and consisted of each Director completing questionnaires regarding the performance of the Board as a whole, the Chairman and the committees. Each Director also completed a self-assessment questionnaire. The completed questionnaires were sent to the Board and reviewed and discussed by the whole Board at the December 2022 quarterly Board meeting.

## BOARD MEETINGS

The Board meets in the United Kingdom at least four times per year to consider the business and affairs of the Company and the Group for the previous quarter and the outlook for the coming quarter and beyond, at which meetings the Directors review the Group's assets and all other important issues to ensure control is maintained. At two of these meetings the Board considers and, if deemed appropriate, approves the Group's annual and half yearly consolidated financial statements.

Between these regular meetings the Board keeps in contact by email, telephone and video conference as well as meeting to consider specific matters of a transactional nature.

The Directors are kept fully informed by the Investment Manager of all matters concerning the Group's assets and their financial arrangements, and by the Administrator of all matters that are relevant to the business of the Group and which should be brought to the attention of the Directors and / or the Shareholders. All Directors have direct access to the Administrator, which is responsible for ensuring that Board procedures are followed and that there are effective information flows both within the Board and between the Board and the Investment Manager.

The Directors also have access to the advice and services of the Financial Adviser and Corporate Broker as required. The Directors may also, in the furtherance of their duties, take independent professional advice at the Group's expense.

In the financial period under review the Directors held 4 scheduled quarterly Board meetings, 17 ad hoc Board meetings, 6 Audit Committee meetings, 1 Remuneration Committee meeting and 1 Management Engagement Committee meeting in order to carry out their duties. Directors' attendance at these meetings was as follows:

| Director | Scheduled Quarterly Board Meetings | Ad hoc Board Meetings | Audit Committee | Remuneration Committee | Management Engagement Committee |
|---|---|---|---|---|---|
| **Robert Naylor*** | 1 of 1 | 2 of 2 | 2 of 2 | 1 of 1 | 1 of 1 |
| **Caroline Chan** | 4 of 4 | 16 of 17 | 6 of 6 | 1 of 1 | 1 of 1 |
| **Francis Keeling** | 4 of 4 | 15 of 17 | 5 of 6 | 1 of 1 | 1 of 1 |
| **Audrey McNair**** | 2 of 2 | 7 of 8 | 3 of 3 | 1 of 1 | 1 of 1 |
| **Trevor Bowen*** | 3 of 3 | 15 of 15 | 4 of 4 | 0 of 0 | 0 of 0 |

*Robert Naylor was appointed Chairman with effect from 1 November 2022 upon the resignation of Trevor Bowen with effect from 1 November 2022.
** Audrey McNair was appointed with effect from 20 July 2022.

No fixed time commitment for Board duties has been set in each Director's letter of appointment, as the Board considers that the time required by Directors may vary depending on the demands of the Group and any other events. Therefore, it is required that each Director allocates sufficient time to the Group to perform their duties effectively. It is also expected that each Director will attend all Board meetings and meetings of committees of which they are a member.

The Chairman has confirmed that he considers the performance of each other Director, during the financial year under review, to be satisfactory and that each such Director demonstrates continued commitment to their role. The other members of the Board were equally satisfied that, during the financial year under review, the Chairman has demonstrated his continued commitment to the role and has given the time to make himself available at short notice when the need arose.

## Board Committees

The Board has considered the establishment of a nomination committee as set out in provision 22 of the AIC Code. As noted, the Board has concluded that, given the small size of the exclusively non-executive and independent Board, the Company has no requirement for this committee and, instead, the full Board performs this function.

The Board has established an Audit Committee, a Remuneration Committee and a Management Engagement Committee. Details of the activities of each of these committees are set out below.

## Audit Committee

As at the financial year end, the members of the Audit Committee were Audrey McNair, Francis Keeling, Caroline Chan and Robert Naylor. Audrey McNair was appointed Chair of the Audit Committee following the resignation of Trevor Bowen as Chairman of the Company and Chair of the Audit Committee, with effect from 1 November 2022.

The Audit Committee has regard to the Guidance on Audit Committees published by the FRC in September 2012 and most recently updated in April 2016. The Audit Committee examines the effectiveness of the Group's and its service providers' internal control systems, as appropriate, the annual and half-yearly reports and consolidated financial statements, the external auditor's remuneration and engagement, as well as the external auditor's independence.

The Audit Committee considers the nature, scope and results of the external auditor's work and will review it annually prior to providing a recommendation to the Board on the reappointment or removal of the external auditor. When evaluating the external auditor, the Audit Committee will have regard to a variety of criteria including industry experience, independence, reasonableness of audit plan, ability to deliver constructive criticism, effectiveness of communication with the Board and the Group's service providers, quality control procedures, effectiveness of audit process and added value beyond assurance in audit opinion.

Auditor independence is maintained through limiting non-audit services to specific audit-related work that falls within defined categories; for example, the provision of advice on the application of IFRS or formal reports for any Stock Exchange purpose. All engagements with the external auditor are subject to pre-approval from the Audit Committee and fully disclosed within the Annual Report for the relevant period. A new lead audit partner will be appointed every five years and the Audit Committee ensures the external auditor has appropriate internal mechanisms in place to ensure its independence.

The Audit Committee has recommended to the Board that the reappointment of KPMG as the Company's external auditor be proposed to Shareholders at the 2023 annual general meeting. The Audit Committee will, if appropriate, consider arranging for the external audit contract to be tendered in 2030 (being 10 years from the initial appointment).

The Audit Committee meets in the United Kingdom at least twice a year, shortly before the Board meets to consider the Group's half-yearly and annual consolidated financial statements, and reports to the Board with its deliberations and recommendations and also holds an annual audit planning discussion with the external auditor. The ultimate responsibility for reviewing and approving the half-yearly and the annual consolidated financial statements remains with the Board.

The Audit Committee also operates within clearly defined terms of reference based on The Chartered Governance Institute recommended terms, and provides a forum through which the Group's external auditor reports to the Board. The Audit Committee can request information from the Group's service providers with the majority of information being directly sourced from the Investment Manager, the Secretary, the Administrator and the external Auditor. The terms of reference of the Audit Committee are available on the Company's website and on request from the Administrator.

Key areas covered include the clarity of the Audit Committee's role and responsibilities, the balance of skills among its members and the effectiveness of reporting its work to the Board. The Board is satisfied that all members of the Audit Committee have relevant financial experience and knowledge and ensure that such knowledge remains up to date. Overall the Board considers that the Audit Committee has the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the year.

During the financial year to 31 December 2022, the Audit Committee met to consider the Company's consolidated financial statements to 31 December 2021 and the half-yearly report for the period from 1 January to 30 June 2022 and to receive the audit planning report from the Company's external Auditor. The report from the Chair of the Audit Committee is on pages 55 to 57.

**Management Engagement Committee**

The Management Engagement Committee was established on 2 October 2020 and consists of all Directors of the Company, with Francis Keeling acting as Chairman. The Management Engagement Committee meets at least once a year and the principal duties of the Management Engagement Committee are to review the terms of the agreements between the Company and its key service providers to ensure that they are competitive, fair and reasonable for Shareholders, to review and make recommendations on any proposed amendment or material breach of those agreements and to monitor and evaluate the performance of the key service providers including the on-going suitability of the key service providers to provide advice to the Company.

During the financial year under review, the Management Engagement Committee met once to perform a review of the Company's service providers.

**Remuneration Committee**

The Remuneration Committee was established on 21 September 2021 and consists of all Directors of the Company, with Caroline Chan acting as Chair. The Remuneration Committee meets at least once a year and the principal duties of the Remuneration Committee are to determine and agree the remuneration policy for the Directors of the Company and the Chairman of the Board, ensuring it supports strategy and promotes the long-term success of the Company and remains appropriate and relevant, to review any proposed changes to the remuneration of the Directors of the Company, and to review and consider any additional ad hoc payments to the Directors of the Company.

During the financial year the Remuneration Committee met once, to perform a review of the remuneration of the Directors of the Company.

## BRIBERY

The Directors have undertaken to operate the business in an honest and ethical manner and accordingly take a zero-tolerance approach to bribery and corruption. The key components of this approach are implemented as follows:

- the Board is committed to acting professionally, fairly and with integrity in all its business dealings and relationships;
- the Group will implement and enforce effective procedures to counter bribery; and
- the Group requires all its service providers and advisers to adopt equivalent or similar principles.

## DATA PROTECTION

The Group has implemented measures designed to ensure its compliance with the Data Protection (Bailiwick of Guernsey) Law, 2017 (as amended) and other applicable data protection legislation in other jurisdictions. The Company has also issued a privacy notice explaining the data it holds, how the data is processed and its procedures. This notice is available for review and download at the Company's website at the following link: https://s3-us-east-2.amazonaws.com/rhm-assets/u/2020/10/RHMRFL-Privacy-Notice-final.pdf.

## DIALOGUE WITH SHAREHOLDERS

All Shareholders have the right to receive notice of, and attend, general meetings of the Company, at which one or more members of the Board will be available to discuss issues affecting the Group.

The Company reports on the number of votes lodged on each resolution proposed at an annual general meeting. This information is published via a regulatory information service and on the Company's website immediately following the annual general meeting.

The 2023 AGM will be held on 12 June 2023 at 1pm at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU. Members of the Board and representatives from the Investment Manager will also be present in person at the AGM to answer questions from Shareholders.

The primary responsibility for Shareholder relations lies with the Board which has delegated this role to the Company's Corporate Broker. The Corporate Broker meets with the Company's core Shareholders to discuss the Company and seek feedback for the benefit of the Board and will continue to meet with Shareholders on a periodic basis or when there is significant information pertaining to the Company which needs to be discussed with Shareholders.

In addition, the Directors are available to enter into dialogue with Shareholders by telephone or email and the Chairman is always willing to meet Shareholders, as the Company believes such communication to be important. Shareholders also have the opportunity to address questions to the Chairman and the Audit Committee at the Company's annual general meeting.  Following the appointment of Robert Naylor as the new Chairman with effect from 1 November 2022, there was a presentation to institutional Shareholders where Shareholders were able to ask questions directly to the Chairman, the Investment Manager and the Corporate Broker on the Company and its performance.

The Board reviews the Company's share register at every quarterly Board meeting to monitor the Company's Shareholder profile and seeks to ensure that information is presented to Shareholders in a fair, balanced and understandable manner. The Board would also take action to address any Shareholder concerns. The Company provides regular updates to Shareholders through factsheets and annual and half-yearly reports and consolidated financial statements.

At the Annual General Meeting held on 9 June 2022 all the resolutions were passed by the requisite majority.

The Directors can be contacted by Shareholders via correspondence sent to the Company's registered office or via the Administrator, if they have any concerns.

# AUDIT COMMITTEE REPORT

## MEMBERSHIP

**Audrey McNair**, Chair of the Audit Committee

**Caroline Chan**, Non-executive Director

**Francis Keeling**, Non-executive Director

**Robert Naylor,** Non-executive Director

## KEY DUTIES

The Audit Committee's key duties are as follows:

- reviewing and monitoring the integrity of the Group's financial statements and financial results announcements, and reviewing significant financial reporting judgements contained therein, and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices including critical accounting policies and practices;
- advising the Board on whether the Group's annual report and consolidated financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy;
- overseeing the relationship with the external auditor and reviewing the effectiveness of the external audit process;
- conducting a tender process and making recommendations to the Board, for it to put to the Shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;
- reviewing and monitoring the systems of internal controls and risk management operated by the Group and by the Group's principal service providers;
- reviewing annually whether an internal audit function is required;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditor; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
- reporting to the Board on how it has discharged its responsibilities.

## AUDIT COMMITTEE MEETINGS

The Audit Committee meets in the United Kingdom at least twice a year. The Audit Committee reports to the Board on its activities and on matters of particular relevance to the Board in the conduct of its work.

## MAIN ACTIVITIES OF THE COMMITTEE DURING THE PERIOD

The Audit Committee assisted the Board in carrying out its responsibilities in relation to financial reporting requirements, compliance and the assessment of internal controls. The Audit Committee also managed the Group's relationship with the external Auditor.

## FAIR, BALANCED AND UNDERSTANDABLE

In order to comply with the AIC Code, the Board has requested that the Audit Committee advise them on whether it believes that this Annual Report and the Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's position, performance, business model and strategy.

## FINANCIAL REPORTING AND SIGNIFICANT ISSUES

The Audit Committee's primary role in relation to financial reporting is to review, with its service providers and the external auditor, the appropriateness of the half-yearly and annual financial statements, the significant financial reporting issues and the accounting policies and disclosures in the consolidated financial statements.

The Audit Committee has considered the key risks identified as being significant to this Annual Report and the Consolidated Financial Statements, the most appropriate treatment and disclosure of any new significant issues identified during the audit, as well as any recommendations or observations made by the external Auditor. To aid its review, the Audit Committee considered reports prepared by external service providers and reports from the external Auditor on the outcome of their annual audit.

The significant issues considered by the Audit Committee in relation to this Annual Report and the Consolidated Financial Statements and how these were addressed were as set out in the next section.

## PRIMARY AREAS OF JUDGEMENT AND ESTIMATION

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

- Estimating royalty income for each Catalogue in order to evaluate investment potential. These conclusions are based on the Investment Manager's extensive reports and management accounts, which include historical earnings as well as industry growth projections released by trusted third parties;
- The Investment Manager calculates accruals by analysing prior period royalty statements. As royalties are cyclical outside of one-time events, the Investment Manager believes this is an appropriate approach. The Board discusses the methodology with the Investment Manager;
- The Board has assessed the useful life of each Catalogue's assets directly owned by the Group to be 20 years (16 years in 2021), and amortises its intangibles as such;
- The Investment Manager assesses the collectability of royalty income receivables and advances annually to determine whether an impairment needs to be recorded; and
- Discounted cash flow models prepared by the Independent Valuer on a bi-annual basis are used to determine the valuation of each Catalogue using assumptions that are subject to the Independent Valuer's judgement (see Note 4 of the Notes to the Consolidated Financial Statements). The Independent Valuer is appointed by the Board and the valuations, for directly owned Catalogues, are subject to oversight and approval by the Investment Manager and the Board's approval. See Note 15 of the Notes to the Consolidated Financial Statements for treatment of the Carlin Interest.

## INTERNAL CONTROLS

The Audit Committee has made due enquiry of the internal controls of the Administrator and the Investment Manager. The Audit Committee is satisfied with the controls currently implemented by the Administrator and the Investment Manager and will continue to review them regularly. The Audit Committee has also requested the Administrator and the Investment Manager each keeps the Company informed of any in-house developments and improved internal control procedures effected.

## INTERNAL AUDIT

The Group does not have any employees and does not operate any systems of its own, relying instead on the employees and systems of its external service providers. The Board has therefore taken the decision that it would not be of any material benefit for the Group to appoint an internal auditor and that, as it considers that the particular provision in the UK Code and the AIC Code is not relevant to the Company, it will not comply with it.

## EXTERNAL AUDIT

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Audit Committee received from the external Auditor a detailed audit plan, identifying their assessment of the key risks. For the period of review, the primary risks identified were in respect of revenue recognition and both the carrying value and fair value of the Catalogues.

Using its collective skills, the Audit Committee evaluated the effectiveness of the audit process in addressing the matters raised through the reporting it received from the external Auditor at the conclusion of the audit.

In particular the Audit Committee formally appraises the external Auditor against the following criteria:

- Independence
- Ethics and conflicts
- Knowledge and experience
- Challenge
- Promptness
- Cost
- Overall quality of service

In addition the Audit Committee sought feedback from the Investment Manager and the Administrator on the effectiveness of the audit process.

Having completed the evaluation, the Audit Committee was satisfied with the effectiveness, including performance and objectivity and independence of KPMG and the overall effectiveness of the external audit process.

The Audit Committee will hold meetings with the external Auditor to provide additional opportunity for open dialogue and feedback from the external Auditor. If felt necessary, Audit Committee members will meet with the external Auditor without the Administrator and the Investment Manager being present.

## APPOINTMENT AND INDEPENDENCE

The Audit Committee will consider the reappointment of the external Auditor, including the rotation of the audit partner, each year and will also evaluate their independence on an on-going basis.

KPMG was initially appointed as the Company's independent auditor on 5 August 2020 and they were re-appointed by the Company's Shareholders at the Company's annual general meeting on 9 June 2022.

The fees payable to KPMG for audit services to the Group are £425,700. The only non-audit service provided by KPMG were in relation to its review of the Group's Interim Report for which it was paid fees of £50,000 and an agreed procedure for the C Share conversion for which it was paid fees of £15,000. Due to timing of when the audits of the subsidiaries for the period ended 2021 was conducted, the audit fees for these engagements were not captured in the 2021 group disclosure.

| | 2022 (GBP) | 2021 (GBP) |
|---|---|---|
| Audit of Company | 297,500 | 350,000 |
| Audit in respect of Custody filing | 70,200 | 78,000 |
| Audit of subsidiary companies | 58,000 | 88,500 |
| **Total Audit** | **425,700** | **516,500** |
| Interim Review engagement | 50,000 | 75,000 |
| Agreed upon procedure for C Share conversion | 15,000 | - |
| **Total Fees** | **490,700** | **591,500** |

The amounts have been translated in the Consolidated Statement of Comprehensive Income at a foreign exchange rate on payment/transaction date.

The Audit Committee has recommended to the Board that the reappointment of KPMG as the Company's external auditor be proposed to the Shareholders at the 2023 annual general meeting.

The Audit Committee will, if appropriate, consider arranging for the external audit contract to be tendered in 2030 (being ten years from the initial appointment). The external Auditor is required to rotate the audit partner responsible for the audit every five years. The current lead audit partner has been in place since the 2021 half-yearly review.

There are no contractual obligations restricting the Audit Committee's choice of external auditor. The Audit Committee continues to consider the audit tendering provisions outlined in the AIC Code, of which it is supportive.

## AUDIT COMMITTEE EVALUATION

Our activities formed part of the internal review of Board effectiveness for the financial year and was performed in December 2022.

**Audrey McNair**
Chairman of the Audit Committee
24 April 2023

# REMUNERATION COMMITTEE REPORT

## OVERVIEW

In accordance with the Company's Articles, the Directors shall determine the Directors' fees payable, provided that the aggregate amount of such fees paid in respect of services rendered to the Company shall not exceed £400,000 (US$482,160) per annum, after the limit in the Articles was increased from £300,000 (US$407,461) per annum, by an ordinary resolution adopted at the Annual General Meeting of the Company held on 9 June 2022.

Directors are also entitled to re-imbursement of out-of-pocket expenses incurred in connection with the performance of their duties or in attending meetings of the Board or of any committees or general meetings of the Company.

Directors' and Officers' liability insurance cover is also maintained by the Company on behalf of the Directors.

## DIRECTORS' REMUNERATION

Fees paid to the Directors, all of whom are non-executive directors, in the year were:

| | Fixed Fee £ | Committee Chair fee £ | Gross total £ |
|---|---|---|---|
| **Robert Naylor*** (Chairman of the Board) | 12,500 | - | 12,500 |
| **Audrey McNair**** (Chair of the Audit Committee) | 29,084 | 833 | 29,917 |
| **Trevor Bowen***** (Chairman of the Board and Chair of the Audit Committee) | 62,500 | 4,167 | 66,667 |
| **Caroline Chan** (Chair of the Remuneration Committee) | 65,000 | 5,000 | 70,000 |
| **Francis Keeling** (Chair of the Management Committee) | 65,000 | 5,000 | 70,000 |

The amounts have been translated in the Consolidated Statement of Comprehensive Income at a foreign exchange rate on payment/transaction date.

* Robert Naylor was appointed Chairman of the Board with effect from 1 November 2022.

** Audrey McNair was appointed as a Director of the Company with effect from 20 July 2022 and as Audit Chair from 1 November 2022.

*** Trevor Bowen resigned as Chairman of the Board and Chair of the Audit Committee with effect from 1 November 2022.

The Directors do not receive a separate fee for being a director of each of the UK Subsidiaries.

Following a discussion at the Remuneration Committee meeting in December 2022 it was recommended to and later agreed by the Board that Directors' remuneration should remain unaltered as it was considered that the current level of annual remuneration reflects the asset sector and their current workload. The current Directors' fees are as follows:

| | Fixed Fee £ | Committee Chair fee £ | Gross total £ | Gross total US$ |
|---|---|---|---|---|
| **Robert Naylor** | 75,000 | - | 75,000 | 90,405 |
| **Audrey McNair** | 65,000 | 5,000 | 70,000 | 84,378 |
| **Caroline Chan** | 65,000 | 5,000 | 70,000 | 84,378 |
| **Francis Keeling** | 65,000 | 5,000 | 70,000 | 84,378 |

Exchange rate as at 31 December 2022 - US$1.2054

At the Remuneration Committee meeting held in December 2022, it was also determined that external remuneration consultants were not required to review Directors' fees for 2023 but that, in 2023, an external party would be appointed to carry out a non-executive director remuneration benchmarking exercise and a firm would be instructed to carry out an external Board evaluation. The total amount of Directors' remuneration to be paid in 2023 is currently anticipated to be £285,000 (US$343,539).

All Directors receive an annual fee and there are no share options or other performance related benefits available to them. Further details of the Directors' fees are disclosed in note 12 on page 97 of the Notes to the Consolidated Financial Statements.

The terms and conditions of appointment of the non-executive Directors are available for inspection at the Company's registered office by prior arrangement with the Secretary.

At the time of writing no Director has a contract of service with the Group, nor are any such contracts proposed. There were also no outstanding loans or guarantees between the Group and any Director as at the end of 2022 nor as at the date of this report.

## SUMS PAID TO THIRD PARTIES

No fees were paid to third parties for services as non-executive directors.

## DIRECTORS' INTEREST IN SHARES

The interests in Ordinary Shares of the Company held by persons discharging the role of Director and their persons closely associated are shown below:

| | Number of Ordinary Shares held as at 31 December 2022 | Number of Ordinary Shares held as at the date of this report |
|---|---|---|
| Robert Naylor[1] | 50,000 | 50,000 |
| Caroline Chan | 50,000 | 50,000 |
| Francis Keeling | 75,000 | 75,000 |
| Audrey McNair | 28,697 | 28,697 |

On behalf of the Remuneration Committee

**Caroline Chan**
Chairman of the Remuneration Committee
24 April 2023

1 As at 31 December 2022, Robert Naylor's wife held 50,000 Ordinary Shares (31 December 2021: Nil).

# DIRECTORS' REPORT

**The Directors present their Annual Report of the Group for the period from 1 January to 31 December 2022.**

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Investment Objective and principal activity of the Group is to provide investors with an attractive level of regular and growing income and capital returns from investment primarily in high quality music intellectual property. The Directors do not envisage any change in these activities for the foreseeable future.

A description of important events that have occurred during the financial year, their impact on the Consolidated Financial Statements and a description of the principal and emerging risks and uncertainties facing the Group, together with an indication of important events that have occurred since the end of the financial year and are likely to affect the Group's future development, are included in the Company Overview, the Chairman's Statement, the Investment Manager's Report, this Directors' Report, the Principal Risks and Uncertainties section on pages 45 to 46, the Audit Committee Report and the Notes to the Consolidated Financial Statements contained on pages 71 to 105, all of which are incorporated herein by reference.

## STATUS

The Company is a Guernsey company with registered number 68002. Following the IPO, the Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange on 13 November 2020. With effect from 19 July 2022 the Company transferred trading of its Ordinary Shares from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange.

## DIRECTORS

The Directors in office are shown on page 44. All Directors remain in office as at the date of approval of this Annual Report. Further details of the Directors' responsibilities are given on pages 62 to 63.

## MANAGEMENT OF CONFLICTS OF INTEREST

The Company has established guidelines to ensure management of conflicts of interest. The Board considers the Directors conflicts of interest at each Board meeting by reviewing a schedule of each Director's other directorships and other interests held. Each Director is required to notify the Secretary and Administrator of any potential, or actual, conflict situations that would need to be considered by the Board.

## RESULTS AND DIVIDENDS

The financial results of the Group for the financial year are set out on pages 71 to 105.

The Company declared and paid the following dividends during the financial year:

| Announcement Date | Payment Date | Dividend Ordinary per Share |
|---|---|---|
| 9 March 2022 | 25 March 2022 | US$0.015 |
| 25 May 2022 | 14 June 2022 | US$0.01125 |
| 1 September 2022 | 16 September 2022 | US$0.01125 |
| 24 November 2022 | 12 December 2022 | US$0.01125 |

On 9 March 2022, the Company announced a quarterly dividend of US$0.015 per Ordinary Share, comprising US$0.01125 per Ordinary Share for the quarter to 31 December 2021, together with a further dividend payment of US$0.00375 per Ordinary Share, being the balance payable for the initial quarterly dividend for the quarter to 31 March 2021.

On 9 March 2023, the Company announced a quarterly dividend of US$0.01125 per Ordinary Share for the quarter to 31 December 2022. The payment date was 24 March 2023.

## RELATED PARTIES

There were no events or changes in the related parties during the financial year which had or could have had a material impact on the financial position of the Group, other than those disclosed in note 12 to the Consolidated Financial Statements.

## SUBSTANTIAL SHAREHOLDINGS

As of 31 December 2022, the following Shareholders had notified the Company that they held or controlled 5% or more of the total voting rights of the Company in issue:

| Holder | Number of Ordinary Shares | % of voting rights |
|---|---|---|
| M&G Investments | 43,413,427 | 10.65% |
| Fidelity International | 40,578,885 | 9.96% |
| CCLA Investment Management | 37,327,942 | 9.16% |
| Schroder Investment Management | 36,249,301 | 8.89% |
| Brooks Macdonald | 23,443,366 | 5.75% |
| Close Brothers Asset Management | 22,123,411 | 5.43% |

Between the end of the financial year and the date of this report the only substantial shareholding to have changed significantly is that of M&G Investments which has reduced to 39,755,677 Ordinary Shares representing 9.75% of voting rights.

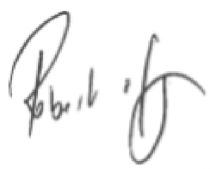
## DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who held office at the date of approval of this Annual Report confirm, in accordance with the provisions of Section 249 of the Companies Law that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

## AUDITOR

KPMG has expressed its willingness to continue in office as auditor, and the Audit Committee has recommended their reappointment. A resolution proposing KPMG's reappointment will be submitted at the forthcoming annual general meeting on 12 June 2023 to be held pursuant to section 199 of the Companies Law.

Signed on behalf of the board:



**Robert Naylor**
Chairman
24 April 2023

# RESPONSIBILITY STATEMENT

### Statement of Directors' responsibilities in respect of the Annual Report and Consolidated Financial Statements

The Directors are responsible for preparing the Annual Report and Consolidated Financial Statements in accordance with applicable law and regulations. The Companies Law requires the Directors to prepare an annual report and financial statements for each financial year. Under the Companies Law, the Directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board, and applicable law. Under the Companies Law, the Directors must not approve the Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Consolidated Financial Statements;
- assess the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Consolidated Financial Statements comply with the Companies Law. They are responsible for such internal control as they determine is necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (https://www.roundhillmusicroyaltyfund.com). Legislation in Guernsey governing the preparation and dissemination of the Consolidated Financial Statements may differ from legislation in other jurisdictions.

The Directors who hold office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware, and that each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

**Responsibility statement of the Directors in respect of the Annual Report**

We, the Directors, confirm that, to the best of our knowledge:

- the Consolidated Financial Statements, prepared in accordance with IFRS, the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Consolidated Financial Statements include information required by the FCA ensuring that the Company complies with the provisions of the Listing Rules and the Disclosure Guidelines and Transparency Rules of the FCA. As a company whose Shares are admitted to the premium listing segment of the Official List, the Company is now required formally to comply with the Listing Rules, in particular, Chapter 15 of the Listing Rules for closed-ended investment funds. Prior to its migration to the Premium Segment, the Company had voluntarily complied with a number of the Listing Rules. The Company complies with those provisions of the Listing Rules and the Disclosure Guidelines and Transparency Rules of the FCA, save as noted in the Corporate Governance Statement of the Annual Report. There is no additional information that is required to be disclosed under Listing Rules 9.8.4.

We, the Directors, consider the Annual Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board of Directors of the Company

| | |
|---|---|
| **Rob Naylor**<br>**Director** | **Francis Keeling**<br>**Director** |

24 April 2023

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROUND HILL MUSIC ROYALTY FUND LIMITED

### Our opinion is unmodified

We have audited the consolidated financial statements of Round Hill Music Royalty Fund Limited (the "**Company**") and its subsidiaries (together, the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the financial position of the Group as at 31 December 2022, and of the Group's financial performance and cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company and Group in accordance with, UK ethical requirements including the FRC Ethical Standard as required by the Crown Dependencies' Audit Rules and Guidance. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Key audit matters: our assessment of the risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows (2021: no change):

| The risk | Our response |
|---|---|
| **Revenue recognition**<br>$36,663,895 (2021: $29,863,023)<br>Refer to the Audit Committee report (pages 55 to 57), note 2 Accounting Policies, note 3 Significant Accounting Judgements, Estimates and Assumptions and note 9 Royalty Income. | |
| **Basis:**<br>The Group earns revenue from the catalogues of songs in which it owns interests. Revenues take the form of royalties, license fees and other income, including mechanical royalties, performance royalties, and synchronisation fees.<br><br>Revenue is collected by independent portfolio administrators and royalty collection agents (together the "**Collection Agents**") and is reported and paid by them on a periodic basis. These contractual arrangements entered into by the Group with the Collection Agents may be complex in nature. | **Our audit procedures included:**<br>**Control evaluation:**<br>We tested the design and implementation of the controls over revenue recognition.<br><br>**Assessing principles:**<br>We assessed the Group's revenue recognition accounting policies for compliance with International Financial Reporting Standards ("**IFRS**"), and in particular IFRS 15 "Revenue from Contracts with Customers". |

| The risk | Our response |
|---|---|
| **Revenue recognition** Continued | |
| Additionally, the Collection Agents' may report on a non-coterminous basis with the Group's period end. Therefore the directors make an estimate of the revenue accrued to the Group at the period end. The directors seek the input of the Investment Manager in making these revenue accruals which are based on an analysis of each catalogue's revenue history and performance trends. This involves significant judgement and estimation uncertainty.<br><br>**Risk**<br>There is a risk of error in that revenue may be incorrectly recognised in the accounting records of the Group. There is also a fraud risk attached to accrued revenue given that the significant judgements applied and estimation uncertainty inherent in determining the accrual are susceptible to management bias. | **Tests of detail - Revenue:**<br>We have assessed the contractual basis for recognising revenue from each catalogue of songs on acquisition by reading and understanding the catalogue agreements.<br><br>We used a combination of data matching routines and manual procedures to agree the gross royalty income received from Collection Agents to underlying bank records.<br><br>To support our data matching routine procedures, we reconciled a randomly chosen selection of Collection Agent statements from the ledger to the revenues recognized by the Group.<br><br>**Tests of detail - Revenue accrual:**<br>We evaluated the methodology applied by the Investment Manager in calculating the year end revenue accrual against market practice and the requirements of IFRS.<br><br>We evaluated the relevance and reliability of the underlying information used by the Investment Manager in the calculation of the revenue accrual, by comparing this to the revenue data which we audited.<br><br>We evaluated the reasonableness of the revenue accrual assumptions by considering consistency with historical payment patterns of revenue receipts.<br><br>We tested the mathematical accuracy of the calculation.<br><br>We compared Collection Agents statements and cash receipts received subsequent to the year end to the amounts accrued for revenue at year end.<br><br>**Assessing disclosures:**<br>We also considered the adequacy of the Group's disclosure (note 3) in relation to the use of Significant Accounting Judgements, Estimates and Assumptions and Royalty Income (note 9). |

| The risk | Our response |
|---|---|
| **Carrying value and fair value disclosure of intangible assets**<br>Carrying value $381,338,110 (2021: $303,386,321)<br>Fair value $531,188,855 (2021:$371,764,135) Refer to the Audit Committee report (pages 55 to 57), note 2 Accounting Policies, note 3 Significant Accounting Judgements, Estimates and Assumptions and note 4 Catalogues. | |
| **Basis:**<br>The Group's catalogues of songs are classified as intangible assets and are required to be held at cost less impairment and amortised over their useful life. As a result, the catalogues of songs are subject to an impairment assessment when an indicator of impairment is identified. The determination of the useful life of each catalogue requires the application of significant judgement by the directors with input from the Investment Manager.<br><br>The Board engaged an Independent Valuer to value the Group's catalogues of songs.<br><br>The valuation incorporates assumptions that are subject to significant judgement and estimation uncertainty including future catalogue revenue, aggregate catalogue maturity and the discount rate applied.<br><br>The directors use the fair value as an input into their consideration of the impairment assessment of the catalogues of songs. The directors also use the fair value to calculate and voluntarily disclose the Group's Economic Net Asset Value.<br><br>**Risk:**<br>As the catalogues of songs are significant to the Net Asset Value of the Group and due to the inherent estimation uncertainty required to determine the useful life, to perform impairment assessments and determine the fair value of those catalogues of songs, these matters collectively give rise to a risk of error. | **Our audit procedures included:**<br>**Control evaluation:**<br>We tested the design and implementation of the control in place over the valuation of intangible assets, to support the impairment assessment performed by management.<br><br>**Assessing principles:**<br>We assessed the Group's intangible asset recognition and impairment accounting policies for compliance with IFRS, and in particular IAS 38 "Intangible Assets".<br><br>**Tests of detail - carrying value:**<br>For all new catalogues of songs, we obtained and read the purchase agreements entered into by the Group to evaluate whether they had been accounted for in accordance with IAS 38. We agreed the corresponding acquisition costs as detailed in the purchase agreements to underlying contracts and bank statements.<br><br>We assessed the useful life assumption made by the directors by comparing this for reasonableness to available industry information.<br><br>We independently recalculated the carrying value using the useful life determined by the directors to ensure mathematical accuracy of the calculation and adherence with the Group's accounting policies.<br><br>We obtained, discussed and challenged the directors and the Investment Manger on their impairment assessment undertaken with respect to the catalogue of songs.<br><br>**Tests of detail - fair value and impairment:**<br>We obtained the valuation model from the Independent Valuer and, with the support of our KPMG valuation specialist, we:<br><br>Confirmed the independence of the Independent Valuer, and evaluated their experience, competence and objectivity. We assessed the methodology applied by the Independent Valuer against market practice and the requirements of applicable accounting standards.<br><br>Obtained the underlying information used by the Independent Valuer, assessed its relevance and reliability, and compared this to historical financial information provided by management and available market data.<br><br>Tested the valuation model for integrity, logic and material formula errors.<br><br>Evaluated the reasonableness of key assumptions applied by the Independent Valuer to available independent industry benchmarks.<br><br>**Assessing disclosures:**<br>We also considered the adequacy of the Group's disclosure (note 3) in relation to the use of Significant Accounting Judgements, Estimates and Assumptions and Catalogues (note 4). |

## Our application of materiality and an overview of the scope of our audit

Materiality for the consolidated financial statements as a whole was set at $3.8m determined with reference to a benchmark of group net assets of $378.7m, of which it represents approximately 1.0%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Group was set at 65% of materiality for the financial statements as a whole, which equates to $2.47m. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding $0.11m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Group was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

The group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above and covered 100% of total group revenue, total group profit before tax, and total group assets and liabilities.

## Going concern

The directors have prepared the consolidated financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the consolidated financial statements (the "**going concern period**").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group and the Company's business model and analysed how those risks might affect the Group and the Company's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to affect the Group and the Company's financial resources or ability to continue operations over this period was the availability of capital to meet operating costs and other financial commitments.

We considered whether this risk could plausibly affect the liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from this risk against the level of available financial resources indicated by the Company's financial forecasts.

We considered whether the going concern disclosure in note 2.3 to the financial statements gives a full and accurate description of the directors' assessment of going concern.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in the notes to the consolidated financial statements to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group and the Company will continue in operation.

## Fraud and breaches of laws and regulations – ability to detect

### Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("**fraud risks**") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of management as to the Group's policies and procedures to prevent and detect fraud as well as enquiring whether management have knowledge of any actual, suspected or alleged fraud;
- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible incentives or pressures to misstate performance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition in relation to the period end revenue accrual, and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

We performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation;
- incorporating an element of unpredictability in our audit procedures; and
- assessing significant accounting estimates for bias.

Further detail in respect of revenue recognition accrual is set out in the key audit matter section of this report.

### Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the consolidated financial statements from our sector experience and through discussion with management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence, if any, and discussed with management the policies and procedures regarding compliance with laws and regulations. As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

The Group is subject to laws and regulations that directly affect the consolidated financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Group is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the consolidated financial statements, for instance through the imposition of fines or litigation or impacts on the Group and the Company's ability to operate. We identified financial services regulation as being the area most likely to have such an effect, recognising the regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the consolidated financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the consolidated financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Disclosures of emerging and principal risks and longer term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the consolidated financial statements and our audit knowledge. We have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability Statement (pages 47 to 48) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the emerging and principal risks disclosures describing these risks and explaining how they are being managed or mitigated;
- the directors' explanation in the Viability Statement (pages 47 to 48) as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on pages 47 to 48 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the consolidated financial statements and our audit knowledge.

### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the consolidated financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the consolidated financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and consolidated financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Company's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## We have nothing to report on other matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the consolidated financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

## Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on pages 62 and 63, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

## The purpose of this report and restrictions on its use by persons other than the Company's members, as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Dermot Dempsey**
**For and on behalf of KPMG Channel Islands Limited**

Chartered Accountants and Recognised Auditors
Guernsey

**25 April 2023**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**As at 31 December 2022**

| | Note | 31 December 2022 US$ | 31 December 2021 US$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 5 | 10,881,314 | 81,961,446 |
| Accounts receivable and accrued income | 6 | 20,878,835 | 19,048,866 |
| **Total current assets** | | **31,760,149** | **101,010,312** |
| **Non-current assets** | | | |
| Catalogues | 4 | 381,338,110 | 303,386,321 |
| Financial assets at fair value through profit or loss | 15 | 67,647,500 | 63,570,487 |
| Accrued royalty income | 6 | 4,151,696 | – |
| **Total non-current assets** | | **453,137,306** | **366,956,808** |
| **Total assets** | | **484,897,455** | **467,967,120** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued expenses | 7 | 13,890,952 | 11,126,894 |
| Interest payable | 18 | 1,454,499 | – |
| Taxation payable | 19 | 574,424 | – |
| **Total current liabilities** | | **15,919,875** | **11,126,894** |
| **Non-current liabilities** | | | |
| Bank loan | 18 | 90,273,666 | 59,921,393 |
| **Total non-current liabilities** | | **90,273,666** | **59,921,393** |
| **Total liabilities** | | **106,193,541** | **71,048,287** |
| **Equity** | | | |
| Share capital | 8 | 409,206,185 | 409,206,185 |
| Retained earnings | | (30,502,271) | (12,287,352) |
| **Total equity** | | **378,703,914** | **396,918,833** |
| **Total liabilities and equity** | | **484,897,455** | **467,967,120** |
| IFRS Net Asset Value per Ordinary Share USD | 11 | 0.93 | 0.95 |
| Economic Net Asset Value per Ordinary Share USD | 11 | 1.27 | 1.12 |
| IFRS Net Asset Value per C Share USD | 11 | – | 0.97 |
| Economic Net Asset Value per C Share USD | 11 | – | 1.03 |

Approved and authorised for issue by the Board of Directors on 24 April 2023 and signed on their behalf by:

**Robert Naylor**
Director

**Audrey McNair**
Director

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the year from 1 January 2022 to 31 December 2022**

| | Note | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|---|
| **Income** | | | |
| Royalty income | 9 | 36,663,895 | 29,863,023 |
| Investment income | 16 | 4,452,125 | 2,951,051 |
| Royalty expenses | | (8,743,585) | (8,290,160) |
| Investment expenses | | – | (833,747) |
| Fair value gain on financial assets at fair value through profit and loss | 15 | 2,515,756 | 3,527,283 |
| **Net income** | | **34,888,191** | **27,217,450** |
| | | | |
| **Expenses** | | | |
| Administration fees | 13 | 491,588 | 309,188 |
| Audit and interim review fees | 21 | 1,110,859 | 276,755 |
| Amortisation of Catalogues | 4 | 17,657,749 | 17,933,023 |
| Broker fees | | 97,624 | 76,699 |
| Director fees | 12 | 330,575 | 444,271 |
| Legal and professional fees | | 915,731 | 1,715,739 |
| Investment management fees | 12 | 4,044,553 | 3,959,452 |
| Portfolio administration fees | 12 | 2,791,815 | 1,870,027 |
| Other operating expenses | 20 | 2,206,588 | 1,935,265 |
| **Total operating expenses** | | **29,647,082** | **28,520,419** |
| | | | |
| **Operating profit/(loss) for the year/period before finance and tax expenses** | | **5,241,109** | **(1,302,969)** |
| Finance Costs | 18 | (4,176,777) | (1,096,383) |
| **Net profit/(loss) for the year/period before tax** | | **1,064,332** | **(2,399,352)** |
| Taxation | 19 | (570,535) | – |
| **Net profit/(loss) for the year/period** | | **493,797** | **(2,399,352)** |
| **Total comprehensive gain/(loss) for the year/period** | | **493,797** | **(2,399,352)** |
| | | | |
| **Basic and diluted gain/(loss) per Ordinary Share (US Dollars)** | 14 | **0.01** | **(0.00)** |
| | | | |
| **Basic and diluted loss per C Share (US Dollars)** | 14 | **(0.07)** | **(0.05)** |

All activities derive from continuing operations.

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the year from 1 January 2022 to 31 December 2022**

| | Note | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|---|
| **Cash flows generated from operating activities** | | | |
| Net profit/(loss) for the year/period | | 493,797 | (2,399,352) |
| *Adjustments:* | | | |
| Amortisation of Catalogues | 4 | 17,657,749 | 17,933,023 |
| Fair value gains on financial assets at fair value through profit or loss | 15 | (2,515,756) | (3,527,283) |
| Investment income | 16 | (4,452,125) | – |
| Amortisation of capitalized borrowing costs | 18 | 431,712 | 222,393 |
| Interest on bank loan capital drawn | 18 | 3,692,678 | 791,406 |
| Facility charges on unutilised bank loan | 18 | 52,387 | 82,584 |
| Changes in: | | | |
| Increase in current taxation payable | 19 | 574,424 | – |
| Increase in accounts receivable and accrued income | 6 | (5,126,111) | (19,048,866) |
| Increase in accounts payable and accrued expenses | 7 | 3,539,749 | 6,182,035 |
| **Net cash flows from operating activities** | | **14,348,504** | **235,940** |
| | | | |
| **Cash flows used in investing activities** | | | |
| Purchase of financial assets at fair value through profit or loss | 15 | (1,561,257) | (60,043,204) |
| Investment income distribution received | | 3,596,570 | – |
| Purchase of Catalogues | | (96,385,228) | (316,374,485) |
| **Net cash flows used in investing activities** | | **(94,349,915)** | **(376,417,689)** |
| | | | |
| **Cash flows generated from financing activities** | | | |
| Proceeds from bank loan | 18 | 30,000,000 | 60,000,000 |
| Arrangement fees paid on bank loan facility | 18 | (79,439) | (301,000) |
| Interest paid on bank loan capital drawn | 18 | (2,238,179) | (791,406) |
| Facility charges paid on unutilised bank loan | 18 | (52,387) | (82,584) |
| Proceeds from shares issued | 8 | – | 417,061,000 |
| Share issue costs paid | 8 | – | (7,854,815) |
| Dividends paid | 17 | (18,708,716) | (9,888,000) |
| **Net cash flows from financing activities** | | **8,921,279** | **458,143,195** |
| | | | |
| **Net movement in cash and cash equivalents** | | **(71,080,132)** | **81,961,446** |
| Cash and cash equivalents at beginning of the year/period | | 81,961,446 | – |
| **Cash and cash equivalents at end of the year/period** | 5 | **10,881,314** | **81,961,446** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the year from 1 January 2022 to 31 December 2022**

| | Notes | Ordinary Share Capital US$ | C Share Capital US$ | Retained Earnings Ordinary Share Capital US$ | Retained Earnings C Share Capital US$ | Total Equity US$ |
|---|---|---|---|---|---|---|
| **As at 1 January 2022** | | **324,142,236** | **85,063,949** | **(10,946,141)** | **(1,341,211)** | **396,918,833** |
| Proceeds from shares issued | 8 | – | – | – | – | – |
| C Share conversion | | 85,063,949 | (85,063,949) | (3,615,717) | 3,615,717 | – |
| Profit/(loss) for the year | | – | – | 2,768,303 | (2,274,506) | 493,797 |
| Dividends declared | 17 | – | – | (18,708,716) | – | (18,708,716) |
| **Balance at 31 December 2022** | | **409,206,185** | **-** | **(30,502,271)** | **-** | **378,703,914** |

**For the period from incorporation on 5 August 2020 to 31 December 2021**

| | Notes | Ordinary Share Capital US$ | C Share Capital US$ | Retained Earnings Ordinary Share Capital US$ | Retained Earnings C Share Capital US$ | Total Equity US$ |
|---|---|---|---|---|---|---|
| **As at 5 August 2020** | | – | – | – | – | – |
| Proceeds from shares issued | 8 | 330,561,000 | 86,500,000 | – | – | 417,061,000 |
| Share issue costs | 8 | (6,418,764) | (1,436,051) | – | – | (7,854,815) |
| Loss for the period | | – | – | (1,058,141) | (1,341,211) | (2,399,352) |
| Dividends declared | 17 | – | – | (9,888,000) | – | (9,888,000) |
| **Balance at 31 December 2021** | | **324,142,236** | **85,063,949** | **(10,946,141)** | **(1,341,211)** | **396,918,833** |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**For the year 1 January 2022 to 31 December 2022**

## 1. CORPORATE INFORMATION

Round Hill Music Royalty Fund Limited (the "**Company**") is a non-cellular Guernsey incorporated company limited by shares and is registered with the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 2020 and the Registered Collective Investment Scheme Rules 2021. The Company is a UK resident for taxation purposes, carrying on business as an investment trust within the meaning of Section 1158 of the Corporation Tax Act 2010.

The Company's Investment Objective is to provide investors with an attractive level of regular and growing income and capital returns from investment primarily in high quality, music intellectual property.

The Company has appointed Round Hill Music LP ("**Round Hill Music**") as its investment manager (the "**Investment Manager**") to manage its assets on a discretionary basis. Round Hill Music is a fully integrated owner and operator of music Copyright properties, focusing on sourcing iconic Copyrights that it believes have an established place in culture, a history of stable royalties and potential for future exploitation. Round Hill Music is also responsible for the administration of the Company's assets including the collection of royalties. On 11 November 2020, the Company completed an initial public offering and, on 13 November 2020, listed its Ordinary Shares on the Specialist Fund Segment of the London Stock Exchange where it traded under the symbol "**RHM**".

On 18 July 2022, the Company announced that it had received confirmation from the FCA that it was eligible for a premium listing on the Official List. The Company's 407,621,300 Ordinary Shares were admitted to trading on the Premium Segment of the Main Market of the London Stock Exchange on 19 July 2022. The Company's original ticker "**RHM**" remained unchanged. A sterling quote for the Ordinary Shares was introduced at the same, with the ticker "**RHMP**".

These Consolidated Financial Statements of the Company and its subsidiaries (together, the "**Group**") have been prepared for the year ended 31 December 2022 (2021: for the period from incorporation on 5 August 2020 to 31 December 2021).

## 2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

### 2.1 New and amended standards and interpretations applied in these Consolidated Financial Statements

There are no standards, amendments to standards or interpretations that are effective for periods beginning on 1 January 2022 that have a material effect on the Consolidated Financial Statements of the Group.

#### 2.1.1 New and amended standards and interpretations not applied in these Consolidated Financial Statements (issued but not yet effective)

- Classification of liabilities as current or non-current (Amendments to IAS 1), effective 1 January 2024
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective 1 January 2023
- Definition of Accounting Estimate (Amendments to IAS 8), effective 1 January 2023
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes – effective 1 January 2023

Other accounting standards and interpretations have been published and will be mandatory for the Group's accounting periods beginning on or after 1 January 2023 or later periods. The impact of these standards is not expected to be material to the reported results and financial position of the Group.

# 2. ACCOUNTING POLICIES (CONTINUED)

## 2.2 Group Information

As at 31 December 2022, the details of the Group's subsidiaries are as follows (no change from 31 December 2021):

| Name of the subsidiary | Place of incorporation and operation | % of voting rights | % Interest | Consolidation method |
|---|---|---|---|---|
| RHMRF1 Limited | United Kingdom | 100 | 100 | Full |
| RHMRF2 Limited | United Kingdom | 100 | 100 | Full |
| RHMRF3 Limited | United Kingdom | 100 | 100 | Full |

## 2.3 Going Concern

The Directors monitor the capital and liquidity requirements of the Group on a regular basis. They have also reviewed cash flow forecasts prepared by the Investment Manager which are based in part on assumptions about the future purchase and returns from existing Catalogues, the Company's investment in RH Carlin Holdings LLC ("**Carlin**") and the annual operating cost.

The Group has made a profit in the current year, has a positive cash balance as well as large positive net current assets and net assets at the year end.

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

## 2.4 Basis of preparation

### Consolidation

In accordance with section 244 of the Companies (Guernsey) Law, 2008 the Directors have elected to prepare consolidated financial statements for the year ended 31 December 2022 for the Group. Therefore, there is no requirement to present individual financial statements for the Company within the Consolidated Financial Statements.

The Company is not considered to be an Investment Entity, as defined in IFRS 10, since the Company measures and discloses the Portfolio (excluding Carlin) at amortised cost less impairment in accordance with IAS 38.

These Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company at the reporting date. The Company controls an entity when:

- It has power over the entity, i.e. the Company has existing rights that give it the ability to direct the relevant activities; and
- It is exposed, or has the rights, to variable returns from its involvement with the entity; and
- It has the ability to use its power over the entity to affect the amount of the Company's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

These Consolidated Financial Statements include the results of the subsidiaries disclosed in Note 2.2. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The Group does not include any non-controlling interest.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.4 Basis of preparation (continued)

These Consolidated Financial Statements have been prepared on a going concern basis and adopt the historical costs basis, except for the revaluation of financial assets at fair value through profit and loss. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

These Consolidated Financial Statements, which give a true and fair view, are prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and are in compliance with the Companies (Guernsey) Law, 2008.

### 2.5 Segmental reporting

The chief operating decision maker is the Board of Directors. The Directors are of the opinion that the Group is engaged in a single segment of business, being the investment of the Group's capital in its portfolio of Catalogues (whether directly or through its investment in Carlin) to provide investors with an attractive level of regular and growing income, together with the potential for capital growth. The IFRS principles are the measurement bases used in the preparation of the management accounts.

### 2.6 Revenue Recognition

#### Revenue from operations and associated costs

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:

- Mechanical royalties – these are collected by Mechanical Rights Organisations ("**MROs**") or Collective Management Organisations ("**CMOs**") worldwide which represent songwriters and other Copyright owners, except in territories where labels are licensed directly. Mechanical royalties are also collected by the portfolio administrators (e.g. a sub-publisher) with whom the Group contracts;
- Performance royalties – these are collected by various Performance Rights Organisations ("**PROs**") worldwide which represent songwriters and other Copyright owners; and
- 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 aggregated into two distinct revenue streams, Masters income and Publishing income, the allocations of which are disclosed within Note 9. Masters income includes mechanical and performance royalties earned on Master recordings (recorded performances which can be played back or reproduced) owned by the Group. Publishing income includes mechanical royalties, performance royalties and synchronisation fees earned on the rights to the underlying song, composition or recording. The Group follows the same accounting policies in respect of all revenue streams, unless otherwise disclosed.

As royalty income is typically reported by the different royalty collection agents on an arrears basis via statement (3-6 months for mechanical royalties and 3-12 months for performance royalties and, where synchronisation fees are contracted upfront, in accordance with the terms of the contract after the performance obligation is met) and, where statements have not been received as at the end of the reporting period, 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.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.6 Revenue Recognition (continued)

The Group enters into licence arrangements in respect of Catalogues with third party collection agents. Licences granted to collection agents are deemed to constitute usage based, right of use licences as per IFRS 15. Revenue arising from licences entered into with collection agents is therefore recognised in the period. Payment is made upon reporting of those usages within royalty statements delivered typically 3-6 months after usage (see above). The significant payment terms are 60-90 days. This revenue is disaggregated and reviewed by usage period, source of income, work title, reporting period and royalty deductions (i.e. administration fee retained by the collection agent). The contractual basis of the licence arrangements is such that the agents are deemed as 'principals' for tax purposes and IFRS 15, therefore, the Group recognises its revenue net of administration fees. Where available at the end of each month or earlier interval to which the revenue relates, revenue is recorded on the basis of royalty statements received from collection agents.

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 occurs.

Net income, as reflected in the Consolidated Statement of Comprehensive Income, is comprised of the aggregate of royalty income (Note 2.6), royalty expenses (Note 2.7), investment income (Note 2.16) and related investment expenses and gains on financial assets at fair value through profit and loss (Note 2.11).

### 2.7 Expenses

Expenses are accounted for on an accrual basis. Expenses are charged through the Consolidated Statement of Comprehensive Income. Expenses include royalty costs which are paid to third parties, which include songwriters. Royalty costs are contractually agreed royalty rates, entered into on the Group's acquisition of music rights, which determine the Group's on-going costs for the use of these music rights. Royalty costs would typically be based on the net or gross revenue generated through the usage of the underlying music rights.

### 2.8 Dividends

Dividends are accounted for in the period in which they are declared and approved by the Board of Directors.

### 2.9 Catalogues

Catalogues include music catalogues, artists' contracts and music publishing rights and are recognised as intangible assets, when substantially all the risks and rewards of ownership have transferred to the Group, and are measured initially at the fair value of the consideration paid. Each Catalogue is subsequently amortised in expenses over the useful life of the asset and shown net of any impairment considered necessary. This amortisation is shown in the Consolidated Statement of Comprehensive Income as 'amortisation of Catalogues'. Useful life is separately considered for each Catalogue and is reviewed at the end of each reporting period. Catalogues are derecognised when the Group has transferred substantially all the risks and rewards of ownership and it no longer has control over the underlying music catalogues, artists' contracts and music publishing rights assets.

#### Impairment on Catalogues

Each time events or changes in the respective Catalogues 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 Catalogue.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.9 Catalogues (continued)

The value in use of each Catalogue is determined by the Board and the Investment Manager at time of acquisition, which is 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. Applied discount rates are determined by reference to an appropriate benchmark as determined by the Board and the Investment Manager and reflect the current assessment by the Group of the time value of money and risks specific to each Catalogue. Growth rates used for the evaluation of individual Catalogues are based on industry growth rates sourced from independent market reports and other third-party sources.

The fair value (less costs to sell) is considered to be equal to the fair value determined by the portfolio Independent Valuer, which is also the discounted value of future cash flows by using cash flow projections consistent with the expected portfolio cash flows and the most recent forecasts as at that time cross-referenced, where appropriate, against market multiples for recent transactions for similar assets. The portfolio Independent Valuer uses their own proprietary analysis to project out income streams, which is based on independent market reports and third-party sources. The current discount rate used by the portfolio Independent Valuer is 8.5% (2021: 8.5%).

Whilst the Board and the Investment Manager regularly assess other indicators of impairment (such as a songwriter's or key performance artist's reputation etc.), the Board and the Investment Manager typically use the fair value of the Catalogues, as an initial indicator of impairment. For Catalogues where the fair value is below the carrying value, the Board and the Investment Manager will consider the qualitative and quantitative aspects of the respective Catalogue in determining its value in use to determine if the indicator of impairment holds true.

If the recoverable amount is still lower than the carrying value of a Catalogue or group of Catalogues 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 less amortisation.

### 2.10 Accounts receivable and accrued income

Accounts receivable and accrued income 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 Losses (Note 3). Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

#### Financial instruments

In accordance with IFRS 9, the Group classifies its financial instruments at initial recognition into the categories of financial assets and financial liabilities discussed below. The Group recognises a financial asset or financial liability when, and only when, the entity becomes party to the contractual provisions of the instrument.

### 2.11 Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit and loss ("**FVTPL**") on the basis of both:

- The entity's business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial asset.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial assets (continued)

**Classification**

**Financial assets measured at amortised cost**

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("**SPPI**") amount outstanding. The Group includes in this category short-term non-financing accounts receivable and accrued income. The non-current portion of accrued income is measured as per accrued income in Note 2.10 and is expected to be received greater than 12 months after year end.

**Financial assets measured at fair value through profit or loss**

A financial asset shall be measured at fair value through profit or loss ("**FVTPL**") unless it is measured at amortised cost. Financial assets are classified at FVTPL because the fair value through other comprehensive income ("**FVTOCI**") designation has not been made.

The Group includes in this category the investment in RH Carlin Holdings LLC (see Note 15).

**Measurement**

Investments made by the Group are measured initially and subsequently at fair value, with changes in fair value taken to the Statement of Comprehensive Income. Transaction costs are expensed in the Statement of Comprehensive Income in the year in which they arise for those financial instruments classified at FVTPL.

**Derecognition**

A financial asset is derecognised (in whole or in part) either:

- When the Group has transferred substantially all the risks and rewards of ownership; or
- When it has neither transferred nor retained substantially all the risks and rewards and when it no longer has control over the asset or a portion of the asset; or
- When the contractual right to receive cash flow has expired.

On derecognition of a financial asset in its entirety, the difference between:

(a) the carrying amount (measured at the date of derecognition); and

(b) the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in the Statement of Comprehensive Income.

**Fair value estimate**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets at fair value through profit and loss is based on the Net Asset Value ("**NAV**") of the underlying entity as adjusted for the fair value of its underlying Catalogues given that they are held by the underlying entity at cost less accumulated amortisation and impairment. Changes in the fair value of investment in the underlying entity are driven by changes to the valuation of the underlying Catalogues, as well any changes to the value of any other underlying assets and liabilities.

Further information with regards to the fair value is detailed in Note 3.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.12 Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. The Group recognises a financial liability when, and only when, the entity becomes party to the contractual provisions of the instrument.

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

This category includes all financial liabilities.

The Company includes in this category:

- Accounts payable
- Accrued expenses
- Bank loans
- Loan with related parties

#### (i) Accounts payable and accrued expenses

Accounts payable and accrued expenses are classified as financial liabilities at amortised cost. Accounts payable and accrued expenses are not interest-bearing and are stated at their nominal value.

#### (ii) Bank loans and interest

These 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.

### 2.13 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.

Ordinary Shares are classified as equity in accordance with IAS 32 – "Financial Instruments: Presentation" as these instruments include no contractual obligation to deliver cash and the redemption mechanism is not mandatory. C Shares are also classified as equity in accordance with IAS 32 – "Financial Instruments: Presentation" as these instruments include no contractual obligation to deliver cash and the redemption mechanism is not mandatory, with the conversion terms on which any issued C Shares will convert into Ordinary Shares being such that the number of Ordinary Shares to which holders of those C Shares will become entitled will reflect the relative net asset values per share of the assets attributable to the C Shares and the Ordinary Shares on the effective conversion date.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.14 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 three 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 three months or less.

### 2.15 Functional and Foreign currency

Items included in the Consolidated Financial Statements of each of the Company's subsidiaries 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 United States Dollars, which is also the functional currency of the Company and each of its Subsidiaries.

On incorporation, the functional currency of the Company and its subsidiaries was determined to be US Dollars due to the significant proportion of transactions in US Dollars, such as Catalogue purchases and the associated royalty revenues and expenses.

Transactions denominated in foreign currencies are recorded into US Dollars at the rate of exchange ruling at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the closing 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.

### 2.16 Investment income

Dividends, distribution income, and interest income are included in the Group's investment income and are recognised when the Group's right to receive the income is established.

### 2.17 Interest expense

Interest expense is recognised within 'finance costs' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter year where appropriate, to the net carrying amount of the financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the year 1 January 2022 to 31 December 2022**
**CONTINUED**

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's Consolidated Financial Statements requires the application of estimates and judgements 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 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 (judgement)

Functional currency is defined as the currency of the primary economic environment in which the Group operates, and IAS 21 outlines primary and secondary factors an entity should consider when determining its functional currency. On incorporation, the functional currency of the Company and its subsidiaries was determined to be US Dollars due to the significant proportion of transactions in US Dollars, such as Catalogue purchases and the associated royalty revenues and expenses. Accordingly, these Consolidated Financial Statements are prepared in US Dollars.

### Assessment of useful life of intangible assets (estimate)

In order to calculate the amortised cost of the intangible assets it is necessary to assess the useful economic life of the Copyright interests. This requires forecasts of the expected future revenue from the Copyright interests, which contains significant uncertainties as the ongoing popularity of a composition or song can fluctuate unexpectedly.

The Board has considered the period over which revenue is expected to be reliably generated by a Catalogue, based on the forecasted cash flow projections relating to each applicable revenue stream within that Catalogue.

### Change in estimate

An assessment of the useful life of each Catalogue is considered at each reporting period, which is 20 years (16 years as at 31 December 2021), in line with what the Board of Directors and the Investment Manager deem to be industry standard, their consideration of the international music market and sustained growth in streaming revenues. The effect of these changes on actual and expected amortisation expense was as follows.

| | 2022<br>US$ | Future years<br>US$ |
|---|---|---|
| **(Decrease) in amortisation expense** | **(3,586,605)** | **(3,586,605)** |

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

**Critical estimates in applying the Group's accounting policies – revenue recognition (estimate):**
Revenues received from CMOs are subject to a significant time lag in the industry. As such, an income accrual is estimated by the Investment Manager. In calculating accruals, the Investment Manager makes judgements around seasonality, over or under performance, and commercial factors based on historical performance, their knowledge of each Catalogue and their regular correspondence with the various administrators, record labels and international societies.

In recommending the estimate of this accrual to the Board of Directors, the Investment Manager used its analysis of each Catalogue's revenue history as well its knowledge of the respective Catalogue performance trends to recommend the estimated accruals. The income accrual is based on analysis of each Catalogue's revenue history as well as knowledge of the respective Catalogue's performance trends.

Due to the inherent time lag with royalties between the time a song is performed, and the revenue being received by the Copyright owner, an analysis was carried out for 2021 publishing royalties, and shows that cash receipts are in line with the revenue accruals. The Company expects to continue to collect revenue earned in 2021 in 2023. There are exceptional instances whereby the period to collect revenue is longer than expected, however the Investment Manager is monitoring such instances to ensure revenue is recovered. Since a material portion of the revenue earned in 2022 is still being collected, a 2022 analysis comparing cash received to revenue accrued will be done in due course.

Masters accruals differ from the publishing accruals in that the time lag in receiving the royalties statements and collecting the income is not as significant, therefore, the Company is able to track the accuracy of Masters accruals to cash received on a more frequent basis, depending on the source.

Included in the income received from CMOs are amounts payable in relation to a writer's share of performance royalties. Consequently, the estimation of the income accrual incorporates the accrued royalty costs which are payable to writers and is recognised separately in accounts payable and accrued expenses.

### Expected Credit Loss (ECL) in relation to receivables (estimate)

Royalty income for accruals and receivables recognised in the year ended 31 December 2022 are paid to the Investment Manager as portfolio administrator by CMOs (e.g. ASCAP, MCPS, PRS), record companies, sub-publishers, synchronisation licensees and digital services.

The Investment Manager is constantly monitoring the marketplace at a national level (both directly and through its sub-publishers) to assess risks which may negatively affect the timely flow of royalty income. Aside from seasonal variances and general economic events (e.g. rising interest and/or inflation and war in Ukraine), there are no signs of any CMOs or other licensees in the music industry showing any signs of defaulting on their payment obligations (with the majority having being established for up to 100 years, with a robust and stable track record). Therefore, any associated risk in this area is considered to be almost zero. Direct licensing activity (e.g. the issue of a synchronisation licence) is invoiced on a transactional basis so it is very easy to contain music usage and avoid debtors arising.

The Company has completed some high-level analysis to determine if the receivables are low credit risk. Based on this analysis the ECL on investment income receivable is not considered material and therefore no impairment adjustments were accounted for. As outlined in Note 6, US$8.7 million (2021: US$6.5 million) of royalty income receivable and US$0.9 million (2021:US$1.0 million) of investment income receivable from the Investment Manager has already been received and transferred to the Group post year end up to the date of approval of these Consolidated Financial Statements. The US$11.9 million (2021:US$7.3 million) of accrued royalty income consists of the non-current portion US$ 4.1 million and current portion US$ 7.8 million, as disclosed within Note 6. For the years ended 31 December 2022 and 2021, there has been no default of debt for royalty payments by CMOs, record companies or sub-publishers.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

### Expected Credit Loss (ECL) in relation to receivables - songwriters (estimate)

The provision for advances to songwriters are made against unrecouped advance balances as at year end (see Note 6 and Note 20), where the Group has analysed the trend of cash receipts earned over the life of each advance to songwriters to determine whether the credit risk recoupment rates may not lead to full recoupment of the initial advance payment(s) made. Based on the analysis, the impairment adjustments were accounted for. During the year ended 31 December 2022 the Investment Manager determined US$561,767 (2021: US$1,061,990) of advances to songwriters were impaired and uncollectable.

### Assessment of impairment and the Calculation of Economic NAV (estimate)

As disclosed in Note 2.9, intangible assets are subject to annual impairment review which relies on assumptions made by the Independent Valuer (being Citrin Cooperman (incorporating Massarsky Consulting, Inc)), appointed by the Group to value the Catalogues (excluding Carlin). Assumptions are updated annually, specifically those relating to future cash flows and discount rates.

The fair value estimates that are prepared in order to calculate the Economic NAV and Economic NAV per Ordinary Share are also used to assess whether there is evidence that the intangible assets may be impaired.

Valuations of music publishing rights typically adopt the Discounted Cash Flow ("**DCF**") valuation approach which measures the present value of anticipated future revenues from acquiring Catalogues, which are discounted at a 'market cost of capital' of 8.5% (2021: 8.5%) and a terminal value in 16 years (2021: 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 the Group's Catalogues (excluding Carlin) 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 in the Portfolio (excluding Carlin).

### Classification of investment in RH Carlin Holdings LLC (judgement)

As described in the International Accounting Standards, a holding of 20% or more of the voting power (directly or through subsidiaries) of an investee will indicate significant influence over that investee, unless it can be clearly demonstrated otherwise. Where significant influence is deemed to exist, the investor would typically classify its interest as an investment in associate or a joint venture.

The Group has assessed the contractual nature of its investment in RH Carlin Holdings LLC (see Note 15) and has concluded that it does not have the power to participate in the policy-making process of RH Carlin Holdings LLC, which would include participation in decisions about dividends or other distributions. Furthermore, the Group has not entered into any joint control arrangements which would allow for any such participation.

As such, the investment in RH Carlin Holdings LLC is deemed to not constitute significant influence, despite the Group holding an equity interest of 29.14% in RH Carlin Holdings LLC. Accordingly, the Group therefore classifies this investment as a financial asset measured at fair value through profit or loss.

### Determining fair value of assets (estimate)

The fair value of financial assets at fair value through profit or loss is based on the NAV of the underlying entity, which is in accordance with US GAAP as reported by the underlying manager. The NAV of the underlying entity is adjusted for the fair value of its underlying Catalogues, given that they are held by the underlying entity at cost less accumulated amortisation and impairment.

The fair value of financial assets at fair value through profit or loss is based on the NAV of the underlying entity, with changes in the fair value of the investment subject to the changes in the value of the underlying entity's Catalogues as valued by an external independent valuer, as well as any changes in the fair value of the underlying entity's other assets and liabilities. This external appraisal in respect of the underlying entity's Catalogues' valuation, which is reviewed by the Directors, uses the methods described in Note 4.

## 4. CATALOGUES

| | 31 December 2022 US$ | 31 December 2021 US$ |
|---|---|---|
| **Cost** | | |
| Opening balance | 321,319,344 | – |
| Additions | 95,609,538 | 321,319,344 |
| **Closing balance** | **416,928,882** | **321,319,344** |
| | | |
| **Amortisation and Impairment** | | |
| Opening balance | (17,933,023) | – |
| Amortisation | (17,657,749) | (17,933,023) |
| Impairment | – | – |
| **Closing balance** | **(35,590,772)** | **(17,933,023)** |
| | | |
| **Net book value** | 381,338,110 | 303,386,321 |
| **Fair value** | **531,188,855** | **371,764,135** |

The Group amortises each Catalogue (excluding Carlin) with a limited useful life using the straight-line method of 20 years (16 years as at 31 December 2021).

The fair value of RH Carlin Holdings LLC is disclosed in Note 15.

Useful life is separately considered for each Catalogue and is reviewed at the end of each reporting period. The Group re-assessed the useful life from 16 years (31 December 2021) to 20 years. The change in impact on the carrying amount and amortisation has been disclosed under Note 3 Assessment of useful life of intangible assets (estimate) which explains the change in accounting estimate as per the requirement of IAS 8. At 31 December 2022 accumulated amortisation for all of the Catalogues is US$35,590,772 (2021: US$17,933,023). There was no impairment charge for the period (2021: US$nil) as the fair value of US$531,188,855 exceeded the net book value of US$381,338,110 as at 31 December 2022.

The Board engaged the Independent Valuer, to value its Catalogues (excluding the Carlin interest) as at 31 December 2022. Each income type from individual Catalogues 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% (2021:8.5%). Income was analysed and forecast at the level of each individual Catalogue and by income type. Future revenues were also estimated, often at the level of individual songs, and incorporated into their valuation. The Independent Valuer has also taken into consideration macro factors including the growth of streaming revenue and the global growth of the recorded music industry. Previously, the 31 December 2021 valuations included a one-time Covid uplift of 10.5% in the 2022 performance growth rate assumption. Because actual performance has improved since then, the Covid uplift was removed by the Independent Valuer. The Investment Manager reviewed and approved the valuation prepared by the Independent Valuer. The Board has approved and adopted the valuation prepared by the Independent Valuer.

The reconciliation between the IFRS NAV and the Economic NAV is referred to in Note 11.

The sensitivity to the discount rate used to determine the fair value of the Catalogues directly owned by the Group on the Economic NAV of the Group is as follows for the period 1 January 2022 to 31 December 2022:

-1% discount rate will grow the fair value of the Catalogues by 20.01% increasing the Economic NAV of the Group by US$107.062 million, which represents an increase of 20.60% to the Economic NAV per Ordinary Share of the Company.

+1% discount rate will reduce the fair value of the Catalogues by 14.31%, reducing the Economic NAV of the Group by US$76.526 million, which represents a decrease of 14.73% to the Economic NAV per Ordinary Share of the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the year 1 January 2022 to 31 December 2022**
**CONTINUED**

## 4. CATALOGUES (CONTINUED)

The sensitivity to the discount rate used to determine the fair value of the Catalogues directly owned by the Group on the Economic NAV of the Group is as follows for the period 5 August 2020 to 31 December 2021:

-1% discount rate will grow the fair value of the Catalogues by 17.88%, increasing the Economic NAV of the Group by US$66.481 million, which represents an increase of 16.47% to the Economic NAV per Ordinary Share of the Company and an increase of 6.13% to the Economic NAV per C Share of the Company.

+1% discount rate will reduce the fair value of the Catalogues by 13.10%, reducing the Economic NAV of the Group by US$48.683 million, which represents a decrease of 12.06% to the Economic NAV per Ordinary Share of the Company and a decrease of 4.49% to the Economic NAV per C Share of the Company.

Details of the sensitivity discount rate used for Catalogues owned by Carlin are set out in Note 15.

## 5. CASH AND CASH EQUIVALENTS

| | 31 December 2022 US$ | 31 December 2021 US$ |
|---|---|---|
| **Bank accounts** | **10,881,314** | **81,961,446** |

## 6. ACCOUNTS RECEIVABLE AND ACCRUED INCOME

| | 31 December 2022 US$ | 31 December 2021 US$ |
|---|---|---|
| **Non-current accounts receivables and accrued income** | | |
| Non-current accrued royalty income | 4,151,696 | – |
| **Total** | **4,151,696** | **-** |
| **Current Accounts receivable and accrued income** | | |
| Prepayments | 113,369 | 113,735 |
| Accrued royalty income | 7,838,085 | 7,303,259 |
| Royalty income receivable from the Investment Manager (see note 12) | 8,749,866 | 6,549,577 |
| Net recoupable advances to songwriters* | 3,321,960 | 4,071,365 |
| Investment income receivable | 855,555 | 1,010,930 |
| **Total** | **20,878,835** | **19,048,866** |

*Includes net recoupable advances to songwriters of US$3,750,715, net recoupable advances to artists of US$100,000, advances due held by manager of US$33,012, less ECL provision on advances to songwriters of US$561,767.

In the current year, an accrual for gross US$4.2 million (less Amounts owing to songwriters US$1.9 million resulting in net CRB income of US$2.3 million) has been recognised as a result of the confirmation of the CRB III rate increases for the songwriters' mechanical portion of US streaming income. This is presented as a non-current receivable and is expected to be received more than 12 months after year end.

## 7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES (AMOUNTS FALLING DUE WITHIN ONE YEAR)

| | 31 December 2022 US$ | 31 December 2021 US$ |
|---|---|---|
| Portfolio administration fees (see note 12) | 1,990,021 | 525,955 |
| Management fee (see note 12) | 908,039 | 1,094,404 |
| Performance fee (see note 12) | – | – |
| Management chargeback fee (see note 12) | 565,435 | 541,715 |
| Administration fee (see note 13) | 244,198 | 25,767 |
| Sundry accruals and creditors | 364,659 | 153,530 |
| Audit fee | 335,945 | 60,894 |
| Output VAT and VAT payable | 196,665 | – |
| Investment costs payable | 4,169,168 | 4,944,858 |
| Amounts owing to songwriters | 5,116,822 | 3,779,771 |
| | **13,890,952** | **11,126,894** |

## 8. SHARE CAPITAL AND CAPITAL MANAGEMENT

### Authorised

The Company has the power to issue an unlimited number of shares. As at 31 December 2022, the issued shares of the Company consisted of Ordinary Shares of no par value.

### Issued

The following table shows the movement of the issued shares in the Company during the year:

| | Number of C Shares | Number of Ordinary Shares | Share Capital US$ |
|---|---|---|---|
| **Share Capital as at 31 December 2021** | 86,500,000 | 330,100,000 | 409,206,185 |
| C Shares conversion | (86,500,000) | 77,521,300 | –* |
| **Share capital as at 31 December 2022** | **–** | **407,621,300** | **409,206,185** |

* The C Shares converted to Ordinary Shares on 11 May 2022. There were no C Shares as at 31 December 2022.

| | US$ |
|---|---|
| Issued and fully paid: | |
| Ordinary Shares issued on 13 November 2020 | 282,000,000 |
| Ordinary Shares issued on 18 December 2020 | 46,561,000 |
| Ordinary Shares issued on 7 June 2021 | 2,000,000 |
| C Shares issued on 20 July 2021 | 86,500,000 |
| Total shares issued | 417,061,000 |
| Share issue costs on Ordinary Shares | (6,418,764) |
| Share issue costs on C Shares | (1,436,051) |
| Share Capital as at 31 December 2022 | **409,206,185** |

## 8. SHARE CAPITAL AND CAPITAL MANAGEMENT (CONTINUED)

On 16 July 2021 the Company successfully raised gross proceeds of US$86.5 million pursuant to the placing of 86,500,000 C Shares at an issue price of US$1.00 per C Share under the Placing Programme. The C Shares were admitted to trading on the SFS on 20 July 2021.

During the current year, the Company converted the C Shares into Ordinary Shares, as per the terms of the Articles, once substantially all of the net proceeds raised through the C Share placing were invested in accordance with the Group's investment policy. The basis on which the C Shares issued under the C Share placing converted into Ordinary Shares was such that the number of Ordinary Shares to which holders of those C Shares were entitled reflected the relative net asset values per share of the assets attributable to the C Shares and the Ordinary Shares. In relation to the 86,500,000 C Shares issued by the Company in July 2021, the Directors did not envisage paying a dividend in respect of those shares. Instead, all income attributable to the C Shares was accrued and formed part of the C Share net asset value for the purposes of the C Share conversion calculation. The C Share conversion took effect from 11 May 2022, whereby the C Shares were converted to Ordinary Shares with a conversion ratio of 0.8962 new Ordinary Share for every 1 C Share held. A total of 77,521,300 new Ordinary Shares (including 24 Ordinary Shares from aggregating fractional entitlements) were issued in connection with the conversion of those C Shares.

The Company's total issued share capital at 31 December 2022 currently consists of 407,621,300 Ordinary Shares. As such the total number of voting rights in the Company is 407,621,300. Trading of the Ordinary Shares migrated to the Premium Segment of the Main Market of the London Stock Exchange on 19 July 2022.

## 9. ROYALTY INCOME

| | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|
| Publishing income | 24,036,275 | 22,557,072 |
| Masters income | 12,627,620 | 7,305,951 |
| **Royalty Income** | **36,663,895** | **29,863,023** |

There is an inherent time lag with royalties between the time a composition or song is performed, and the revenue being received by the Copyright owner. The time lag ranges from 3-6 months on United States income and 3-12 months on non-US income. The revenue accruals booked in the year are disclosed in detail within the accounts receivable and accrued income within Note 6.

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

## 10. 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

The Investment Manager assessed that the fair values of cash and cash equivalents, accounts receivables and non-current and current accrued income, advances to songwriters and accounts payable, bank loan and accrued expenses approximate their carrying amount largely due to the short-term maturities and high credit quality of these instruments. See Note 3 and Note 15 for details with respect to the fair value of financial assets at fair value through profit or loss.

## 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Capital Risk Management

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

In order to maintain or adjust the capital structure, the Company may buy back shares or issue new shares. There is a leverage threshold of 25% Economic NAV as determined by the Prospectus. There are no external capital requirements imposed on the Company. The Company's Investment Objective is set out in the 'Principal Activities and Business Review' in Directors' Report on page 60 of this 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 price risk, currency risk and interest rate risk.

For price risk to the value of the underlying Catalogues in RH Carlin Holdings LLC, see Note 15 for details with respect to the sensitivity of the value of the Catalogues to significant changes in the underlying inputs.

### Currency risk

Currency risk is the risk that the fair values of future cash flows will fluctuate because of changes in foreign exchange rates. The revenue earned from the Catalogues directly owned by the Group 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.

At year end, the Group's exposure to currency fluctuations relate to foreign currency amounts payable, as contained within the accounts payable and accrued expenses balance (Note 7). The Group is not exposed to currency fluctuations in its accounts receivable and accrued income balances, cash and cash equivalents or non-current assets as all other underlying balances are based in US Dollars.

The below table reflects the Group's exposure to currency fluctuations as at year end:

| | | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|---|
| | Note | Amount US$ | Amount GBP | Amount US$ | Amount GBP |
| Accounts payable and accrued expenses* | 7 | 873,704 | 724,825 | 169,521 | 125,170 |

* Excludes US Dollar balances not subject to currency exchange rate fluctuations.

Based on the Group's exposure to currency fluctuations as at year end, a 10% increase in the average exchange rate would increase the Group's short-term liabilities, and accordingly have a negative effect on the profit or loss for the year of US$87,370 (2021:US$16,783). Accordingly, a 10% decrease in the average exchange rate would decrease the Group's short-term liabilities, and accordingly have a positive effect on the profit or loss for the year of US$87,370 (2021:US$17,090).

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. As at 31 December 2022, the Group did not engage in any hedging arrangements or strategies.

## 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 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 various collection organisations. This exposure is minimised by dealing with reputable organisations whose credit risk is deemed to be low given their respective position in the industry.

The Group's current risk assessment includes analysis of the exposure to commercial risk by CMOs (e.g. ASCAP, MCPS, PRS), record companies, sub-publishers, synchronisation licensees and digital services, and the likely impact of their credit risk on Round Hill Music's revenue streams.

In relation to royalty income receivables the credit risk of third parties has been taken into account when calculating accruals and, as such, expected credit loss has been deemed as not being material. As reported in Note 3, investment income receivable is considered low credit risk and the ECL is not considered material and therefore no impairment adjustments were accounted for. The provision for advances to songwriters are made against unrecouped advance balances as at year end (see Notes 6 and 20), where the Group has determined that the credit risk recoupment rates may not lead to full recoupment of the initial advance payment(s) made.

The Group is exposed to credit risk through its balances with banks which are classified as cash equivalents. The table below shows the Group's material cash balances and the short-term issuer credit rating as at 31 December 2022 and 2021:

| | Location | Rating | 31 December 2022 US$ | Rating | 31 December 2021 US$ |
|---|---|---|---|---|---|
| Lloyds Bank plc | Guernsey | *A+ | 10,881,314 | *A+ | 81,961,446 |

* Rated by Standard & Poor's.

### Interest rate risk

As the Group's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Group's income. Accounts receivable and accrued income and accounts payable and accrued expenses are interest free and with a term of less than one year (with the exception of non-current accrued income which has a maturity greater than 12 months), so it is assumed that there is no interest rate risk associated with these financial assets and liabilities.

The Group's interest rate risk principally arises from long-term borrowings (Note 18). Borrowings issued at variable rates exposed the Group to cash flow interest rate risk (see Note 18 for a sensitivity analysis of changes in interest rates).

### Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks has been taking place globally. The reform aimed to replace some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group's exposure to IBOR reform is through its bank loan (Note 18) and the associated finance charges which are variably linked to the prevailing IBORs. Financial risk is predominantly limited to interest rate risk.

As at 31 December 2022, the IBOR reform in respect of currencies to which the Group has exposure has been largely completed. The table below sets out the IBOR rates that the Group had exposure to, the new benchmark rates to which these exposures have or are being transitioned and the status of the transition.

| Benchmark before reform | Benchmark after reform | Status as at 31 December 2022 |
|---|---|---|
| One-month LIBOR | SOFR | In progress (see below) |

## 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

In March 2021, the ICE Benchmark Administration (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that after 31 December 2021 LIBOR settings for Sterling, Euro and the one-week and two-month US Dollar settings will either cease to be provided or no longer be representative. The remaining US Dollar settings will either cease to be provided or no longer be representative after 30 June 2023. As such, it is expected that the interest rate transition will occur after 30 June 2023.

### Liquidity risk

Liquidity risk is the risk that the Company will be unable to convert its assets into cash in order to meet its short-term financial commitments. The Company's liquidity risk is managed on an ongoing basis by the Investment Manager and the Directors.

The Group maintains a prudent approach to liquidity management by maintaining sufficient cash reserves to meet foreseeable working capital requirements. In order to mitigate liquidity risk, the Group aims to have sufficient cash balances to meet its obligations for a period of at least twelve months.

The Group prepares an 18 month rolling cash flow forecast, which is reviewed by the Board and the Investment Manager at least on a quarterly basis. 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.

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

| 31 December 2022 | Note | Total carrying amount | Less than 1 month | 1-3 months | 3-12 months | Greater than 12 months |
|---|---|---|---|---|---|---|
| Accounts receivable and accrued income* | 6 | 21,595,202 | – | 7,894,580 | 9,548,926 | 4,151,696 |
| Net recoupable advances to songwriters | 6 | 3,321,960 | – | – | 3,321,960 | – |
| Cash and cash equivalents | 5 | 10,881,314 | 10,881,314 | | | |
| | | **35,798,476** | **10,881,314** | **7,894,580** | **12,870,886** | **4,151,696** |
| Accounts payable and accrued expenses | 7 | 13,890,952 | – | 11,962,386 | 1,928,566 | – |
| Bank loan** | 18 | 98,796,005 | – | 1,559,375 | 5,055,304 | 92,181,326 |
| | | **112,686,957** | **–** | **13,521,761** | **6,983,870** | **92,181,326** |

* excludes net recoupable advances to songwriters and prepayments.

** includes undiscounted future interest and therefore does not agree to the total carrying value per the Consolidated Statement of Financial Position.

| 31 December 2021 | Note | Total carrying amount | Less than 1 month | 1-3 months | 3-12 months | Greater than 12 months |
|---|---|---|---|---|---|---|
| Accounts receivable and accrued income* | 6 | 14,863,766 | – | 7,560,507 | 7,303,259 | – |
| Net recoupable advances to songwriters | 6 | 4,071,365 | – | – | 4,071,365 | – |
| Cash and cash equivalents | 5 | 81,961,446 | 81,961,446 | | | |
| | | **100,896,577** | **81,961,446** | **7,560,507** | **11,374,624** | **–** |
| Accounts payable and accrued expenses | 7 | 11,126,894 | 2,694,269 | 6,182,037 | 2,250,588 | – |
| Bank loan** | 18 | 63,311,010 | – | 400,640 | 1,229,044 | 61,681,326 |
| | | **74,437,904** | **2,694,269** | **6,582,677** | **3,479,632** | **61,681,326** |

* excludes net recoupable advances to songwriters and prepayments.

** includes undiscounted future interest and therefore does not agree to the total carrying value per the Consolidated Statement of Financial Position.

## 11. IFRS NET ASSET VALUE PER SHARE AND ECONOMIC NET ASSET VALUE PER SHARE

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Number of Ordinary Shares in issue (Note 8)** | **407,621,300** | 330,100,000 |
| **IFRS NAV per Ordinary Share (US Dollars)** | **0.93** | 0.95 |
| **Economic NAV per Ordinary Share (US Dollars)** | **1.27** | **1.12** |

The IFRS NAV per Ordinary Share and the Economic NAV per Ordinary Share are arrived at by dividing the net equity attributable to the Ordinary Shares for both the IFRS NAV and Economic NAV (respectively) by the number of Ordinary Shares in issue.

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **Number of C Shares in issue (Note 8)** | – | 86,500,000 |
| **IFRS NAV per C Share (US Dollars)** | – | 0.97 |
| **Economic NAV per C Share (US Dollars)** | – | **1.03** |

The IFRS NAV per C Share and the Economic Net Asset Value per C Share was arrived at by dividing the net equity attributable to the C Shares for both the IFRS NAV and Economic NAV (respectively) by the number of C Shares in issue. The C Shares converted to Ordinary Shares on 11 May 2022 (see Note 8 for further details). There were no C Shares as at 31 December 2022.

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

The Directors are of the opinion that an Economic NAV provides a meaningful alternative performance measure and the values of Catalogues owned directly by the Group are based on fair values produced by the portfolio Independent Valuer.

### Reconciliation of IFRS NAV to Economic NAV

| | 31 December 2022 US$ | 31 December 2021 US$ |
|---|---|---|
| **IFRS NAV as at 31 December** | **378,703,914** | **396,918,833** |
| Amortisation adjustment between Economic NAV and IFRS NAV | 17,657,749 | 17,933,023 |
| Non-cash revenue accruals recognised in terms of IFRS | (8,930,892) | (5,582,350) |
| Recognition of Catalogue Fair Value in Economic NAV | 132,193,000 | 50,444,792 |
| **Economic NAV as at 31 December** | **519,623,771** | **459,714,298** |

## 12. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION

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

The Group has appointed Round Hill Music LP as its Investment Manager, for the purpose of implementing the investment strategy as laid out in the Prospectus. The Investment Manager earns a Management Fee, Performance Fee, Portfolio Administration Fee and is also entitled to recoup certain expenses, incurred on behalf of the Group, through management chargeback fees. The Investment Manager, in fulfilling its specified duties, is therefore seen as part of the key management personnel within the operational structure of the Group, and designated as a related party in relation to the Group.

## 12. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION (CONTINUED)

### Investment Management Agreement

The Company has entered into the Investment Management Agreement with the Investment Manager, pursuant to the terms of which the Investment Manager is appointed to act as investment manager of the Company, with responsibility to perform investment management and risk management functions for the Company (and, where relevant, any subsidiaries) in accordance with the Company's Investment Policy, subject to the overall policies, supervision, review and control of the Board.

Under the terms of the Investment Management Agreement and subject always to the investment guidelines contained in the Investment Management Agreement, the Investment Manager has discretion to buy, sell, retain or otherwise deal in the Company's assets.

The Investment Manager is entitled to receive a Management Fee (payable in cash), and a Performance Fee (usually payable predominantly in Shares subject to an 18 month lock up arrangement). The Investment Manager is also entitled to be reimbursed by the Company in respect of all out-of-pocket expenses properly incurred in respect of the performance of the Investment Manager's obligations ("**Management Chargebacks**"), as stipulated within the Investment Management Agreement.

The full terms and conditions of the calculation of the Management Fee and Performance Fees are disclosed in the Company's Prospectus. However in summary:

### Management Fee

The Management Fee is calculated at the rate of:

- 1% per annum of the Average Market Capitalisation up to, but not including, US$400 million;
- 0.90% per annum of the Average Market Capitalisation that is between US$400 million and up to and including US$700 million; and
- 0.80% per annum on such part of the Average Market Capitalisation in excess of US$700 million.

**The Management fees for the year were US$4,044,553 (period ended 31 December 2021: US$3,959,452) with US$908,039 (2021: US$1,094,404) outstanding at 31 December 2022.**

#### Performance Fee

On the Performance Fee Calculation Date, the Investment Manager is entitled to receive a Performance Fee equal to 10% of the Excess Return multiplied by the time weighted average number of Ordinary Shares in issue (excluding those held in treasury) during the relevant performance period relating to that accounting period, provided that the Performance Fee shall be capped such that the sum of the Management Fee and the Performance Fee paid in respect of that accounting period is no more than 5% of the lower of: (i) Economic NAV; or (ii) the Performance Period Average Market Capitalisation for the relevant performance period.

The Excess Return on the Performance Fee Calculation Date is the excess (if any) of the relevant Performance Share Price over the higher of: (a) the Performance Hurdle Price (being the Issue Price compounded by 10% per annum from Initial Admission subject to appropriate adjustments in certain situations); and (b) the High Watermark (being the Performance Share Price on the last Performance Fee Calculation Date where a Performance Fee was payable, or the Issue Price, if a Performance Fee has not yet been paid).

## 12. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION (CONTINUED)

For the purposes of calculating the Performance Fee:

'Performance Share Price' means on the Performance Fee Calculation Date, the average of the daily closing middle market prices for the Ordinary Shares (quoted by Bloomberg or as otherwise agreed) for the 20 London Stock Exchange trading days ending immediately prior to the Performance Fee Calculation Date and 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 the relevant period; (ii) to exclude any dividend paid in respect of the Ordinary Shares during that period; and (iii) for the Performance Adjustments. During the period, the average of the daily closing middle market prices was US$0.97 and 'Performance Adjustments' means adjustments to the Performance Share Price to (i) include the gross amount of any dividends and/or distributions paid in respect of Ordinary Shares since Initial Admission; and (ii) make such adjustments to take account of C Shares as were agreed between the Company and the Investment Manager, acting reasonably and in good faith, at the time of issuance of such C Shares.

**Performance Fees for the year were US$nil (period ended 31 December 2021: US$nil) with no balance (2021: US$nil) outstanding at 31 December 2022.**

**Management Chargebacks**

The Company shall pay or reimburse, or procure the payment or reimbursement to, the Investment Manager in respect of all of its out-of-pocket expenses properly incurred in respect of the performance of its obligations under the Investment Management Agreement, including:

- stamp and other duties, taxes, costs, commissions, charges and fees, including third-party due diligence costs, expenses, advisory, legal, consultancy or expert fees, appraisal fees, broking or notary fees, insurers fees, debt and equity structuring fees, bank fees, intermediary fees, finders' fees, accountancy or valuer advisory fees, research costs and licence fees, Copyright Development Fees, asset management, payment obligations under contract, software or the like, payable in connection with the acquisition, funding, exchange, and disposal of, and day-to-day management of the Investments (whether or not investment in such Investments is completed);
- costs, charges and expenses incurred in connection with the registration, holding and/or insurance of any Investment or with the safe custody or deposit of documents of title thereto (including for the avoidance of doubt the fees and expenses of any custodian or depositary);
- any taxes payable in respect of income or interest arising from Investments or the holding of or dealing with Investments, and any fiscal liabilities;
- interest on and charges and expenses of arranging, and arising out of, all borrowings made by the Company;
- costs of preparing, printing and posting Company communications to Shareholders and other holders of its securities (including the annual report and financial statements, and any half yearly financial reports), and the costs of the Company's stationery, website and means of communication;
- costs and expenses of the Company's auditors, tax consultants, lawyers, Administrators, Portfolio Administrators, Valuers, registrars, savings scheme administrators and accountants appointed by the Company, receiving agents and registrars appointed by the Company, the Company's broker and any other professional advisers appointed by the Company from time to time, paid by the Investment Manager on behalf of the Company;
- all taxes and corporate fees payable by the Company to the government or other authority or to any agency of the government or other authority or to any other agency of the government or authority in Guernsey or any other jurisdiction;
- costs and expenses relating to marketing and advertising (including the cost of printing any marketing materials and any application, filing or registration costs), subject to the prior written approval of the Board or as may be incurred in accordance with a marketing budget which has been approved, in advance, by the Board;

## 12. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION (CONTINUED)

- reasonable costs and expenses for travel between the US and the UK and within the UK for attending Board and Shareholder meetings held in the UK or for any other reason in relation to Investment Management Agreement;
- expenses of and incidental to the holding of meetings (including meetings of the Board, general meetings of the Company and class meetings in relation to any share class and meetings with investors or potential investors);
- the costs and expenses of any Litigation;
- fees payable to any exchange or market (including, if applicable, the London Stock Exchange), or to its regulatory or supervisory authority, in relation to the listing or trading of the Shares or any share, warrant or loan capital of the Company on that exchange and fees payable to any regulatory information service;
- costs and expenses relating to keeping Shareholders informed about the performance of the Investments and other relevant information relating to the Company, including travel costs and expenses incurred in attending roadshows for this purpose in accordance with a budget which has been approved, in advance, by the Board (acting reasonably);
- costs and expenses incurred by the Investment Manager on behalf of the Company relating to the Company raising additional capital; and
- expenses paid by the Investment Manager or any delegate of the Investment Manager on behalf of the Company such as insurance (but not, for the avoidance of doubt, the costs of the Investment Manager's (or any delegate's) own personal or professional indemnity or other insurance cover) and other costs that may be properly incurred by the Investment Manager on behalf of the Company.

**Management Chargebacks for the year amounted to US$2,419,914 (period ended 31 December 2021: US$1,608,368) (including an amount of US$495,969 (2021: US$514,116)) capitalised against the Catalogues, as relating to costs directly attributable to the acquisition of Catalogues) of which US$565,435 (2021: US$541,715) was outstanding at 31 December 2022.**

### Portfolio Administration Agreement

Under the terms of the Portfolio Administration Agreement, the Investment Manager has agreed to administer (on behalf of the Company and its subsidiaries) the Copyrights owned by the Group and, subject to the overall supervision of the Board, for the administration and commercial exploitation of the Copyrights. Under the terms of the Portfolio Administration Agreement, the Company will pay to Round Hill Music LP 10% of all net income it collects on behalf of the Group.

**Portfolio administration fees for the year amounted to US$2,791,815 (period ended 31 December 2021: US$1,870,027) of which US$1,990,021 (2021: US$525,955) was outstanding at 31 December 2022.**

Royalty income receivable from the Investment Manager (see Note 6 for details) is a related party transaction. This balance relates to cash received by the Investment Manager, as portfolio administrator, from collection societies (i.e. from the customers) on behalf of the Group and which has not yet been transferred to the Group as at 31 December 2022.

Management Chargeback fees relate to fund expense and dead deal expense chargebacks (Note 20) with the Investment Manager, as well as recoupment of advances (Note 6) due from the Investment Manager to the Group.

Josh Gruss (Founder and CEO of the Investment Manager – Round Hill Music LP) held 11,137,999 (2021:11,021,999) Ordinary Shares as at 31 December 2022.

## 12. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION (CONTINUED)

As at the end of the current year, the Directors held the following interest in the Company's shares:

| Number of Ordinary Shares held | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Robert Naylor* | 50,000 | – |
| Audrey McNair** | 28,697 | – |
| Trevor Bowen* | – | 75,000 |
| Caroline Chan | 50,000 | 50,000 |
| Francis Keeling | 75,000 | 20,000 |

* With effect from 1 November 2022, Trevor Bowen (chairman) resigned and Robert Naylor was appointed as the chairman of the Board.

** On 18 July 2022, the Board of the Company appointed Audrey McNair as a Non-Executive Director of the Company with effect from 20 July 2022.

As at 31 December 2022, Robert Naylor's wife held 50,000 Ordinary Shares (31 December 2021: Nil).

During the year ended December 2022, the Directors received the following dividend payments on their shares held:

| Dividends Earned | 31 December 2022 (US$) | 31 December 2021 (US$) |
|---|---|---|
| Robert Naylor | 563 | – |
| Audrey McNair | 323 | – |
| Trevor Bowen | 2,813 | 2,250 |
| Caroline Chan | 1,875 | 1,500 |
| Francis Keeling | 2,269 | 600 |

Robert Naylor's wife received US$563 in dividend payment (2021: US$ Nil).

### Compensation of Directors

Each Director (other than the Chairman) receives a fee of GBP65,000 (US$78,351) (period ended 31 December 2021: GBP35,000 (US$47,537)) per annum with the Chairman receiving GBP75,000 (US$90,405) (2021: GBP45,000 (US$61,119)). The Chair of each of the Audit Committee, the Remuneration Committee and the Management Engagement Committee receives an additional GBP5,000 (US$6,027) per annum. The Directors fees paid between 1 January 2022 to 31 December 2022 amounted to US$330,575 (period 5 August 2020 to 31 December 2021: US$444,271). The actual fees paid to Trevor Bowen, Robert Naylor and Audrey McNair were a proportion of the fees stated and calculated on their respective dates of resignation and appointment.

Additionally, the Directors are entitled to be reimbursed by the Company for expenses incurred in the course of performing their duties as Directors of the Company. During the year, reimbursements paid to Directors amounted to GBP29,158 (US$35,147) (period ended 31 December 2021: GBP1,743 (US$2,329)).

The aggregate amount paid and to be paid to Directors does not exceed the maximum limit equal to GBP400,000 (US$482,160) (period ended 31 December 2021:GBP300,000 (US$407,461)) per annum as per the Articles. On 9 June 2022, a shareholders' resolution was passed which amended the maximum limit of amounts to be paid to the Directors in the Articles. At 31 December 2022 and 31 December 2021, there were no unpaid Director fees.

## 13. MATERIAL AGREEMENTS

### Administration Agreement

Pursuant to the Administration Agreement, JTC Fund Solutions (Guernsey) Limited has been appointed as Administrator of the Company. The Administrator is responsible for the day-to-day administration of the Company and the subsidiaries which accede to the Administration Agreement including but not limited to any general secretarial functions required. For the purposes of the RCIS Rules, the Administrator is the designated manager of the Company. Investors should note that it is not possible for the Administrator to provide any investment advice to investors.

Under the terms of the Administration Agreement between the Administrator and the Company, the Administrator is entitled to an annual fee of GBP120,060 plus an ad valorem fee of 0.05% calculated on the Company's assets in excess of GBP300 million (plus fees for the subsidiaries) for services such as administration, accounting, corporate secretarial, corporate governance, regulatory compliance and stock exchange continuing obligations.

**Administration fees for the year amounted to US$491,588 which includes ad hoc and out of scope work performed during the year (period ended 31 December 2021: US$309,188) of which US$244,198 (2021: US$25,767) was outstanding at 31 December 2022.**

### Registrar Agreement

JTC Registrars Limited 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 an annual fee of the higher of GBP6,000 (US$7,232), GBP2,500 (US$3,014) per register and GBP2.00 per Shareholder, together with a UK transfer agent facility fee of GBP2,000 (US$2,411) per annum.

**Registrar fees for the year amounted to US$26,507 (period ended 31 December 2021: US$29,179) of which US$1,244 (2021: US$1,636) was outstanding at 31 December 2022.**

## 14. BASIC AND DILUTED EARNINGS/(LOSS) PER ORDINARY AND C SHARE

The earnings / (loss) per Ordinary Share has been calculated on a weighted-average basis and is derived by dividing the net profit / (loss) for the year/period attributable to the holders of the Ordinary Shares by the weighted-average number of Ordinary Shares in issue.

| | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|
| Weighted average of Ordinary Shares in issue | 379,106,590 | 260,479,688 |
| Earnings/(loss) for the year/period attributable to the Ordinary Shareholders | 2,768,303 | (1,058,141) |
| Basic and diluted gain/(loss) per Ordinary Share (US Dollars) | 0.01 | (0.00) |
| | | |
| Weighted average of C Shares in issue | 30,571,233 | 28,213,867 |
| Net loss for the year/period attributable to the C Shares Shareholders | (2,274,506) | (1,341,211) |
| Basic and diluted loss per C Share (US Dollars) (to 11 May 2022) | (0.07) | (0.05) |

The C Shares converted to Ordinary Shares on 11 May 2022. There were no C Shares as at 31 December 2022. The weighted average C Share is calculated up until the date of conversion.

## 15. FINANCIAL ASSETS AT FAIR VALUE

**Valuation process**

The fair value of financial assets is determined as follows:

**Valuation of financial assets at fair value through profit or loss ("financial assets")**

The Company's investment in RH Carlin Holdings LLC is measured at fair value based on the net asset value of the underlying entity, which itself is calculated in accordance with US GAAP as reported by the underlying manager, and as adjusted for the fair value of the underlying Catalogues, as permitted under IFRS, given that the Catalogues are is held by the underlying entity at cost less accumulated amortisation and impairment. It is deemed appropriate to use the fair value of the underlying Catalogue assets when determining the fair value of the investment, with no significant differences between IFRS and US GAAP in this regard.

This external appraisal in respect of the underlying Catalogue valuation is discussed with the Investment Manager and uses the methods described in note 4.

**Fair Value Hierarchy**

Financial assets designated at fair value through profit or loss are recorded at fair value and are analysed by using a fair value hierarchy that reflects the significance of inputs. The fair value hierarchy has the following levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for assets or liabilities that are not based on observable market data (that is, unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As at 31 December 2022 the fair value of financial assets at fair value through profit or loss is based on the 31 December 2022 net asset value of the underlying entity, as adjusted for the fair value of its underlying assets. The Group's investment in RH Carlin Holdings LLC is categorized as a Level 3 investment.

**Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy**

The following is a reconciliation of the beginning and ending balances for recurring fair value measurements of assets and liabilities that utilise significant unobservable inputs (Level 3) at the reporting date and the prior year end.

## 15. FINANCIAL ASSETS AT FAIR VALUE (CONTINUED)

### Significant unobservable inputs and sensitivity analysis

| | 31 December 2022 US$ | 31 December 2021 US$ |
|---|---|---|
| Opening balance | 63,570,487 | – |
| Acquisition at 30 April 2021 | – | 60,043,204 |
| Additional investment | 1,561,257 | – |
| Fair value gains/(losses) | 2,515,756 | 3,527,283 |
| **Closing balance** | **67,647,500** | **63,570,487** |

IFRS 13 requires that quantitative information be provided about significant unobservable inputs used in the fair value measurement for each class of Level 3 assets and liabilities. The following data as at 31 December 2022 summarises the valuation methods and information about fair value measurements and related significant unobservable inputs (Level 3) where, if changed, could significantly increase or decrease the valuation of an asset. The Group's valuation methodology applied to its investment in the Carlin entity has been consistently applied throughout the period, in-line with the IFRS requirements for financial instruments classified and measured in terms of the Level 3 hierarchy. The methodology and discount rate used to in the valuation of the Catalogues owned by Carlin is the same as the methodology and discount rate of Catalogues in Note 4.

There were no transfers between Levels during the year (2021: none).

The sensitivity to the discount rate used in the valuation of the Catalogues owned by Carlin has the following impact on the Economic NAV of the Group at 31 December 2022 as follows:

-1% discount rate in the valuation of the Catalogues owned by Carlin will grow the fair value of the Company's 29.14% investment in Carlin by 32.53%, increasing the IFRS NAV and Economic NAV of the Company by US$17.856 million, which represents an increase of 4.72% to the IFRS NAV per Ordinary Share of the Company and 3.44% to the Economic NAV per Ordinary Share of the Company.

+1% discount rate in the valuation of the Catalogues owned by Carlin will reduce the fair value of the Company's 29.14% investment in Carlin by 23.25%, reducing the IFRS NAV and Economic NAV of the Company by US$12.761 million, which represents a decrease of 3.37% to the IFRS NAV per Ordinary Share of the Company and 2.46% to the Economic NAV per Ordinary Share of the Company.

The sensitivity to the discount rate used in the valuation of the Catalogues owned by Carlin has the following impact on the Economic NAV of the Company at 31 December 2021 as follows:

-1% discount rate in the valuation of the Catalogues owned by Carlin will grow the fair value of the Company's 29.14% investment in Carlin by 26.36%, increasing the IFRS NAV and Economic NAV of the Company by US$16.755 million, which represents an increase of 5.34% to the IFRS NAV per Ordinary Share of the Company and 4.53% to the Economic NAV per Ordinary Share of the Company.

+1% discount rate in the valuation of the Catalogues owned by Carlin will reduce the fair value of the Company's 29.14% investment in Carlin by 18.82%, reducing the IFRS NAV and Economic NAV of the Company by US$11.961 million, which represents a decrease of 3.81% to the IFRS NAV per Ordinary Share of the Company and 3.24% to the Economic NAV per Ordinary Share of the Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**For the year 1 January 2022 to 31 December 2022**
**CONTINUED**

## 16. INVESTMENT INCOME

### RH Carlin Holdings LLC

At 31 December 2022, the Company had 29.14% (2021: 29.14%) ownership and voting rights in Carlin. Carlin is a separate legal entity (operating company) which holds Catalogues and generates royalty income.

The following is a summary of distributions received by the Group from Carlin and significant balances obtained from Carlin Financial Statements for the year/period.

| | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|
| Investment income | **4,452,125** | **2,951,051** |

Investment income represents distributions received from Carlin.

## 17. DIVIDENDS DECLARED

The below dividends were declared and paid to holders of fully paid Ordinary Shares in issue at the time of declaration, during the year (period) ended 31 December:

| Date of declared dividend | US$ per Ordinary Share | Total dividend US$ |
|---|---|---|
| 9 March 2022 | 0.01500 | 4,951,499 |
| 25 May 2022 | 0.01125 | 4,585,739 |
| 1 September 2022 | 0.01125 | 4,585,739 |
| 24 November 2022 | 0.01125 | 4,585,739 |
| **Total for the year ended 31 December 2022** | | **18,708,716** |

| Date of declared dividend | US$ per Ordinary Share | Total dividend US$ |
|---|---|---|
| 21 May 2021 | 0.00750 | 2,460,750 |
| 20 August 2021 | 0.01125 | 3,713,625 |
| 18 November 2021 | 0.01125 | 3,713,625 |
| **Total for 5 August 2020 to 31 December 2021** | | **9,888,000** |

## 18. BANK LOAN

The following table provides a reconciliation of the movement in the bank loan to cash flows arising from financing activities during the year (period):

| | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|
| Opening balance | 59,921,393 | – |
| **Changes from financing activities** | | |
| Capital drawn during the year / period | 30,000,000 | 60,000,000 |
| Arrangement fees paid on bank loan capital drawn | (79,439) | (301,000) |
| Interest paid on bank loan facility | (2,238,179) | (791,406) |
| Facility charges paid on unutilised bank loan | (52,387) | (82,584) |
| | **87,551,388** | **58,825,010** |
| **Other changes** | | |
| Amortisation of borrowing costs | 431,712 | 222,393 |
| Accrued borrowing costs | 2,290,566 | 873,990 |
| | **90,273,666** | **59,921,393** |
| **Carrying loan balance** | | |
| Interest payable – current | 1,454,499 | – |
| Bank loan | 90,273,666 | 59,921,393 |
| **Total** | **91,728,165** | **59,921,393** |

In April 2021, the Group entered into a US$82 million revolving credit facility (the "**RCF**"), provided by Truist Securities, Inc. ("**Truist**"). Subsequently, the Group was able to tap into an additional US$28 million from the RCF at the end of 2021. The Prospectus allows the Group to borrow up to 25 per cent of Economic NAV, calculated at the point of draw down.

In August 2022 the credit agreement between Group and the Truist Bank (as Administrative Agent) was approved which amended certain terms of the previous credit agreement. As a result of the amended Credit Agreement, an additional US$500,000 facility was drawn down on 31 August 2022. Please note that the drawdown proceeds were paid directly from Truist to the Agency Services and hence has not been shown in the above table. Arrangement fees were paid by the Agency Services to Truist in respect of the facility, these are also not reflected in the above table.

The aggregate outstanding RCF balance was US$92.2 million as at 31 December 2022. The interest rate on the outstanding capital was levied at a fixed rate of 2.25% per annum plus a margin adjustment based on the applicable London interbank offered interest rate during the period. In addition, the RCF levied a commitment fee on the daily unused commitment balance of facility at a rate of 0.375% per annum. The full repayment of the loan was due on the 30 April 2026.

## 18. BANK LOAN (CONTINUED)

On the 17 February 2023, the Company entered into a new revolving credit facility (the "**CNB RCF**") with City National Bank, replacing the Truist RCF (which was repaid in full). The CNB RCF has a capacity of US$120 million, which is US$10 million higher than the Truist RCF. The interest rate on the outstanding balance is levied at a fixed margin rate of 2.25% per annum based on the applicable one-month Secured Overnight Financing Rate ("SOFR") during the period. In addition, the CNB RCF levies a commitment fee on the daily unused commitment balance of facility at a rate of 0.375% per annum for utilisation of less than 50%, and a rate of 0.25% per annum for a utilisation of greater than 50%. The CNB RCF has a term of 3 years and is due on the 17 February 2026.

Finance costs of US$4,176,777 (31 December 2021: US$1,096,383) have been recognised in the Consolidated Statement of Comprehensive Income, US$2,238,179 (31 December 2021: US$791,406) of this amount relates to the interest expense on drawn capital, with US$52,387 (31 December 2021: US$82,584) of the total relating to non-utilisation charges levied on the unutilised facility and with the remaining total of US$431,712 (31 December 2021: US$222,393) relating to amortisation of loan arrangement fee.

Finance costs of US$1,454,499 (31 December 2021: US$Nil) remains unpaid at year end.

Loan arrangement fees of US$1,907,660 (31 December 2021: US$1,982,326) were capitalised during the year, with US$1,681,326 of the total cost being incurred on the initial entering into of the RCF with Truist in April 2021. In August 2022, an additional drawdown of US$500,000 was utilised, which was included in loan arrangement fees.

Based on the current year interest expense incurred by the Group, a 1% increase / decrease in the average short-term rates would increase / decrease the Group's cost of borrowing, and accordingly have a negative / positive effect on the profit or loss for the year of US$887,954 (2021: US$234,214). As at 31 December 2022, the fair value of borrowings approximated their carrying value at the date of the Consolidated Statement of Financial Position.

## 19. TAXATION

| | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|
| Tax on profit on ordinary activities | | |
| Adjustment in respect of previous periods | 570,535 | – |
| Tax charge on profit / (loss) on ordinary activities | 570,535 | – |
| Taxable Profit/(loss) for the year/ period from continuing activities | 1,064,332 | (2,399,352) |
| Tax on profit / (loss) for the year / period at standard UK rate of 19% | 202,223 | (455,877) |
| Effects of: | | |
| Adjustment in respect of prior periods | 570,535 | – |
| Non-Taxable Income | (817,866) | (670,184) |
| Expenses not deductible | 1,285,343 | 1,478,408 |
| Amounts not recognized* | 1,725,773 | (352,347) |
| Interest distributions treated as loan relationships under SI 2006 / 964 Reg 13 | (2,395,473) | – |
| Tax charge / (credit) on profit / (loss) on ordinary activities for the year / period | 570,535 | – |
| Unrecognised deferred tax: | | |
| Losses | (2,270,754) | – |

* Current year tax losses which are not recognised as a deferred tax asset.

## 19. TAXATION (CONTINUED)

### Tax (liability) Reconciliation

| | 31 December 2022 US$ | 31 December 2021 US$ |
|---|---|---|
| Opening balance | – | – |
| Current year tax charge | (570,535) | – |
| Interest charged | (3,889) | – |
| Tax paid | – | – |
| **Closing balance** | **(574,424)** | **–** |

The Company is incorporated in Guernsey, with its subsidiaries being incorporated in the UK. As such, as well as due to the fact that the majority of income and expenses within the Group are incurred at a subsidiary level, it is deemed appropriate to utilise the standard UK tax rate for the year of 19%. A current tax provision is recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. In line with IFRIC 23, depending on the circumstances, the provision is either the single most likely outcome, or a probability weighted average of all potential outcomes. Based on its analysis, including discussions with the Group's tax advisors, the Group has determined that it does not have a material present obligation relating to unrecognised tax benefits or expenses as of 31 December 2022 but continues to assess its tax position. The Group does not expect that its assessment regarding unrecognised tax benefits or expenses will materially change over the next twelve months. However, the Group's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with relevant tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

## 20. OTHER OPERATING EXPENSES

| | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|
| Bank charges | 11,311 | 11,384 |
| D&O insurance | 33,177 | 21,823 |
| Prospectus liability insurance | 7,567 | 9,080 |
| LSE fees | 20,399 | 105,627 |
| Licensing and subscription fees | 3,862 | 3,548 |
| Registrar fees | 26,507 | 29,179 |
| PR fees | 79,528 | 100,423 |
| RNS fees | 8,008 | 7,542 |
| Regulatory fees | 21,761 | 42,616 |
| Fund expenses | 150,800 | 190,743 |
| ECL provision on advances to songwriters* | 561,767 | 1,061,990 |
| Deal expenses | 220,747 | 342,389 |
| Migration of listing expense** | 532,049 | – |
| Irrecoverable VAT | 330,084 | – |
| Sundry expenses | 199,021 | 8,921 |
| **Total other operating expenses** | **2,206,588** | **1,935,265** |

* The provision for advances to songwriters are made against unrecouped advance balances as at year end (see Note 6), where the Group has determined that the recoupment rates may not lead to full recoupment of the initial advance payment(s) made.

** This relates to the fees incurred for the migration from the Specialist Fund Segment to the Premium Segment of the Main Market of the London Stock Exchange in respect of its issued Ordinary Shares.

## 21. AUDITOR'S REMUNERATION

| | 1 January 2022 to 31 December 2022 US$ | 5 August 2020 to 31 December 2021 US$ |
|---|---|---|
| Annual audit fee | 1,032,176 | 186,927 |
| Interim Review engagement | 58,581 | 89,828 |
| Agreed upon procedure for C Share conversion | 20,102 | – |
| **Total Auditor's Remuneration** | **1,110,859** | **276,755** |

The Annual Auditor's Fee for the year ended 31 December 2022 includes US$505,378 of fees relating to the audit for 5 August 2020 to 31 December 2021.

## 22. EVENTS AFTER THE REPORTING PERIOD

On 17 February 2023, the Company entered into a new revolving credit facility (the "CNB RCF") with City National Bank, replacing the Truist RCF (which was repaid in full). The CNB RCF has a capacity of US$120 million, which is US$10 million higher than the Truist RCF. The interest rate on the outstanding balance is levied at a fixed margin rate of 2.25% per annum based on the applicable one-month Secured Overnight Financing Rate ("SOFR") during the period. In addition, the CNB RCF levies a commitment fee on the daily unused commitment balance of facility at a rate of 0.375% per annum for utilisation of less than 50%, and a rate of 0.25% per annum for a utilisation of greater than 50%. The CNB RCF has a term of 3 years and is due on the 17 February 2026.

On 9 March 2023, the Company announced it had declared a quarterly dividend of US$0.01125 per Ordinary Share to all the holders of the Ordinary Shares. The ex-dividend date was Thursday, 16 March 2023 and the dividend was paid on Friday, 24 March 2023.

# ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

| Alternative Performance Measure | Definition | Reason for use |
|---|---|---|
| Adjusted Operating Expenses | Total operating expenses (US$29,647,082) less amortisation of Catalogues (US$17,657,749). | An indicator of the Company's operational expenses after removing amortisation |
| Average Economic NAV | Average of the Economic NAV as at 31 December 2022 (US$519,623,771), 30 September 2022 (US$480,958,425), 30 June 2022 (US$480,675,595), 31 March 2022 (US$452,996,517) | The average was taken given that share issuance has grown rapidly over the year |
| Dividend Cover | Net profit for the period after tax US$493,797 and Amortisation of Catalogues US$17,657,749 divided by the weighted average number of Ordinary Shares 379,106,590 results in the Earnings per share (US$0.0479). This is divided by the Dividend per share (US$0.0488). | A strong indicator of the Company's ability to pay a dividend from retained earnings. |
| EBITDA | Net profit for the period before tax (US$1,064,332), amortisation of Catalogues (US$17,657,749) and loan interest and facility charges (US$4,176,777) | Indicator of performance and profitability of the entity, after removal of accounting adjustments |
| EPS excluding total amortisation | Net profit for the period after tax attributable to Ordinary Shares (US$2,768,303) excluding amortisation of Catalogues (US$17,657,749) divided by the weighted average number of Ordinary Shares in issue (379,106,590) | The operating profit adjusted for Amortisation aligns with the Economic NAV which reflects that the values of Catalogues are based on fair values produced by the Portfolio Independent Valuer |
| Leveraged Free Cash Flow | Net cash from operating activities (US$14,348,504) less the purchase of other assets (US$0). | A good indicator of the cash position of the Company and the availability of cash flows to fund interest and dividend payments |
| NAV Return | Latest published Economic NAV per share (US$1.27) increase as a percentage of the initial published Economic NAV per Ordinary Share (US$1.08) equals a 17.6% increase | To show how the assets have performed over time |
| Net Debt | Loan facility amount utilised (US$90,273,666) less cash held at bank (US$10,881,314) | Liquidity metric used to determine how well a company can pay all of its debts if they were due immediately |
| Ongoing Charges Ratio | Ongoing Charges Ratio measures the regular, recurring annual costs of running the Company (excluding the cost of acquisition or disposal of investments, financing charges and gains or losses arising on investments), expressed as a percentage of average net assets, calculated in accordance with AIC's methodology. | To monitor the expenses, which are likely to recur, relative to the fund size over time |
| Total NAV Return | Economic NAV per Ordinary Share as at 31 December 2022 (US$1.27) plus cumulative dividends paid up to 31 December 2022 (US$0.07875), divided by the Issue price per Ordinary Share at Initial Admission as at 13 November 2020 (US$1) | To show how the assets have performed since IPO to Shareholders |

# DIRECTORS AND KEY ADVISERS

## DIRECTORS

**(all non-executive)**

**Robert Naylor (Chairman)**
(appointed 1 November 2022)

**Caroline Chan**
**Francis Keeling**
**Audrey McNair**
(appointed 20 July 2022)

**Trevor Bowen**
(resigned 1 November 2022)

## INVESTMENT MANAGER AND PORTFOLIO ADMINISTRATOR

**Round Hill Music LP**

818 18th Ave South
Suite 940
Nashville, TN
32703 USA

## REGISTRAR

**JTC Registrars Limited**

Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

## FINANCIAL ADVISER & CORPORATE BROKER

**Cenkos Securities PLC**

6-8 Tokenhouse Yard
London
EC2R 7AS

## SOLICITORS TO THE COMPANY (AS TO ENGLISH LAW)

**Gowling WLG (UK) LLP**

4 More London Riverside
London
SE1 2AU

## REGISTERED OFFICE

Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

## PRINCIPAL BANKERS

**Lloyds Bank International**

P.O. Box 53
1 Smith Street
St Peter Port
Guernsey GY1 4BD

## ADMINISTRATOR AND SECRETARY

**JTC Fund Solutions (Guernsey) Limited**

Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

## INDEPENDENT AUDITOR

**KPMG Channel Islands Limited**

Glategny Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 1WR

## ADVOCATES TO THE COMPANY (AS TO GUERNSEY LAW)

**Carey Olsen (Guernsey)**

Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

# GLOSSARY

The following definitions apply throughout this Annual Report unless the context requires otherwise:

| | |
|---|---|
| **Administration Agreement** | the administration agreement between the Company and the Administrator (or the separate administration between each UK Subsidiary and the Administrator, as the case may be) |
| **Administrator** | JTC Fund Solutions (Guernsey) Limited |
| **AIC** | the Association of Investment Companies |
| **AIC Code** | the AIC Code of Corporate Governance published by the AIC from time to time |
| **AIFM Directive** | Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers as amended from time to time |
| **AIMP** | the Association of Independent Music Publishers |
| **Annual Report** | the Company's annual report for the period 1 January to 31 December 2022 |
| **Articles** | the articles of incorporation of the Company as amended from time to time |
| **ASCAP** | the American Society of Composers, Authors and Publishers |
| **Audit Committee** | the audit committee of the Board |
| **Auditor or KPMG** | KPMG Channel Islands Limited |
| **Average Market Capitalisation** | as described in paragraph 4 of Part 3 of the Prospectus |
| **BMI** | Broadcast Music, Inc. |
| **Board** | the board of Directors of the Company or any duly constituted committee thereof |
| **BIPOC** | Black, Indigenous, and people of colour |
| **BPI** | British Phonographic Industry |
| **Carlin** | RH Carlin Holdings LLC |
| **Carlin Interest** | the Company's 29.14% ownership and voting rights in Carlin |
| **Carlin Investment** | the Company's acquisition of a 29.14% interest in Carlin from Round Hill Fund One |
| **Catalogue** | one or more Copyrights acquired from a single songwriter or recording artist |
| **Cenkos** | Cenkos Securities plc |
| **certificated** | not in uncertificated form |
| **CISAC** | the Confederation of Societies of Authors and Composers |
| **Code** | the GFSC's Finance Sector Code of Corporate Governance |
| **Companies Law** | the Companies (Guernsey) Law, 2008 as amended |
| **Company** | Round Hill Music Royalty Fund Limited |

## GLOSSARY CONTINUED

| | |
|---|---|
| **Collective Management Organisations or CMOs** | entities that manage rights on behalf of multiple rights owners and have the ability to issue a single licence to licensees on behalf of those right owners. Examples include BMI, MCPS, PPL and PRS |
| **Copyright** | a songwriter's copyright interest (which comprises their writer's share, their publisher's share and their performance rights) together with the rights in the recording of the musical composition or song (known as the master recording rights) to include, where the context so requires, any one or more of such interests or rights or any part of such interests or rights |
| **Corporate Broker** | Cenkos, the Company's sole corporate broker |
| **Corporation Tax Act 2010** | Corporation Tax Act 2010 and any statutory modification or re-enactment thereof for the time being in force |
| **CNB** | City National Bank |
| **CNB RCF** | the revolving credit facility provided to the Group by CNB |
| **CRB** | Copyright Royalty Board |
| **CREST** | the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form |
| **CREST Regulations** | the Uncertificated Securities (Guernsey) Regulations 2009 (SI 2009 No. 48) as amended from time to time |
| **C Shares** | C shares of no par value each in the capital of the Company and "C Share" shall be construed accordingly |
| **Data Protection (Bailiwick of Guernsey) Law, 2017** | the Data Protection (Bailiwick of Guernsey) Law, 2017 and any other legislation in Guernsey concerning data protection |
| **DCF** | Discounted Cash Flow, a valuation approach |
| **DEI** | Diversity, Equity and Inclusion |
| **digital music platforms or DMPs or digital platforms or digital service providers or DSPs** | Digital service providers or platforms such as Spotify or Apple Music |
| **Directors** | the directors from time to time of the Company and "Director" is to be construed accordingly |
| **Disclosure Guidance and Transparency Rules** | the disclosure guidance published by the FCA and the transparency rules made by the Financial Conduct Authority under section 73 of FSMA as amended from time to time |
| **Economic NAV** | at any date, the Gross Asset Value less the amount which (to the extent not otherwise deducted in the calculation of Gross Asset Value), in accordance with the Company's latest published valuation methodology, fairly reflects the amount of the liabilities and expenses of the Company |

| | |
|---|---|
| **Economic Net Asset Value per Ordinary Share or Economic NAV per Ordinary Share or Economic NAV per Share** | at any time the Economic NAV attributable to the Ordinary Shares divided by the number of Ordinary Shares in issue (other than Ordinary Shares held in treasury) at the date of the calculation |
| **EPS** | earnings per Share |
| **ESG** | Environmental, Social and Governance |
| **Euro or €** | the lawful currency of the EU |
| **Excess Return** | as described in paragraph 4 of Part 3 of the Prospectus |
| **FCA** | the Financial Conduct Authority or any successor authority |
| **Financial Adviser** | Cenkos, the Company's sole financial adviser |
| **First Investment** | the Company's acquisition of the assets of Round Hill Fund One (excluding its holding in Carlin) |
| **FTI Report** | the second independent valuation report for 31 December 2022 valuations provided by FTI Consulting |
| **FVTOCI** | fair value through other comprehensive income |
| **FVTPL** | fair value through profit and loss |
| **GFSC** | the Guernsey Financial Services Commission |
| **Gross Asset Value** | at any date, the aggregate of: |
| | i. the value of all the investments of the Company as determined by the Directors and calculated in the case of Copyrights by reference to an independent valuer's determination of the appropriate current value for such Copyrights, which is to be calculated in accordance with the Company's latest published valuation methodology, among other things, as regards the fair market value of the Copyrights; and<br>ii. the amount which, in accordance with the Company's latest published valuation methodology, fairly reflects the value of all other assets of the Company |
| **Group** | the Company and its UK Subsidiaries and any other subsidiaries from time to time |
| **Group Revenue** | total combined revenue comprising income from the Portfolio |
| **High Watermark** | as described in paragraph 4 of Part 3 of the Prospectus |
| **IFPI** | the International Federation of the Phonographic Industry, an organisation that represents the interests of the recording industry worldwide |
| **IFRS** | International Financial Reporting Standards |
| **IFRS NAV** | the value, as at any date, of the assets of the Company after deduction of all liabilities determined in accordance with IFRS |
| **Independent Valuer** | Citrin Cooperman (incorporating Massarsky Consulting, Inc.) |

## GLOSSARY CONTINUED

| | |
|---|---|
| **Initial Admission** | admission of the Ordinary Shares, issued pursuant to the IPO, to trading on the Specialist Fund Segment |
| **Initial Investments** | the First Investment and the Carlin Investment |
| **Initial Period** | the period from the Company's incorporation to 31 December 2021 |
| **Investment Income** | income from the Carlin Interest |
| **Investment Management Agreement** | the investment management agreement between the Company and the Investment Manager, as amended from time to time |
| **Investment Manager or Round Hill or Round Hill Music** | Round Hill Music LP, the Company's investment manager |
| **Investment Objective** | the Company's investment objective as set out in Part 1 of the Prospectus |
| **Investment Policy** | the Company's investment policy as set out in Part 1 of the Prospectus |
| **IPO** | the Company's initial public offering |
| **Issue Price** | US$1.00 per Ordinary Share |
| **Listing Rules** | the listing rules made by the FCA under section 73A of FSMA as amended from time to time |
| **LEED** | (Leadership in Energy and Environmental Design) is the world's most widely used green building certification system |
| **LIBOR** | London Interbank offered interest rate |
| **London Stock Exchange** | London Stock Exchange plc |
| **Luminate** | a data and analytics provider to the music business and consumers, formerly known as MRC Data |
| **Main Market** | the London Stock Exchange's main market for listed securities |
| **Management Engagement Committee** | the management engagement committee established by the Board |
| **Management Fee** | the management fee payable to the Investment Manager as described in paragraph 4 of Part 3 of the Prospectus |
| **Mechanical Copyright Protection Society or MCPS** | UK's CMO for handling mechanical rights on behalf of publishers and writers owned by the UK's Music Publishers' Association |
| **Migration** | the Company's transfer of its listing and trading of its Ordinary Shares to the Premium Segment |
| **MRO** | a Mechanical Rights Organisation which collects mechanical royalties |
| **neighbouring rights** | royalties paid to performers (both featured and non-featured artists) and rights owners for the use of their phonographic recordings worldwide |
| **net income** | the aggregate of royalty income, royalty expenses, investment income and related expenses and gains on financial assets at fair value through profit and loss |
| **net proceeds** | the proceeds of the Initial Issue or a Subsequent Placing (as the case may be) after deduction of costs and expenses |

| | |
|---|---|
| **NMPA** | National Music Publishers' Association, a trade association for the American music publishing industry |
| **NLS** | Net Label Share is the amount received by the owner of master recordings after deduction of all fees, commissions and all royalties and other shares of income payable to third parties. |
| **NPS** | Net Publisher's Share is the amount received by the music publisher after deduction of all fees, commissions and all royalties and other shares of income payable to third parties |
| **offer for subscription** | the offer for subscription of Ordinary Shares at the Issue Price on the terms set out in the Prospectus |
| **Ordinary Shares** | ordinary shares of no par value each in the capital of the Company and "Ordinary Share" shall be construed accordingly |
| **Performance Fee** | the performance fee payable to the Investment Manager as described in paragraph 4 of Part 3 of the Prospectus |
| **Performance Fee Calculation Date** | as described in paragraph 4 of Part 3 of the Prospectus |
| **Performance Hurdle Price** | has the meaning set out in paragraph 4 of Part 3 of the Prospectus |
| **Performance Period Average Market Capitalisation** | as described in paragraph 4 of Part 3 of the Prospectus |
| **Performance Rights Organisations or PROs** | Performance Rights Organisations such as ASCAP and PRS for Music which collect royalties on behalf of the owners of Copyrights |
| **Performance Share Price** | as described in paragraph 4 of Part 3 of the Prospectus |
| **Placing Programme** | the placing programme of Shares incorporating any Subsequent Placing as described in the Prospectus |
| **POI Law** | the Protection of Investors (Bailiwick of Guernsey) Law, 2020, as amended |
| **Portfolio** | the Group's total portfolio of investments from time to time including its Carlin Interest. Carlin is a single Catalogue held in a standalone operating company entity. |
| **Portfolio Administration Agreement** | the portfolio administration agreement between, inter alios, the Company and the Investment Manager, as amended from time to time |
| **PPL** | Phonographic Performance Limited, a UK based music licensing company |
| **Premium Segment** | the Premium Segment of the Main Market |
| **PRO** | a performance rights organisation |
| **Prospectus** | the Company's prospectus dated 19 October 2020, as amended by its supplementary prospectus dated 3 November 2020 |
| **PRS** | PRS for Music Limited, a UK PRO |

## GLOSSARY CONTINUED

| | |
|---|---|
| **RCIS Rules** | the Registered Collective Investment Scheme Rules 2021 |
| **Registrar** | JTC Registrars Limited |
| **Registrar Agreement** | the registrar agreement between the Company and the Registrar |
| **Regulatory Information Service or RIS** | a service authorised by the FCA to release regulatory announcements to the London Stock Exchange |
| **RHMRF1 Limited, RHMRF2 Limited and RHMRF3 Limited** | each a wholly owned UK Subsidiary of the Company |
| **RIAA** | the Recording Industry Association of America |
| **Round Hill Fund One** | Round Hill Music Royalty Fund LP, a Delaware limited partnership of which Round Hill is the investment manager |
| **Secretary** | JTC Fund Solutions (Guernsey) Limited |
| **Shareholder** | a holder of Shares |
| **Shares** | the Ordinary Shares and/or the C Shares, as the context may require |
| **SOFR** | secured overnight financing rate |
| **song** | includes a composition |
| **Specialist Fund Segment or SFS** | the Specialist Fund Segment of the Main Market |
| **SPPI** | solely payments of principal and interest on the principal |
| **Sterling or GBP or £ or pence** | the lawful currency of the United Kingdom |
| **Subsequent Placing** | any placing of Shares pursuant to the Placing Programme |
| **Truist** | Truist Securities, Inc. |
| **Truist RCF** | the revolving credit facility provided to the Group by Truist Securities, Inc. which has been replaced by the CNB RCF |
| **UK Code** | the UK Corporate Governance Code as published by the Financial Reporting Council from time-to-time |
| **UK Subsidiaries** | UK subsidiaries of the Company incorporated from time to time to hold assets of the Company, currently RHMRF 1 Limited, RHMRF 2 Limited and RHMRF3 Limited |
| **uncertificated or in uncertificated form** | a share recorded on the Company's Share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| **United Kingdom or UK** | the United Kingdom of Great Britain and Northern Ireland |
| **United States of America, United States, USA or U.S.** | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia |
| **US Dollar or USD or US$ or cent** | the lawful currency of the United States of America |
| **US GAAP** | US Generally Accepted Accounting Principles |

# AGM NOTICE

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you are advised to consult your stockbroker, solicitor, accountant, or other professional adviser. If you have sold or otherwise transferred all your shares in Round Hill Music Royalty Fund Limited (the "Company"), please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer for transmission to the person who now holds shares in the Company.**

24 April 2023

Dear Shareholder,

You will find set out on pages 115 and 116 the notice convening the Company's annual general meeting (the "**AGM**") to be held at 1.00 p.m. (UK time) on Monday, 12 June 2023 at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU, United Kingdom.

An explanation of the resolutions for consideration at the AGM can be found on pages 117 and 118.

The Board welcomes Shareholders to attend the AGM, however, those who cannot attend in person are encouraged to vote by the return of a Form of Proxy.

The Company strongly encourages all shareholders to exercise their votes in respect of the meeting in advance and to submit any questions they may have to the Company's Secretary at gsycosec.listed@jtcgroup.com. Voting by proxy will ensure that your votes are registered.

The Board considers that the resolutions being proposed at the AGM are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends all Shareholders vote in favour of the resolutions. The Directors intend to vote in favour of the Resolutions being proposed at the AGM in respect of their own beneficial holdings of Shares which, in aggregate, amount to 203,697 ordinary shares, representing 0.05 per cent. of the issued share capital of the Company as at the date of this document.

Yours faithfully,

**Robert Naylor**
Chairman

# NOTICE OF GENERAL MEETING

Notice is hereby given that Round Hill Music Royalty Fund Limited's (the "**Company**") annual general meeting (the "**AGM**") will be held at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU, United Kingdom, on Monday, 12 June 2023 at 1.00 p.m. (UK time) for the following purposes:

## ORDINARY BUSINESS: ORDINARY RESOLUTIONS

1. To receive the Annual Report and Audited Consolidated Financial Statements of the Company for the year ended 31 December 2022.
2. That the Directors' remuneration for the period ended 31 December 2022 as provided on pages 58 to 59 of the Annual Report be approved.
3. To re-appoint KPMG Channel Islands Limited as auditor of the Company, to hold office until the conclusion of the next annual general meeting to be held in 2024.
4. That the directors be authorised to agree the remuneration of KPMG Channel Islands Limited.
5. To re-elect Caroline Chan as a director of the Company.
6. To re-elect Francis Keeling as a director of the Company.
7. To elect Robert Naylor as a director of the Company.
8. To elect Audrey McNair as a director of the Company.
9. That the Company's dividend policy be approved.

## SPECIAL BUSINESS: ORDINARY RESOLUTION

10. To resolve that the Company be generally and, subject as hereinafter appears, unconditionally authorised, in accordance with section 315(1)(a) of The Companies (Guernsey) Law, 2008 (as amended) (the "**Companies Law**"), to make market acquisitions (within the meaning of section 316 of the Companies Law) of ordinary shares in the capital of the Company, and to cancel such shares or hold such ordinary shares as treasury shares, provided that:

    i) the maximum number of shares hereby authorised to be purchased shall be up to an aggregate of 61,102,432 shares or such number as shall represent 14.99 per cent of the ordinary shares in issue as at the date of the AGM, whichever is less (in either case excluding shares held in treasury);

    ii) the maximum price which may be paid for an ordinary share must not be more than the higher of (i) an amount equal to 105 per cent. of the average of the mid-market values of an ordinary share taken from the London Stock Exchange Daily Official List for the five business days before the purchase is made; and (ii) the higher of the price of the last independent trade or the highest current independent bid for ordinary shares on the London Stock Exchange at the time the purchase is carried out; and

    iii) the minimum price that may be paid for an ordinary share is not less than US$0.01;

    and that the authority conferred by this resolution shall expire on the earlier of 12 December 2024 or the date of the next annual general meeting of the Company (except in relation to the purchase of ordinary shares concluded before such date and which would be executed wholly or partly after such date).

11. That the Company may send or supply documents or information to members by making them available on a website.

**BY ORDER OF THE BOARD**

JTC Fund Solutions (Guernsey) Limited

Secretary

24 April 2023

**Notes:**

- In accordance with the Company's Articles of Incorporation, the Chairman of the Board or, failing him, another director, will preside as chairman of the AGM.
- Ordinary Resolutions: To be passed, these resolutions require a simple majority of the votes cast by those members voting in person or by proxy or by corporate representative at the AGM to be cast in favour.
- A member entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude members from attending and voting at the meeting, if they so wish.
- More than one proxy may be appointed provided each proxy is appointed to exercise the rights attached to different shares.
- To be valid the form of proxy, together with the original power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power of authority) must be deposited with the Company's agent, for this purpose being JTC Registrars Limited, PO Box 156, Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 4EU, not less than 48 hours before the time for holding the AGM or any adjourned AGM (excluding any part of a day that is not a business day in Guernsey). A form of proxy is enclosed with this notice.
- All persons recorded on the register of shareholders as holding shares in the Company, under the ISIN **GG00BMXNVC81** (**ordinary shares**), as at close of business on Thursday, 8 June 2023 or, if the AGM is adjourned by more than 24 hours, as at close of business on the business day before the day of any adjourned AGM, shall be entitled to attend and vote (in person, by proxy or by corporate representative) at the meeting and shall on a poll be entitled to one vote per share held. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
- Where there are joint registered holders of any shares, any one of such persons shall have the right of voting in respect of such shares but if more than one such person is present at the AGM in person or by proxy the person whose name stands first on the register of shareholders shall alone be entitled to vote.
- On a poll, votes may be given either personally, by proxy or by corporate representative and a shareholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.
- Any corporation which is a shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM. Any person so authorised shall be entitled to exercise on behalf of the corporation which he represents the same powers (other than to appoint a proxy) as that corporation could exercise if it were an individual shareholder.

# EXPLANATORY NOTES TO THE NOTICE OF AGM

At the AGM there are eleven ordinary resolutions which shareholders will be asked to consider and, if thought fit, approve. An explanation of each of these resolutions is given below. All resolutions are proposed as ordinary resolutions. An ordinary resolution requires more than 50 per cent. of votes cast at the AGM on that resolution to be cast in favour of it for the resolution to be passed.

## ORDINARY RESOLUTIONS

**Resolution 1: Annual Report and Consolidated Financial Statements for the year ended 31 December 2022**

The Annual Report and Consolidated Financial Statements for the year ended 31 December 2022 will be presented to the Annual General Meeting and shareholders will be given an opportunity at the meeting to ask questions. At the end of the discussion shareholders will be invited to receive the Annual Report and Consolidated Financial Statements.

**Resolutions 2: Directors' remuneration report**

The Company has included details of its Directors' remuneration within the Annual Report 2022 on pages 58 to 59 and an ordinary resolution will be put to Shareholders seeking approval of the Directors' remuneration and will be advisory only.

**Resolutions 3 and 4 (inclusive): Appointment of Auditor and remuneration**

KPMG Channel Islands Limited has indicated that they are willing to continue to be the auditor of the Company for next year. You are therefore asked to approve their re-appointment, to hold office until the conclusion of the next annual general meeting to be held in 2024 as required under section 199 of the Companies Law, and to authorise the directors of the Company to determine the auditor's remuneration.

**Resolutions 5 to 6 (inclusive): Re-election of Directors**

In accordance with the AIC Code of Corporate Governance, all directors are subject to annual re-election. Accordingly, at the AGM, Caroline Chan and Francis Keeling will each retire and, being eligible, offer themselves for re-election. Their biographies follow:

**Caroline Chan**

Caroline has over 30 years' experience as a corporate lawyer and is a Guernsey Advocate. She retired from private practice in 2020. After studying law at St Anne's College, Oxford, Caroline trained and qualified as an English solicitor with Allen & Overy, where she worked in their corporate team for nearly nine years including three years in their Hong Kong office. Caroline returned to Guernsey in 1998, and practised locally, including as a partner with Ogier and then Mourant Ozannes. She is a director of BH Macro Limited, another Guernsey closed-ended fund that trades on the London Stock Exchange, and Chair of the Board of Governors of The Ladies' College. Caroline recently retired as a member of the Guernsey Competition and Regulatory Authority. Caroline is resident in Guernsey.

**Francis Keeling**

Francis is an experienced media and music industry professional and is currently Executive Vice President of Business Development at Orfium, a leader in rights management solutions. Francis previously served as SVP International for Discovery, and as Global Head of Licensing at Spotify, responsible for all music licensing with record labels, publishers and collecting societies. Francis was previously Global Head of Digital Business for Universal Music Group for nearly 10 years, spearheading recorded music licensing for all digital music services. He has a master's degree in mechanical engineering from Imperial College London, and is resident in the United Kingdom.

**Resolutions 7 to 8 (inclusive): Election of Directors**

**Robert Naylor**

Robert was appointed as Chairman of the Company with effect from 1 November 2022 and offers himself for election.

Robert has 25 years' experience in capital markets. Robert was most recently at Cenkos Securities plc as head of corporate finance and corporate broking in the investment funds team. Prior to this Robert has held roles as co-head of the investment funds team at Panmure Gordon (UK) Ltd and executive director, head of product development in the investment trust team at JPMorgan Asset Management Ltd. Robert has advised a number of public Healthcare and Life Science companies including BBI Holdings plc, Collagen Solutions plc, EKF Diagnostic Holdings plc, Scancell Holdings plc, Yourgene Health plc (previously Premaitha Health plc) and Immunodiagnostics Systems Holdings plc. Robert started his career with Ernst & Young LLP in 1996 where he qualified as a chartered accountant in the investment management group. Robert is Chief Executive Officer of Intuitive Investments Group plc and non-executive director of Light Science Technologies Holdings plc. Robert is a resident in the United Kingdom.

**Audrey McNair**

Audrey was appointed a director of the Company with effect from 20 July 2022 and as Audit Chair from 1 November 2022 and offers herself for election.

Audrey is an experienced director and is currently a non-Executive director and chair of the Audit and Risk Committee of Octopus Renewables Infrastructure Trust plc. Previously Audrey has held the following non-executive roles – British Friendly Society where she chaired the risk and investment committee, Earl Shilton Building Society where she chaired the audit, risk and compliance committee and Jupiter Emerging and Frontier Income Trust plc where she was chair of the audit committee. In her executive career, across the buy and sell side in the City of London, she has gained extensive knowledge of regulatory governance and investment management processes and products, including having worked at Aberdeen Asset Management plc, starting as Head of Internal Audit (EMEA) and becoming Global Head of Business Risk (including operational, IT and strategic risk) and responsible for the group's risk management framework and internal capital adequacy assessment. Audrey is resident in the United Kingdom.

### Resolution 9: Approval of dividend policy

Interim dividends do not require shareholder approval under the Companies (Guernsey) Law, 2008, as amended. However, the Board wishes to afford the Shareholders the ability to approve the Company's dividend policy, as set out in the Prospectus and summarised in the Chairman's Statement on pages 3 to 5 of the Annual Report. As interim dividends have already been and should continue to be declared and paid, this is an advisory vote, rather than a binding vote.

### Resolution 10: Market Acquisitions by the Company of its own shares

The directors had been granted general authority to purchase in the market up to 14.99 per cent. of the ordinary shares in issue at the 2022 AGM with such authority expiring on the conclusion of the Company's 2023 annual general meeting and the directors intend to seek annual renewal of this authority at each annual general meeting.

As such, at the AGM the directors are seeking authorisation to purchase up to an aggregate of 61,102,432 ordinary shares or such number as shall represent 14.99 per cent of the ordinary shares in issue as at the date of the AGM, whichever is less (in either case excluding shares held in treasury). The authority conferred by this resolution shall expire on the earlier of 12 December 2024 or the date of the next annual general meeting of the Company (except in relation to the purchase of ordinary shares concluded before such date and which would be executed wholly or partly after such date). Any ordinary shares acquired by the Company may be cancelled or held in treasury.

### Resolution 11: Electronic communications

In accordance with section 6.1.8 of the FCA's Disclosure Guidance and Transparency Rules, the Company is proposing a resolution to allow the Company to communicate with shareholders via electronic means, specifically by posting documents to the Company's website. Subject to the passing of the resolution, the Company will be writing to shareholders to request their consent for the use of electronic communications.

**ROUND HILL MUSIC ROYALTY FUND LIMITED (the "Company")**
(Registration number 68002)

## FORM OF PROXY

Form of proxy for use at the annual general meeting (the "**AGM**") of the Company to be held at 1.00 p.m. (UK time) on Monday, 12 June 2023 at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU, United Kingdom.

I/WE……………………………………………………………………………………………………………………(Block Letters)

OF……………………………………………………………………………………………………………………(Address in block Letters)

being [a] member[s] of the Company **and holder(s) of ordinary shares**, hereby appoint the chairman of the AGM *or ………………………………………………………………………………as my / our proxy to vote for me / us on my / our behalf, as directed below on the resolutions to be proposed at the AGM and at any adjournment thereof.

**Note: If it is desired to appoint as proxy any person other than the Chairman of the AGM, his / her name and address should be inserted in the relevant place and reference to the Chairman of the AGM deleted and the alteration initialled.*

I / WE direct the proxy to vote on the resolutions as follows:

| **Ordinary Business: Ordinary Resolutions** | **FOR** | **AGAINST** | **WITHHELD** |
|---|---|---|---|
| 1. To receive the Annual Report and Audited Consolidated Financial Statements of the Company for the year ended 31 December 2022. | | | |
| 2. That the Directors' remuneration for the period ended 31 December 2022 as provided on pages 58 to 59 of the Annual Report be approved. | | | |
| 3. To re-appoint KPMG Channel Islands Limited as auditor of the Company, to hold office until the conclusion of the next annual general meeting to be held in 2024. | | | |
| 4. That the directors be authorised to agree the auditor's remuneration. | | | |
| 5. To re-elect Caroline Chan as a director of the Company. | | | |
| 6. To re-elect Francis Keeling as a director of the Company. | | | |
| 7. To elect Robert Naylor as a director of the Company. | | | |
| 8. To elect Audrey McNair as a director of the Company. | | | |
| 9. That the Company's dividend policy be approved. | | | |
| **Special Business: Ordinary Resolution** | **FOR** | **AGAINST** | **WITHHELD** |
| 10. To resolve that the Company be authorised, in accordance with Section 315(1)(a) of the Companies Law, to make market acquisitions of shares in the capital of the Company on the terms set out in the notice of AGM. | | | |
| 11. That the Company may send or supply documents or information to members by making them available on a website. | | | |

Please indicate with an X in the appropriate space how you wish your vote to be cast. On receipt of the form duly executed and in the absence of a specific direction, your proxy will vote or abstain as he or she thinks fit on the resolutions. Unless the number of shares voted via this form of proxy is specified, all shares will be voted as indicated above.

Signed: ………………………………………… Dated…………………………………………

**Notes:**

1. If the shareholder is a corporation, this form must be executed under its common seal or under the hand of its duly authorised officer or attorney.

2. The signature of any one of joint holders will be sufficient, but the names of all joint holders should be stated.

3. Any alterations to this proxy should be initialled by the person who signs it.

4. The "Vote Withheld" option is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

5. To be valid this form of proxy, together with the power of attorney or other authority, if any, under which it is executed (or a notarially certified copy of such power of authority) must be deposited with the Company's agent, for this purpose being JTC Registrars Limited, PO Box 156, Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 4EU not less than 48 hours before the time for holding the AGM or any adjourned AGM (excluding any part of a day that is not a business day in Guernsey).

6. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

7. In the event that a form of proxy is returned without an indication as to how the proxy shall vote on the resolutions, the proxy will exercise his discretion as to whether and, if so, how he votes.

Designed and
printed by:

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ROUND HILL MUSIC

ROYALTY FUND LIMITED

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