

• Don't Stop Believin' • Something Just Like This • **Shape Of You** • Girls Like You • **Don't Let Me Down** • Teenage Dream • **I'm Not In Love** • My Prerogative • **Castle On The Hill** • Sweet Dreams (Are Made Of This) • **All I Want For Christmas Is You** • Higher Love • **What About Us** • Sorry • **Love Yourself** • Just Dance • **In My Blood** • Go Your Own Way • **Super Freak** • Closer • **No Tears Left To Cry** • End Of The Road • **High Hopes** • Look What You Made Me Do • **There's Nothing Holdin' Me Back** • Beautiful Trauma • **What Lovers Do** • Heart Of Glass • **Brass In Pocket** • Bad Romance • **Treat You Better** • Uptown Funk • **Love Shack** • New Rules • **Photograph** • Havana • **Separate Ways (Worlds Apart)** • Gimme Some Lovin' • **Faithfully** • I Can't Touch This • **Breathin** • Livin' On A Prayer • **In Da Club** • Wanted Dead Or Alive • **Single Ladies (Put A Ring On It)** • Mandy • **Anyway You Want It** • God Is A Woman • **Every Little Step** • River • **Locked Out Of Heaven** • Ropes • **Sick Boy** • Shallow • **Love Me Again** • Supermarket Flowers • **Paris** • Break Up With Your Girlfriend, I'm Bored • **Smooth** • Set Fire To The Rain • **Skin** • Umbrella • **Close To Me** • I'm Your Baby Tonight • **Green Light** • Halo • **Galway Girl** • Feels • Rockabye • **I Don't Wanna Live Forever** • #SELFIE • **We Are Young** • **Stone In Love** • Kickstart My Heart • **All Time Low** • These Days • **Call Me** •



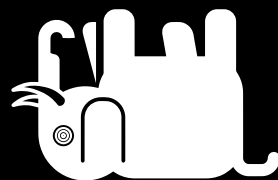
HIPGNOSIS SONGS FUND

Hipgnosis Songs Fund Limited
 Interim Report 2020

Best Of Me • **Poker Face** • **It's My Life** • You Give Love A Bad Name • **Baby** • Just The Way You Are • **Handclap** • Great Are You Lord When • **I Was Your Man** • Eraser • **Dive** • Cold Water • **2002** • Symphony • **Moves Like Jagger** • Back On The Chain Gang • **Could It Be Magic** • Issues • **Open Arms** • New Man • **Trumpets** • Back To Black • **Sunday Girl** • Queen Of The Night • **Know No Better** • Rise • **Girls, Girls, Girls** • **2U** • What Do You Mean? • **Mama** • Marry You • **Distrubia** • Nothing Breaks Like A Heart • **So Far Away** • Don't Wanna Know • **Runaway** • Lost In Japan • **Hey Look Ma, I Made It** • One Way Or Another • **All We Know** • Wait • **Live In The Moment** • Here Comes The Rain Again • **Let's Stay Together** • Treasure • **Wheel In The Sky** • Hearts Don't Break Around Here • **Despacito** • Stitches • **We Are Family** • Hurt Somebody • **Naked** • Needed Me • **Blame** • Die Young • **Love My Life** • Brave • **Copa Cabana** • Believe • **Titanium** • Story Of My Life • **Dr Feelgood** • Rapture • **Now Or Never** • Call It What You Want • **Who's Crying Now** • There Must Be An Angel (Playing With My Heart) • **I'm The One** • Nancy Mulligan • **Sofia** • Some Nights • **Everybody Hates Me** • Tenerife Sea • **What Do I Know?** • Too Much To Ask • **Drag Me Down** • Bloodstream • **Only The Young** • 1-800-273-8255 • **Lights** • Stand By You • **Bed** •







HIPGNOSIS SONGS FUND

Hipgnosis Songs Fund is the first UK investment company offering investors a pure-play exposure to Songs and associated musical intellectual property rights. Our focus is building a diversified Portfolio acquiring Catalogues that are built around proven hit Songs of cultural importance by some of the most talented and important songwriters globally.

Our shares listed on the Main Market of the London Stock Exchange in July 2018 and transferred to the Premium Segment of the Main Market in September 2019. Since March 2020, Hipgnosis Songs Fund has been a constituent of the FTSE 250 Index.

Review	Unaudited Financial Statements	Additional Information
3 Introduction From Merck Mercuriadis	32 Condensed Consolidated Statement of Comprehensive Income	49 Alternative Performance Measures
6 Financial and Operational Highlights	33 Condensed Consolidated Statement of Financial Position	50 Glossary of Capitalised Defined Terms
8 Portfolio at a Glance	34 Condensed Consolidated Statement of Changes in Equity	54 Directors and General Information
10 The Chair's Statement	35 Condensed Consolidated Statement of Cash Flows	55 Corporate Summary
13 Investment Adviser's Report	36 Notes to the Condensed Consolidated Financial Statements	56 Advice to Shareholders
16 Hipgnosis Songs Group: Big Deal For Diversification		
19 Kobalt Fund 1 Catalogue Acquisition Combines Quality and Scale		
24 The Family (Music)		
26 Hipgnosis Music Group		
27 Investment Objective and Policy		
29 Principal Risks and Uncertainties		
30 Directors' Responsibilities Statement		
31 Independent Review Report		

Introduction From Merck Mercuriadis

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



We are now almost half way through our third year of establishing proven Songs as an asset class to be reckoned with.

Key to our thesis are the following points:

1. Proven Songs are available at attractive prices because of the technological disruption (illegal downloading) that almost decimated the music industry between 2002 and 2015.
2. We have access to these great proven Songs, off market, through direct relationships with the songwriters, artists and producers that co-created them.
3. Songs are protected by rule of law. In general this is 70 years after the death of the last co-composer and our Catalogue currently has an average life of 101 years.
4. Streaming has made it more convenient for people to consume music legally and would dramatically grow revenues way beyond expectation. When we started there were 40 million paid subscribers globally, today there are 400 million and projections look to 2 billion globally inside the decade.
5. The access and cost afforded by the streaming offering would take music from being a discretionary or luxury purchase to being a utility purchase and this would be reflected in lower discount rates used to value catalogues. This would also result in uncorrelated revenues as music is always being consumed whether times are good or bad, happy or sad to quote from one of our many famous proven songs.

6. The convenience of streaming would give the passive (349 out of every 350 people) consumer incentive to pay for music for the first time ever and they would go from nil contribution to £120 per annum. Same with massive emerging markets such as China, India and Africa which have previously never contributed.
7. Government legislation would look kindly upon the songwriter and increase their share of income i.e. CRB ruling, DOJ Consent Decree Rule modifications etc.
8. Our Song Management model vs the traditional publishing model would result in significant added value by placing the Songs in movies, tv adverts, tv shows, video games, playlists, having artists cover them and songwriters interpolate them.
9. We would bring efficiencies to the collection of revenue that would not only deliver uplift of between 10% and 35%, dependent on the catalogue, but also result in more money being collected faster and paid through faster with complete transparency.
10. Our pedigree of having had success with songwriters, artists and producers as opposed to at their expense of combined with our ulterior motive of using the leverage of our Catalogue and fund to change where the songwriter sits in the economic equation, taking them from the bottom of the pile to the top, would result in us becoming the preferred buyer of the songwriting community.

A core part of our thesis is that Song revenues are uncorrelated as whether in good times or when facing challenges, music is always being consumed and now thanks to streaming almost always being paid for. While we would not have wished for a pandemic to demonstrate this it has indeed done exactly that and that has been reflected in our strong performance.

Our thesis is now demonstrable and is very much responsible for the NAV in our Ordinary Shares growing to 125.35 pence in the period, which represents a total return of almost 12% before currency movements and a Total NAV Return since IPO of 37.9%. This demonstrates not only the uncorrelated strength of our great Songs, but also Hipgnosis' ability to buy well and then actively manage these tremendous Songs to add value.

Introduction From Merck Mercuriadis

Continued

Over the Period, the Operative NAVs of both the Ordinary Shares and C Shares have grown strongly highlighting our continued ability to execute our investment strategy of buying Catalogues of the highest quality and then generating new revenue opportunities through Song Management. As a result, we are pleased to report strong revenues leading to 1.5x cover of the Ordinary Share dividend by Net Income (Profit after tax adding back Share Issue Costs) and a significant increase in the fair values of our Catalogues. The increase in fair values was primarily driven by:

- strong fair value uplifts in the Catalogues acquired during the period including the Catalogues of Songs acquired from Kobalt Fund 1, proving that the proceeds of the July 2020 and September 2020 equity fund raises have been deployed well into high quality and attractive Catalogues
- streaming revenues starting to be recognised and received from emerging digital platforms including Peloton and TikTok
- a reduction in the discount rate used by the Independent Valuer to value the Company's Catalogues from 9% to 8.5%.

The reduction in the discount rate used by the Independent Valuer reflects the decreased risk premium associated with music's increasingly stable and predictable earnings as a result of the increased consumption of music through paid streaming. We are delighted that music valuers are starting to reflect the true value of music as an asset class and expect this trend to continue as streaming continues to grow and music revenues continue to prove their stability.

During this period of exceptionally challenging times, we have raised £426.4 million of new equity capital and over £200 million of debt capital, increased our dividend target securing our place as one of the biggest yielders in the FTSE 250 Index, and since IPO we have outperformed the FTSE 250 Index with a share price total return of 26.6%, and a Total NAV Return since inception of 37.9%, and most importantly acquired a further 63 iconic Catalogues, including Blondie, Barry Manilow, Lindsey Buckingham/Fleetwood Mac, Chrissie Hynde/The Pretenders, Chris Cornell/Soundgarden/Audioslave, Rick James, Enrique Iglesias, Kevin Godley/10cc,

Rodney Jerkins, RZA/Wu Tang Clan, RedOne, Steve Winwood, Walter Afanasieff, Nikki Sixx/Mötley Crüe, Bonnie McKee, Big Deal Music, Kobalt Fund 1, Pusha T, LA Reid, Scott Cutler, Ivor Raymonde, George Benson, B-52s and No ID.

These Catalogues include amongst the most successful and culturally significant Songs of all time including Fleetwood Mac's 'Go Your Own Way', Steve Winwood's 'Higher Love', Blondie's 'Heart Of Glass', Rick James' 'Super Freak' – 'U Can't Touch This', Enrique Iglesias' 'Hero', 10cc's 'I'm Not In Love', Blind Faith's 'I Can't Find My Way Home', Katy Perry's 'Teenage Dream', The Pretenders' 'Brass In Pocket', Dusty Springfield's 'I Only Want To Be With You', Barry Manilow's 'Copacabana', B-52s 'Love Shack', Lady Gaga's 'Bad Romance' and fittingly for the season the most successful Christmas song of all time Mariah Carey's 'All I Want For Christmas Is You'.

Alongside acquiring incredible Songs we have also been acquiring incomparable executives and transforming our Song Management reach and expertise, notably making three appointments of the highest calibre at the Investment Advisor in Ted Cockle, Amy Thomson and Nick Jarjour who have joined as President, Chief Catalogue Officer and Global Head of Song Management respectively. Further to this our acquisition of Big Deal Music, now re-branded Hipgnosis Songs Group, in Los Angeles gives us Kenny MacPherson, CEO – who is one of the most respected song men in our industry over the last 35 years as well as Co-Presidents Jamie Cerreta and Casey Robison, Dave Ayers EVP in New York and Pete Robinson SVP in Nashville. We have subsequently also appointed Tony Barnes, former Virgin EMI Director, as our EVP of Digital and Innovation. We now have more than 70 people globally including our Advisory Board.

The recent news of a vaccine(s) has given us all hope that the pandemic will soon be behind us, which will improve performance further still, but for the moment we have to be cognisant that there are important challenges ahead. I believe that we are well positioned to weather them all and to continue to establish ourselves as not only an essential opportunity for investors but also as one of the most important catalysts transforming the Song industry and the Songwriter's place in it globally.

It's fitting that I conclude these remarks as we enter the Christmas Holiday Season by highlighting that Blondie's song 'One Way Or Another' features in this year's M&S Christmas TV advert, which is arguably the biggest Christmas advert in the UK. This high-profile TV commercial will naturally lead to more streaming and consumption generating incremental income in the second half of the financial year and well into 2021. Alongside this Stefan Johnson has co-written 'Prisoner' for Miley Cyrus featuring Dua Lipa which has entered the UK charts this week as a new entry at Number 8. Mariah Carey's 'All I Want For Christmas Is You' sits at Number 3 on the Spotify Global Chart and has moved from 31 to 14 on the Official UK Chart and as I write has just climbed to Number 2 on the midweek chart with more than 3 weeks to go before the big day. Could we take the Christmas Number 1 spot for the first time in this Song's history?

Once again, I would sincerely like to thank all of our investors who continue to support us through this exciting and special time as well as the great songwriters that have entrusted us with their iconic Songs as we continue to establish proven Songs as an asset class.

It remains only for me to wish you and your families the very best for the Christmas season and a Happy, Healthy and Prosperous 2021.

Merck Mercuriadis

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

3 December 2020



HIPGNOSIS SONGS FUND

Financial and Operational Highlights

As at 30 September 2020, the Company had raised a total of over £1.05 billion (gross equity capital) through its Initial Public Offering on 11 July 2018, and subsequent placings in April 2019, August 2019 and September 2020, and the C Share raise in October 2019, with the subsequent conversion in January 2020.

Catalogue acquisitions during the period

As at 30 September 2020, the Company had deployed approximately £1.18 billion in total since IPO on 117 Catalogues and 57,836 Songs. The Catalogues acquired during the period are below:

Catalogue	Acquisition Date	Interest Ownership	Total Songs
Rodney Jerkins	16 July 2020	100%	982
Barry Manilow	16 July 2020	100%	917
RedOne	16 July 2020	100%	334
Eliot Kennedy	16 July 2020	100%	217
NO ID	24 July 2020	100%	273
Pusha T	24 July 2020	100%	238
Closer (Joe King & Isaac Slade)	27 July 2020	100%	2
Ian Kirkpatrick	29 July 2020	100%	137
Blondie	30 July 2020	100%	197
Chris Cornell	10 August 2020	100%	241
Robert Diggs "RZA"	12 August 2020	50%	814
Ivor Raymonde	13 August 2020	100%	505
Nikki Sixx	3 September 2020	100%	305
Big Deal Music "BDM"	10 September 2020	100%	*4,400
Chrissie Hynde	10 September 2020	100%	162
Steve Robson	17 September 2020	100%	1,034
Rick James	18 September 2020	50%	97
Kevin Godley	23 September 2020	100%	358
Scott Cutler	24 September 2020	100%	111
Nate Ruess	30 September 2020	100%	59
LA Reid	30 September 2020	100%	162
Kobalt Fund 1 (42 Catalogues)	30 September 2020	100%	*33,000
Total Songs during the period			44,545

* Estimate based on information obtained during the acquisition of the Catalogues of Kobalt Fund 1 and Big Deal Music

Equity raised

£236.4m

10 July 2020

Increased revolving credit facility

£150m to \$400m

23 July 2020

Equity raised

£190m

24 September 2020 to purchase 42 Catalogues

Financial highlights¹

Six months ended 30 September 2020

IFRS NAV²

£1,056,120,922

(30 September 2019: £389,448,352)

IFRS NAV per Ordinary Share

103.37p

(30 September 2019: 100.02p)

Middle market share price (SONG)

117.0p

(30 September 2019: 107.50p)

Total dividends declared in respect of the period

2.5p

(30 September 2019: 2.5p)

Operative NAV³

£1,265,089,322

(30 September 2019: £422,289,834)

Operative NAV per Ordinary Share

125.35p

(30 September 2019: 108.46p)

(Discount)/Premium to Operative NAV

(6.6%)

(30 September 2019: (0.9%))

Ongoing charges figure (%)

1.35%

(30 September 2019: 1.76%)

¹ A number of Alternative Performance Measures are used within the Interim Report and details can be found on page 49.

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

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

Portfolio at a Glance



117

+63

Catalogues



57,836

+44,545

Songs



119

+49

Grammys



£1.27bn

+£0.55bn

Operative NAV



£44.8m

+93%¹

Net Income



14.76x

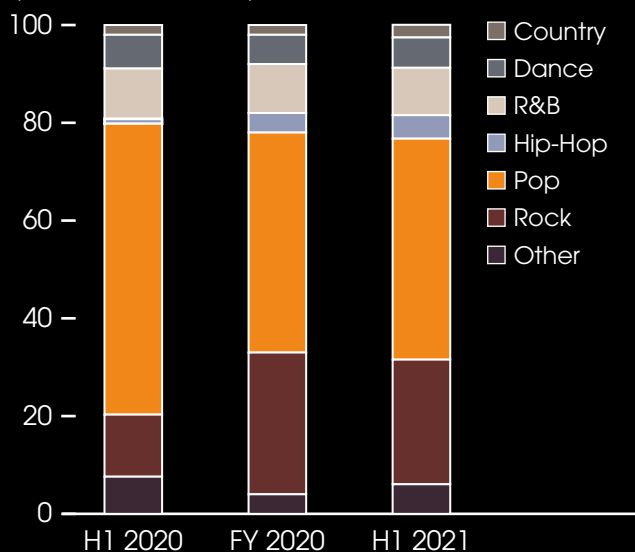
+1.19x

Acquisition Multiple

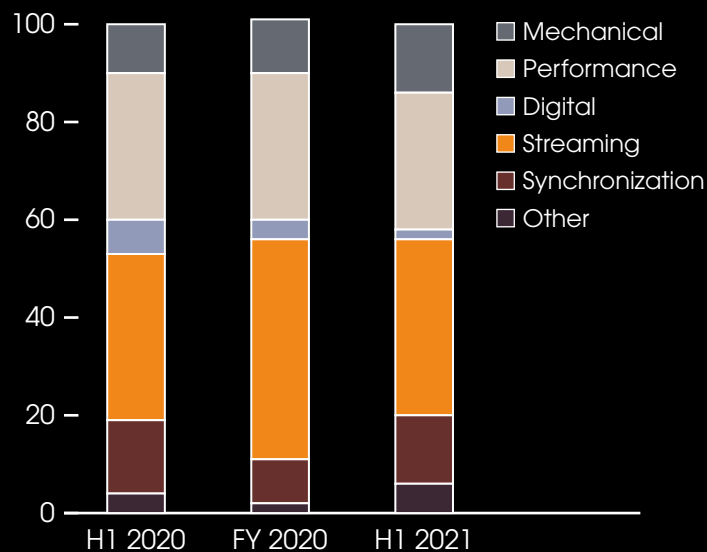
+ Change in portfolio since 31 March 2020

¹ Financial period ended 30 September 2019

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



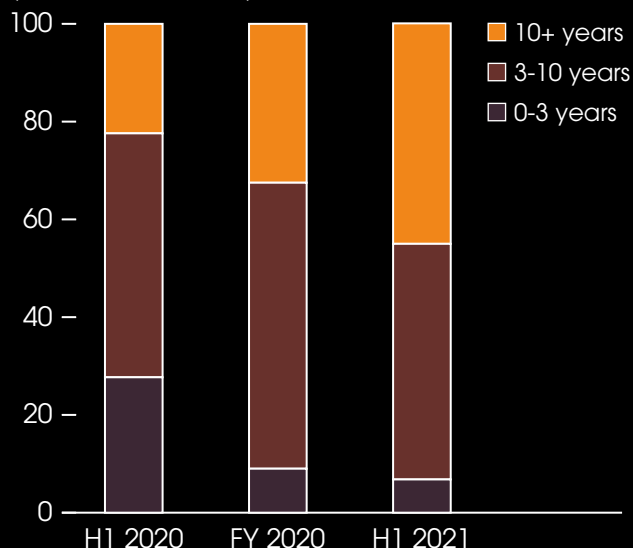
Portfolio income by source (%)



#1 2,845
+1,076
Number 1s

TOP 10 10,618
+3,827
Top 10s

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



4 out of the Top 5 Billboard Songs of the Decade and 27 of the Top 100

#1

Uptown Funk!

Mark Ronson Featuring Bruno Mars • Mark Ronson and Jeff Bhasker Catalogues

#3

Shape Of You

Ed Sheeran • Johnny McDaid Catalogue

#4

Closer

The Chainsmokers Featuring Halsey • Chainsmokers Catalogue

#5

Girls Like You

Maroon 5 Featuring Cardi B • Starrah Catalogue



10 out of Spotify's Top 30 Most Played Songs of all Time

#1

Shape of You

Ed Sheeran • ÷ (Deluxe) • Johnny McDaid Catalogue

#5

Closer

The Chainsmokers featuring Halsey • Collage • Chainsmokers Catalogue

#16

Havana (feat. Young Thug)

Camila Cabello, Young Thug • Camila • Starrah Catalogue

#17

Photograph

Ed Sheeran • × (Deluxe Edition) • Johnny McDaid, Jeff Bhasker and Emile Haynie Catalogues

#18

Love Yourself

Justin Bieber • Purpose (Deluxe) • Benny Blanco Catalogue

#22

New Rules

Dua Lipa • Dua Lipa • Ian Kirkpatrick Catalogue

#23

Something Just Like This

The Chainsmokers, Coldplay • Memories...Do Not Open • Chainsmokers Catalogue

#25

Despacito - Remix

Luis Fonsi, Daddy Yankee, Justin Bieber • Vida • Poo Bear Catalogue

#27

Sorry

Justin Bieber • Purpose (Deluxe) • Skrillex Catalogue (Kobalt Fund 1)

#29

Don't Let Me Down (feat. Daya)

The Chainsmokers, Daya • Collage EP • Chainsmokers and Scott Harris Catalogues

The Chair's Statement



Andrew Sutch, Chair

Introduction

This is the Company's third interim report since its inception and covers the six months ended 30 September 2020. It has been a period that would have been unimaginable a year ago for all of us. The impact of the COVID-19 pandemic on the international economy and global society has been enormous and for many parts of the hospitality, leisure and entertainment sectors it has been traumatic.

Despite this backdrop the Company's performance has been highly resilient, demonstrating the appeal of hit songs to millions of people even in these challenging times. In addition, the Company has made substantial progress in building upon an already impressive Portfolio of proven hit Songs and building its Song Management capabilities. Towards the end of the period the Company finished off a highly successful period of growth with its largest ever acquisition, of Kobalt's Fund 1, for \$322.9 million which we acquired in September.

During the period, the Company has raised a further £426.4 million of equity capital and I am delighted to see the continued support of investors as well as pleased to introduce our new retail investors that have been able to participate in our equity raises this year via the PrimaryBid platform. The Company has fully deployed the equity capital raised during the period and post period end has drawn a further \$190 million on its credit facility, taking total debt drawn to \$297.3 million. This capital has been used to invest £500 million into 63 new Catalogues which contain some of the most influential Songs and albums of our lifetime including: 'Rumours' by Fleetwood Mac, 'Parallel Lines' by Blondie, 'Enter the Wu-Tang' by Wu-Tang Clan, 'Pretenders' by the Pretenders, 'The Fame Monster' by Lady Gaga and 'Superunknown' by Soundgarden.

The resilient performance of the Company's Portfolio, with many looking to escape the difficulties of the pandemic by listening to feel good songs, together with streaming continuing to grow ahead of pre-COVID-19 expectations, gave the Board confidence to increase the annual dividend target by 5% to 5.25 pence per share.

As detailed more in the Investment Adviser's report below, the Portfolio's value has increased significantly, driven by growth in Song valuations as investors worldwide start to recognise the growing utility like income they produce, leading to a Total NAV Return in the 6 month period ending 30 September 2020, excluding the FX impact, for our shareholders of 11.6%.

In August 2020, the Company's market capitalisation (including both the Ordinary and C Shares in issue) exceeded £1 billion for the first time. Reaching this latest milestone in just over 2 years since launch is a testament to the incredible work of our Investment Adviser and the support of our shareholders.

Investments

During the period the Company has invested c. £500 million in 63 Catalogues comprising over 44,000 Songs. This is a substantial extension of the Company's assets creating more diversification while maintaining an incredibly high quality of influential Songs that have already demonstrated their enduring popularity.

Our reach of Songs is deeper and wider than ever before. All of these acquisitions were sourced by our Investment Adviser, The Family (Music) Limited, who together with its Advisory Board allows the Company access to some of the most globally successful artists, songwriters and producers.

In addition to the Catalogue purchases, during the period the Company acquired Big Deal Music, LLC which has since been rebranded Hipgnosis Songs Group (HSG). The acquisition represented a significant step forward in the Company's strategy of delivering income and capital growth by pursuing efficiencies in the collection of payments and active management of its songs. In particular, HSG has a US administration platform to which the Company will transfer the portfolio administration of its Songs' US income at the earliest opportunity. This is expected to generate administration costs savings equal to 1% to 1.5% of income administered and gives Hipgnosis greater control over its Songs. The acquisition also included a Song Management team of 35 employees who will pursue additional

synchronisation opportunities for the Company's full Portfolio of Songs in order to maximise income.

Performance

I am pleased to report an increase in net income from the Portfolio to £44.8 million for the period (the financial period ended 30 September 2019: £23.2 million). Adjusted operating costs for the period were £7.5 million (financial period ended 30 September 2019: £4.88 million), owing to the higher costs on a pro-rata basis reflecting the growth of the Company, the increase in costs associated with HSG, the interest costs associated with the leverage facility and increased advisory fees.

The ongoing charges figure of 1.35% (financial period ended 31 March 2020: 1.5%) has decreased slightly reflecting the further increased scale of the Company.

Earnings Per Share (adjusted for Amortisation) were 4.77 pence (financial period ended 31 March 2020: 10.7 pence) and basic EPS were 1.61 pence (financial period ended 31 March 2020: 6.14 pence). This reduction in EPS reflects the costs relating to the acquisition of HSG and expensed costs associated with the two share issues in the period.

The Operative NAV per Ordinary Share, which includes the fair value of the Company's Catalogues and excludes Amortisation, was 125.35 pence as at 30 September 2020, reflecting an increase of 7.4% since 31 March 2020.

As at the same date the Operative NAV per C Share was 112.39 pence, reflecting an increase of 14.7% in the C Share Operative NAV of 98p, which was net of issue costs.

Combining both the Operative Ordinary and C Share NAV, the Total NAV Return, which includes dividends paid, for the 6 months period from 1 April to 30 September 2020 was 12%. This represents a total growth in Operative NAV of £121.8 million from 31 March 2020, excluding the issue of new shares during the period.

Dividend

The Board were delighted in September to announce an

The Chair's Statement

Continued

increase in the Company's annual dividend target by 5% to 5.25 pence per Ordinary Share. It has been a difficult year for our shareholders and as a Board we were delighted to repay the support they have showed us over the last 2 years with the Company's first dividend increase since launch.

In the first half of the financial year the Company has paid dividends totalling 2.50 pence per Ordinary Share. The Company's interim dividend for the period from 1 January 2020 to 31 March 2020 of 1.25 pence per Ordinary Share was paid on 27 May 2020. The first interim dividend for the current financial year, from 1 April 2020 to 30 June 2020, of 1.25 pence per Ordinary Share was paid on 31 July 2020.

Since the period end, on 28 October 2020 the Company declared its second interim dividend for the period from 1 July 2020 to 30 September 2020 of 1.3125 pence per Ordinary Share and this was paid to shareholders on 30 November 2020.

Revolving Credit Facility

On 29 May 2020, the Company announced that it was seeking shareholder support to increase the Company's current borrowing limit of 20% of its Operative NAV to a maximum of 30% of its Operative NAV, given that the Company's assets and their associated income streams are well suited to supporting leverage. This approval was given by shareholders at an Extraordinary General Meeting on 11 June 2020.

During the period, the Company entered into an agreement with a syndicated group of lenders, with JPMorgan Chase Bank as Lead Arranger, to increase its Revolving Credit Facility from £150 million to \$400 million. During the period, whilst the Company undertook substantial equity capital raising, gearing remained at a low level of £86.9 million (\$107.3 million), representing 7% of NAV, at period end. Post period end a further \$190 million has been drawn, to finance the consideration for the acquisition of Kobalt Fund 1, taking total drawings to \$297.3 million.

The Board reviews the Company's level of gearing on a regular basis.

The Board

I would like to record my appreciation to my fellow Board members for their dedication and their diligence. In addition to the significant corporate activity, including fundraisings and the acquisition of HSG, the Board carefully considers each proposed acquisition, of which there have been many in the past six months, and has therefore met very frequently.

C Share Conversion

On 9 September 2020, the Company announced that it had invested approximately 82% of the net proceeds from its July C Share fundraising in line with its investment objective and policy. Accordingly, the Board announced that it intended to convert the C Shares into Ordinary Shares in accordance with the Company's Articles.

Further to this, the Company announced on 30 November 2020 the conversion ratio of 0.9061 Ordinary Shares for each C Share together with updates to the unaudited NAVs of the Ordinary Shares and C Shares as at 30 September 2020. Admission of the new Ordinary Shares issued as a result of the C Share conversion is expected to occur on 4 December 2020.

Outlook

Although the prospects for live music performance in 2021 remain uncertain, the music industry continues to be an important part of our lives, with more people listening to music through streaming services. The Company is a beneficiary of this trend and expects to see continued growth in royalty income driven principally by the growth in streaming.

The Company still has a significant pipeline of Catalogue acquisitions and the intention is to continue fundraisings, subject to market conditions, to deploy the proceeds in growing the Portfolio and the Company. The Board and the Investment Adviser will continue to work tirelessly to ensure that the implementation of the Company's investment strategy delivers strong returns for Shareholders.

Andrew Sutch
Chair

3 December 2020

Investment Adviser's Report

Introduction

The year 2020 has been one of challenges which the world has never before experienced, with a devastating impact on society and much of the economy as a result of the COVID-19 pandemic. We are grateful that despite this it has been a period of profound positive performance and progress for Hipgnosis, which is reflected in our excellent set of results.

Over the period, the Operative NAVs of both the Ordinary Shares and C Shares have grown strongly highlighting our continued ability to execute our investment strategy of buying Catalogues of the highest quality and then generating new revenue opportunities through Song Management. As a result, we are pleased to report strong revenues leading to 1.5x cover of the Ordinary Share dividend by Operating Profit after Tax and a significant increase in the fair values of our Catalogues. The increase in fair values was primarily driven by:

- strong fair value uplifts in the Catalogues acquired during the period including Kobalt Fund 1, proving that the proceeds of the July 2020 and September 2020 equity fund raises have been deployed well into high quality and attractive Catalogues
- streaming revenues starting to be recognised and received from emerging digital platforms including Peloton and TikTok
- a reduction in the discount rate used by the Independent Valuer to value the Company's Catalogues from 9% to 8.5%.

The reduction in the discount rate used by the Independent Valuer reflects the decreased risk premium associated with music's ever more stable and predictable earnings as a result of the increased consumption of music through paid streaming. We are delighted that music valuers are starting to reflect the true value of music as an asset class and expect this trend to continue as streaming continues to grow and music revenues continue to prove their stability.

Despite these exceptionally challenging times, we have raised £425 million of new equity capital and increased our debt facilities by over £200 million, increased our dividend target securing our place as one of the biggest yielders on the FTSE 250 Index, and since IPO we have outperformed the FTSE 250 index with a share price total return of 26.6%, and a Total NAV Return since IPO of 37.9% and most importantly acquired some of the most successful and culturally significant Songs of all time including Fleetwood Mac's 'Go Your Own Way', Steve Winwood's 'Higher Love', Blondie's 'Heart Of Glass', Rick James' 'Super Freak'/'U Can't Touch This', Enrique Iglesias' 'Hero', 10cc's 'I'm Not In Love', The Pretenders' 'Brass In Pocket', Dusty Springfield's 'I Only Want To Be With You', Barry Manilow's 'Copacabana', B-52s 'Love Shack', Lady Gaga's 'Bad Romance' and fittingly for the season the most successful Christmas song of all time Mariah Carey's 'All I Want For Christmas Is You'.

Merck Mercuriadis, Founder of Hipgnosis Songs Fund Limited and CEO of The Family (Music) Limited (Investment Adviser to Hipgnosis Songs Fund Limited)



Investment Adviser's Report

Continued

A core part of our thesis is that Song revenues are uncorrelated as whether in good times or when facing challenges, music is always being consumed and now thanks to streaming almost always being paid for. While we would not have wished for a pandemic to demonstrate this it has indeed done exactly that and that has been reflected in our strong performance.

Music streaming income continues to grow and now makes up 85% of all income in the US where almost every household now has a music streaming subscription. This has replaced and exceeded physical sales which now command only 7% of music income, just slightly higher than the 6% made by digital downloads.

Lockdown has also significantly changed music consumption, with more listeners reaching for songs they grew up with for comfort and escape. This leaves us perfectly placed during these challenging times with a Portfolio concentrated around incredibly successful and culturally influential proven hit songs that are in high demand. 'Don't Stop Believin' by Journey, as just one example from our catalogue, has been streamed at least 10,000,000 times per week every week since March up to the present moment. Data from the H1 2020 global music revenues have confirmed our expectations that the growth in revenue from both existing (Spotify/Apple) and emerging (Peloton/TikTok) streaming platforms is more than offsetting shortfalls elsewhere brought on by the pandemic.

The markets' recognition of the uncorrelated and predictable nature of our songs' income has generated greater momentum and led to further investment. This was most notable at our Capital Markets Day this year, which helped Hipgnosis' share price to its all-time high of 126 pence on 18 September 2020. We also raised more than £425 million in the 2-month period from July to September, which has now been fully deployed, bringing our capital raised since launch 2.5 years ago to £1.05 billion in equity and \$297.3 million in debt.

Since April, we have acquired a further 63 Catalogues, including Blondie, Barry Manilow, Lindsey Buckingham/Fleetwood Mac, Chrissie Hynde/The Pretenders, Chris

Cornell/Soundgarden/Audioslave, Rick James, Enrique Iglesias, Kevin Godley/10cc, Rodney Jerkins, RZA/Wu Tang Clan, RedOne, Steve Winwood, Walter Afanasieff, Nikki Sixx/Mötley Crüe, Bonnie McKee, Big Deal Music, Kobalt Fund 1, Pusha T, LA Reid, Scott Cutler, Ivor Raymonde, George Benson, B-52s and No ID.

Since launch we have now acquired 117 Catalogues, comprising over 57,836 Songs, for an aggregate consideration of £1.18 billion, representing a blended acquisition multiple of 14.76x* historic annual income.

During the period we have transformed our Song Management expertise, notably making three appointments of the highest calibre at the Investment Adviser in Ted Cackle, Amy Thomson and Nick Jarjour who have joined as President, Chief Catalogue Officer and Global Head of Song Management respectively. Further to this our acquisition of Big Deal Music, now re-branded Hipgnosis Songs Group, in Los Angeles, gives us Kenny MacPherson, CEO – who is one of the most respected song men in our industry over the last 35 years as well as Co-Presidents Jamie Cerreta and Casey Robison, Dave Ayers EVP in New York and Pete Robinson SVP in Nashville. We have subsequently also appointed Tony Barnes, former Virgin EMI Director, as our EVP of Digital and Innovation. We now have more than 70 people globally, including our Advisory Board.

In little over three months they have already had a significant impact on the business, ensuring accurate ingestion of both the income streams and the active management of our Catalogue of Songs and have proven how effectively we can increase usage and revenues of our incredible hit Songs when they are given the attention and resource they deserve.

During this short time, we have seen immense progress with synchs within our Portfolio, and synch now accounts for 14% of overall revenue up from 9% at 31 March. We are particularly delighted that Blondie's song 'One Way Or Another' features in this year's M&S Christmas TV advert, which is arguably the biggest Christmas advert in the UK. This high profile TV commercial will naturally lead to more streaming and consumption generating incremental income in the

* including the right to income on each acquisition

second half of the financial year and into 2021. We have also had significant growth in synch income in many of our Catalogues including Bernard Edwards, Journey, David A. Stewart, RedOne, Mark Ronson, Jack Antonoff, Chainsmokers and Sam Hollander.

The pace and quality of Synchronisation licences continued to be unaffected by the pandemic with lost synchronisation from films being replaced by increased demand from TV streaming services. We are therefore positive in our outlook for our Song Management opportunities across the rest of the year.

The Company has also made significant progress in its strategy of pursuing efficiencies in the collection of payments and active management of Songs through the efforts of Amy Thomson and the acquisition of Big Deal Music LLC, in September 2020, now rebranded Hipgnosis Songs Group. This now gives us the ability to self-administer our Catalogue in the United States, the biggest music market in the world. This will generate savings of at least 1-1.5% of administration costs and also put us in a position to negotiate directly with the digital service providers as well as giving us a seat at the table in the various big money settlements that are taking place with the likes of Peloton, TikTok and Facebook.

The recent news of a vaccine(s) has given us all hope that the pandemic will soon be behind us, which will improve performance further still, but for the moment we have to be cognisant that there are important challenges ahead. I believe that we are well positioned to weather them all and to continue to establish ourselves as not only an essential opportunity for investors but also as one of the most important catalysts transforming the Song industry and the Songwriter's place in it globally.

Market Conditions

Despite some short-term negative impacts due to COVID-19 the music industry continues to grow, including earnings relating to music publishing and songwriters. The '2020 Independent Music Publishers International Forum Report' showed a 7.5% increase in the global value of music publishing, including songwriters and composers, in 2019 to €10.7 billion (£9.63 billion) from €9.95 billion in 2018.

Whilst the ongoing COVID-19 pandemic has shaken up the entire music industry, streaming continues to dominate and is more than making up for the revenues lost from other income sources. Spotify's Q3 20 results showed total revenue growth of 14% year on year to €1.97 billion (\$2.29 billion) with total monthly active users rising to 320 million, up 29% year on year, exceeding company expectations.

Lockdowns globally have impacted live and performance revenues; the RIAA 2020 mid-year report showed growth in paid subscription streaming more than offset revenue declines in other areas of the US recorded music market in the first half of the year. In 2020 first half US music revenues increased 5.6% overall led by streaming which grew by 12%. If the second half grows at the same pace US streaming revenues will increase by more than \$1 billion in 2020 despite the pandemic. With almost every household in the US now holding a music streaming subscription, streaming now makes up 85% of all revenue in the US. Physical sales now represent just 7% of US music revenues, just slightly higher than the 6% made by digital downloads.

In Europe, Italy's recorded music industry grew 2.1% in H1 2020, with streaming up 26.4%, Spain posted 4% growth and Germany 4.8%, despite the pandemic.

The challenging times in 2020 have not only impacted how people consume music but what music they consume. In particular a report from the University of Leuven, in Belgium, found that lockdown has "significantly changed music consumption", with more listeners reaching for tracks that evoke nostalgia, classed as songs older than three years.

During 2020 emerging social platforms that incorporate music (TikTok, Triller and Peloton) have experienced a surge in growth and payments from these will start flowing into royalty statements in 2021 and beyond.

Hipgnosis Songs Group: Big Deal for Diversification

On 10 September 2020 Hipgnosis Songs Fund Limited announced the acquisition of Big Deal Music Group. It has been rebranded as Hipgnosis Songs Group with former BDM CEO, Kenny MacPherson, now CEO of Hipgnosis Songs Group, reporting directly to Hipgnosis Songs Founder, and CEO of the Investment Adviser, Merck Mercuriadis.

This is a significant move for the Company in several respects.

Song Creation: the Catalogue includes over 4,400 Songs, written by over 160 songwriters, producing predictable and reliable revenue. Among the many highlights of the Catalogue are:

- ▶ Shawn Mendes' **'Stitches'** (7x RIAA Platinum) (Teddy Geiger), **'Treat You Better'** (Teddy Geiger, Scott Harris) (4 x RIAA Platinum), **'There's Nothing Holdin' Me Back'** (Teddy Geiger, Scott Harris) (4x RIAA Platinum) **'Mercy'** (Teddy Geiger) (3x RIAA Platinum), **'In My Blood'** (Teddy Geiger, Scott Harris) (2x RIAA Platinum)
- ▶ Thomas Rhett's **'Die A Happy Man'** (5x RIAA Platinum)
- ▶ Panic at the Disco's **'High Hopes'** (Sam Hollander) (3x RIAA Platinum) and with a legitimate claim to be the most synched song of 2019
- ▶ One Direction's **'Story of My Life'** (Jamie Scott) (3x RIAA Platinum)
- ▶ Niall Horan's **'Slow Hands'** (3 x RIAA Platinum)
- ▶ St Vincent's **'Masseduction'** which won the 2019 Grammy Award for **'Best Rock Song'**.

Our investments are currently at 2% of the Company's Gross Assets, capped at 5%

***4,400**
Songs



160+
Songwriters



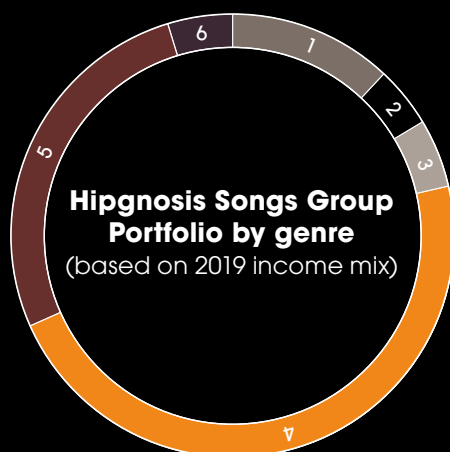
158
Awards



78
Number 1s



6
Genres



Genre	
1. Country	12.2%
2. Electronic	4.4%
3. Folk	5.0%
4. Pop	47.0%
5. Rock	26.7%
6. Other	4.7%

* Estimate based on information obtained during the acquisition of the Catalogues of Big Deal Music

The acquisition deepens our talent pool. Kenny MacPherson comes with Co-Presidents Casey Robison and Jamie Cerreta, Dave Ayers EVP in New York and Peter Robinson SVP in Nashville. In total, some 35 exceptionally able and experienced individuals based in the US will supplement the Investment Adviser's already established and outstanding UK team.

Examples of recent placements include:

- ▶ TikTok – 'It All Starts on TikTok' (Ad) – **'Sing to Me'** by Walter Marlin
- ▶ T-Mobile – 'Maps 2.0/Squinters' (Ad) – **'Truth Hurts'** by Lizzo (writer - Steven Cheung)
- ▶ Dial Soap/TikTok – '#DialItForward Campaign' (Ad) – **'Dial it Forward'** (writers – Alex Goose and Tyler Demorest)
- ▶ Ratched (TV promo/NeMlix) – **'Big Spender'** custom remix (writer - Cy Coleman)
- ▶ Google – 'Celebrates Mother's and Father's Day' (Ad) – **'We're All Young Together'** by Walter Marlin;



Importantly, this acquisition gives us our own US administrator through its Words & Music brand (now also within Hipgnosis Songs Group). It is responsible for several significant third-party catalogues including Beggars Music, Mushroom Music Publishing, Gary Numan, Notable Music, Native Tongue, Goo Goo Dolls, Hootie & The Blowfish and Underworld.

In house US administration will have the following benefits:

- ▶ Greater control of, and reduced, third party administration costs;
- ▶ Faster collection of royalty income;
- ▶ Creation of a direct relationship with Digital Service Providers (such as Spotify, Apple Music, Tencent, etc) to allow Hipgnosis to leverage its Portfolio to obtain better rates;
- ▶ Receiving credit for the portfolio's market share in royalty settlements (e.g. Peloton /Facebook) and black box income. Hipgnosis' share of settlements is currently bundled into third-party administrators' market shares.

All of this reinforces a strategy of building a diversified portfolio of superior Catalogues and Songs.



Investment Adviser's Report

Continued

Recent Portfolio Highlights

Hipgnosis now has interests in 18 Songs that are part of the 'Billion Stream Club' on Spotify, that includes Songs written by The Chainsmokers, Poo Bear, Ian Kirkpatrick and Johnny McDaid.

Our 'Patience' recorded master with Chris Cornell went to Number 1 at Rock Radio in the US.

Eurythmics song 'Sweet Dreams (Are Made Of This)' was recently licensed to promote the upcoming 'For All Mankind Season 2' on Apple TV.

Eurythmics song 'Sweet Dreams (Are Made Of This)', Chic's 'Good Times' and Beyonce's 'Single Ladies (Put A Ring On It)' have all been placed in Sony Pictures forthcoming remake of 'Cinderella'.

Jason Aldean, produced by Michael Knox, enjoyed another Number 1 with 'Got What I Got' with his Albums 'They Don't Know' and 'Rearview Town' both going GOLD.

Ed Sheeran's 'Shape Of You' has now surpassed 5 billion views on YouTube being the 2nd most watched music video in history with 'Despacito' being the Number 1 with close to 7 billion views, both of which we have interests in through the Johnny McDaid and Poo Bear Catalogues respectively.

Miley Cyrus' recent cover of 'Heart of Glass' by Blondie has already been streamed 40 million times with the two now in talks on creating a duet of the song.

As part of our Song Management we have established a Blondie profile on TikTok, with Blondie announced as 'Artist of the Week' on TikTok in November 2020 that now has more than 1 million followers.

We have established the same for Advisory Board member Nile Rodgers to promote our Bernard Edwards Catalogue and he is the current 'Artist of the Week'.

Mark Ronson's 'Uptown Funk' has now surpassed 4 billion views on YouTube.

Journey's 'Don't Stop Believin' has been placed in a new Toyota commercial as well as local ads for telecommunications companies in Mexico and South America.

The Pop duo Aly & AJ's 'Potential Breakup Song', which is part of the recent Kobalt Fund 1 acquisition, has been the Number One trending song on TikTok for two consecutive weeks.

'Someone To You' by Banners from the Sam Hollander Catalogue was used in a TV trailer for 'Love, Victor' in May and is now climbing the charts.

The next Marshmello single comes from one of the unexploited Songs in our Savan Kotecha Catalogue. Other unexploited Songs in the same Catalogue have recently performed well on Camila Cabello 'My Oh My' was a US Number 1 single, Ellie Goulding's latest album which made Number 1 in the UK this summer and in the soundtrack to the Eurovision movie starring Will Ferrell.

The Investment Adviser with Apple Music and Nile Rodgers has created Deep Hidden Meaning, the only Radio show completely focused on Songwriters. The reviews and ratings thus far have been exceptional and each of the first four episodes profiles numerous Songwriters including Poo Bear, Rodney Jerkins, Dave Stewart, Jack Antonoff, Timbaland, RZA and others. This will continue to highlight more exceptional Songwriters from our Portfolio in the months to come.

Rihanna's 'Umbrella' from our The-Dream and Tricky Stewart Catalogues has been placed in a new TV campaign for Nutella, "Nutella ella ella".

The new Shawn Mendes documentary and live special has just debuted and includes 6 of our songs and 'There's Nothing Holdin' Me Back' has just been placed in the forthcoming Sing 2 movie.

Stefan Johnson has co-written Dua Lipa's 'Break My Heart' which has been Top 10 all over the world and has had 10 Number 1's globally including the US. It has been streamed more than 1 billion times since being released in March and is the 3rd most played song on the radio in 2020.

Stefan Johnson has also co-written the new single from Miley Cyrus featuring Dua Lipa which has had over 20 million plays in its first 7 days on video alone and has entered the Official UK Singles Chart at Number 8.

Nile Rodgers' new recording of Chic's 'Everybody Dance' with DJ Cedric is Capital Radio's and Mista Jam's 'Record Of The Week' and looks like it's on its way to being a hit all over again.

Kobalt Fund 1 Catalogue Acquisition Combines Quality and Scale

Kobalt Fund 1 is our biggest acquisition to date comprising 42 Catalogues and 33,000 Songs. 331 are Number 1 Songs.

The Portfolio includes some of the most successful, influential and timeless hit songs of the last 60 years including 'Go Your Own Way' and 'The Chain' by Fleetwood Mac, 'All I Want For Christmas Is You' and 'One Sweet Day' featuring Boyz II Men by Mariah Carey, 'Baillando' and 'Hero' by Enrique Iglesias, 'Higher Love' by Steve Winwood, 'Roar' and 'Teenage Dream' by Katy Perry, 'Gimme Some Lovin' by The Spencer Davis Group, 'Can't Find My Way Home' by Blind Faith, 'Never Give Up on a Good Thing' by George Benson, 'Bad to the Bone' by George Thorogood, 'Halo' by Beyoncé, 'Love Shack' by the B-52s, 'In Da Club' by 50 Cent, 'Sorry' by Justin Bieber, 'Don't You Worry Child' by Swedish House Mafia, 'Hot In Herre' by Nelly, 'Sugar' by Maroon 5 and 'Let It Go' by Demi Lovato from Disney's Frozen Soundtrack.

From the following Catalogues:

Enrique Iglesias • Steve Winwood • 50 Cent • Skrillex • Lindsey Buckingham • Rock Mafia • PRMD • Christina Perri • Savan Kotecha • Good Soldier including Biffy Clyro • Walter Afanasieff • B-52s • Lateral • Third Day • LunchMoney Lewis • Eman • Bonnie McKee • Mark Batson • Timeflies • Evan Bogart • Nelly • Dierks Bentley • Mobens • Holy Ghost • SK Music • Thorogood • Wayne Wilkins • Aristotracks • Madcon • Stereoscope • Brill Building • J-Kash • Editors • Lyrica Anderson • John Rich • Kojak • 1916 • George Benson • Rob Hatch • Yaslina • Tequila • Netzwerk including Stefan Johnson, Teenage Fanclub, Super Furry Animals, Black Stone Cherry and Sinéad O'Connor.

42
Catalogues



*33,000
Songs



1,500
Songwriters



47
Grammys



331
Number 1s



1,103
Top 10s



* Estimate based on information obtained during the acquisition of the Catalogues of Kobalt Fund I

Investment Adviser's Report

Continued

Grammy nominations have just been released and Hipgnosis writers who have been nominated include The-Dream, Starrah, Ian Kirkpatrick, Jack Antonoff, Rodney Jerkins, Pusha T, Timbaland, Kamasi Washington, Jeff Bhaskar, Savan Kotecha, Poo Bear and Stefan Johnson.

We have 3 Songs in the new series of The Crown including Blondie 'Call Me', Diana Ross 'Upside Down', and Eurythmics 'Love is a Stranger'.

Mariah Carey's 'All I Want For Christmas Is You' sits at Number 3 on the Spotify Global Chart and has moved from 31 to 14 on the Official UK Chart and as I write has just climbed to Number 2 on the midweek chart with more than 3 weeks to go before the big day. Could we take the Christmas Number 1 spot for the first time in this song's history?

Current Portfolio

As at 30 September 2020, the Company has, since inception, acquired 117 Catalogues, for a total consideration of £1.18 billion, representing a blended acquisition multiple of 14.76x* annual historic earnings.

The Investment Adviser has now moved 15 Catalogues in total to the Preferred Portfolio Administrator and 9 in the period July to September 2020 which will generate a higher income flow-through to the Company.

Financial Review

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

As at 30 September 2020, the IFRS NAV per Ordinary Share was 103.37 pence, reflecting an increase of 2.4% during the period.

The Operative NAV per Ordinary Share increased by 7.4% during the period to 125.35 pence. As shown within the Operative NAV Bridge per Ordinary Share, there was an adverse FX impact on the Fair Value of £22.5 million, due to strengthening of GBP/USD FX exchange rates since 31 March 2020. Adjusting for this, the Operative NAV per Ordinary Share would have been 128.2 pence, which shows underlying

growth of 9.8%. In addition, dividends of 2.5 pence per Ordinary Share were paid during the period, therefore the Total NAV Return for the 6 month period ending 30 September 2020 for Ordinary Shareholders, excluding the FX impact, was 12.0% (9.5% when including impact of FX movements).

In total, since IPO on 11 July 2018, Hipgnosis has produced a Total NAV Return of 37.9%. The Operative NAV per C Share at 30 September 2020 was 112.39 pence, reflecting an increase of 14.7% in the C Share Operative NAV since admission on 15 July 2020 of 98.00 pence. As announced on 30 November 2020, the C Shares will convert into Ordinary Shares on 4 December 2020.

The Total NAV Return for the six month period 1 April to 30 September 2020, for both Ordinary and C Shareholders, which includes dividends paid and excluding the FX impact, was 11.6%.

At 30 September 2020, the Company had only drawn £86.9 million (excluding capitalised borrowing costs) on its leverage facility, given the significant equity raised in the period. Post period end, the Company has drawn another \$190 million on its leverage facility to (partially) fund the acquisition of Kobalt Fund 1. Therefore, the returns generated can largely be considered to be unlevered returns, which makes them even more remarkable. We continue to see the use of modest leverage as an integral part of our business strategy going forward. We believe that this is in the best interest of the shareholders and represents a significant opportunity to drive further growth, both in dividends and capital returns.

The growth in the Operative NAVs is primarily a result of a £114.2 million, 10%, increase in the fair value of the Catalogues during the period, excluding losses of £23.3 million as a result of unfavourable movements in FX rates. As a result, the fair value of the Catalogues has now increased by 15.5% since acquisition. The key underlying movements in fair values during the period were:

- strong fair value uplifts in the Catalogues acquired during the period, proving that the proceeds of the July 2020 and September 2020 equity fund raises have been deployed well into high quality and attractive Catalogues;
- streaming revenues starting to be recognised and

* including the right to income on each acquisition

received from emerging digital platforms including TikTok and Peloton;

- a reduction in the discount rate used by the Independent Valuer to value the Company's Catalogues from 9% to 8.5% resulting in a 9% uplift to the fair value of the Company's Catalogues; and
- the independent valuer taking a prudent approach to their forecast for 2021 due to COVID-19 by assuming flat growth for that period across the majority of Catalogues.

The growth of streaming is increasingly turning music consumption into a utility rather than a discretionary purchase. After another strong period of streaming growth, and with approximately one third of income in the period generated by streaming, the Independent Valuer has reduced the discount rate used to value the Portfolio from 9% to 8.5%. This reflects the decreased risk premium associated with the increasingly stable and predictable earnings of the asset class. We are delighted that music valuers are starting to reflect what we consider to be the true value of music as an asset class and we expect this trend to continue as streaming continues to grow and music revenues continue to prove their stability.

The growth in fair value on the C Share Catalogues was higher than the Ordinary Share Catalogues as there was a greater proportion of new Catalogues acquired during the period which saw a significant fair value uplift reflecting our successful acquisition strategy. The full breakdown of the movements in the Ordinary Share Operative NAV set out in the bridge below highlights that the dividend was 1.5x covered by net income from the Ordinary share portfolio:

Operative NAV Bridge per Ordinary Share from 1 April 2020 to 30 September 2020:

Opening Operative NAV per Ordinary Share:	116.73p
Increase in FV of Catalogues at 9% Discount Rate	0.64p
Impact of Discount Rate reduction to 8.5%	10.48p
Net Income	2.79p
Dividends Paid	-1.93p
FX Impact	-2.86p
Share Issue Costs	-0.50p
Closing Operative NAV per Ordinary Share:	125.35p

The Operative NAV per C Share has increased to 112.39 pence at 30 September 2020, an increase of 15.5% excluding the impact of FX and 14.7% including the impact of FX changes since admission on 15 July 2020. On a constant currency basis, the Operative NAV per C Share would be 113.16 pence.

A full bridge of the movement is set out below.

Operative NAV Bridge per C Share from 15 July 2020 to 30 September 2020:

Opening Operative NAV per C Share:	98.00p
Increase in FV of Catalogues at 9% Discount Rate	3.66p
Impact of Discount Rate reduction to 8.5%	7.13p
Net Income	4.37p
FX Impact	-0.77p
Closing Operative NAV per C Share:	112.39p

During the period, net revenues (after royalty costs) grew to £44.8 million, an increase of 93% from the first half of FY20, primarily due to the increased scale of the Company.

The royalty costs in the period of £5.3 million relate to the writer's royalties against Hipgnosis Songs Group revenue, which are contractual royalties paid out to their writers' roster on recoupment of advance payments.

During the period, the Company has received royalty statements for the 1 January 2020 to 30 June 2020 income, on which the international element has a time lag and therefore doesn't yet show the exact impact of COVID-19.

From these royalty statements received, in line with Company's expectations, there has been a decrease in performance royalties, reflecting the closure of bars and restaurants during lockdown, however streaming income has continued to grow strongly.

Due to the time lag on international income the exact impact of COVID-19 remains unknown. Accordingly, accruals have been marked down on expected income by up to 25% for the quarter period, which will be reassessed at the full year when calendar H2 2020 statements are received.

Investment Adviser's Report

Continued

Despite the approach applied to the July to September 2020 accruals, our current income analysis, taking into account the 6 month period ended 30 September 2020, shows that on a like-for-like basis, income is in line with the prior 12 months actuals on the Catalogues. Given that there will be decay as expected in some of our younger catalogues, this implies strong underlying growth in steady state income.

Revenues and costs associated with Hipgnosis Songs Group (formerly known as Big Deal Music) were consolidated for the period from 10 to 30 September 2020. The associated costs of HSG are disclosed within the notes to these interim financial statements.

A breakdown of the income source of all revenues is set out below:

For the period ended 30 September 2020 (Gross revenues before Royalty Costs)

	£'000	%
Mechanical	8,185	16
Performance	13,040	26
Digital	19,201	38
Synchronisation	6,924	14
Other	2,821	6

The percentage of Digital income from publishing copyrights has decreased slightly as Mechanical income (which includes revenues from Masters and Producers income, and also includes revenue from Digital) has increased as a proportion of income within the interim period.

Streaming revenues from Publishing catalogues for the latest 12 month period to 30 September 2020 increased by 24%, with streaming growth from the catalogues in the 10+ years vintage increasing by 32%.

Importantly, Synchronisation income has increased from 9% to 14% of gross income driven by strong synchronisation demand generated through Song Management across our Portfolio, including the following notable catalogues; Eurythmics, Journey, Mark Ronson, Chrissie Hynde, Sam Hollander and Scott Harris.

The Company interrogates revenue on an annual fiscal year basis in order to extract more meaningful analysis, given the processing cycles and payment lags associated with the Publishers and PROs.

Our current revenue analysis, taking into account the 6 month period ended 30 September 2020 shows that on a like-for-like basis income is in line with the prior 12 months. The expected continued decay of the younger vintage catalogues and the conservative accruals approach for the period July to September 2020, which have adversely impacted Performance and Writer Share income, are offset by the underlying growth in streaming revenues.

Accruals and Receivables

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

Accrued Income and Receivables at 30 September 2020 were £50.2 million, a breakdown of which is set out below:

A £2.7 million receivable representing royalty receipts expected in October and November for royalties where statements were received in September.

Included in trade and other receivables is an accrued income balance of £47.5 million which is made up of:

- £11.3 million relating to calendar Q4 2019 to Q2 2020 earnings for Catalogues where royalty reporting is still in the process of being redirected/switched over to Hipgnosis. These accruals are based on royalty statements received with invoices due to be raised on completion of the Letter of Direction;
- £5.9 million for 2019 earnings on deals acquired more than six months ago yet to be reported (largely PRO earnings expected within the coming quarter);
- £5.2 million for calendar Q2 2020 earnings which are not reported to Hipgnosis until calendar Q4 2020;
- £15.5 million for calendar Q3 2020 earnings where, due to the time lag in royalty reporting, statements are not expected to be received until calendar Q1 and Q2 2021;

- £5.1 million income accrual relating to time-lagged international reporting on PRO earnings. International PRO reporting has a significant time lag due to the additional collection time taken for PROs to collect and distribute income from territories. The lag in collection is due to the nature of collecting and processing royalties locally, then distributing them to the domestic PRO, which will in turn process and distribute these royalties to Hipgnosis. Six months of international PRO earnings are accrued, although can typically result in earnings lag of up to 24 months; and
- £4.5 million HSG revenue accrual, bringing the Group in line with IFRS, which includes the accrued PRO lag.

Right To Income

On the acquisition of a Catalogue, the Company may receive a Right To Income, which is typically dependent on the timing of the negotiations. The Right To Income relating to acquisitions before the interim period was £8.5 million, with £0.5 million relating to Ordinary Share acquisitions and £8 million to the C Share acquisitions.

Costs

Adjusted Operating Costs increased to £7.5 million reflecting the added scale of the Company, the acquisition of HSG and related to costs that are not expected to reoccur.

The Costs directly associated with the HSG acquisition were £2.2 million and the HSG operational costs in the period were £0.3 million, with a net revenue contribution of £3.3 million. This resulted a net positive impact of £0.8 million.

Ongoing Charges decreased as a percentage of the Weighted Average Operative NAV, from 1.76% to 1.35%, reflecting the operational gearing in the Company as it has scaled over the period.

Following the acquisition of HSG, the expectation is that Operating Costs as a percentage of Operative NAV will continue to fall, in particular once costs related to acquisitions decrease when the Company reaches stabilisation/steady state.

The Operative Profit before Tax, which excludes amortisation, grew to £32.1 million from £18.6 million in H1 FY20. The Operative Earnings Per Share which excludes amortisation, was 4.76 pence.

At 30 September 2020, the amount drawn-down was £86.9 million (\$107.3 million) – excluding capitalised borrowing costs – with facility headroom of £233 million (\$297.3 million).

Calendar 2021 is very much a year we are all looking forward to. We have assembled an enviable pipeline of more than £1 billion that we believe will complement our existing portfolio perfectly. We are attracting executives of the highest calibre and we are focused on delivering significant value-adds through Song Management, continuing to generate dividends for our shareholders and growing the NAV of our song catalogue. In addition to this our ulterior motive of changing where the songwriter sits in the economic equation and taking them from the bottom to the top is starting to bear fruit. There are challenges ahead, our business model remains robust and we believe that the future is very bright.

Once again, I would sincerely like to thank all of our investors who continue to support us through this exciting and special time as well as the great songwriters that have entrusted us with their iconic Songs as we continue to establish proven Songs as an asset class.

Merck Mercuriadis

Founder of Hipgnosis Songs Fund Limited and Founder/CEO of The Family (Music) Limited (Investment Adviser to Hipgnosis Songs Fund Limited)

3 December 2020



HIPGNOSIS SONGS FUND

The Family (Music) Limited – London / Los Angeles



Merck Mercuriadis
Founder / CEO



Björn Lindvall
Chief Operating Officer



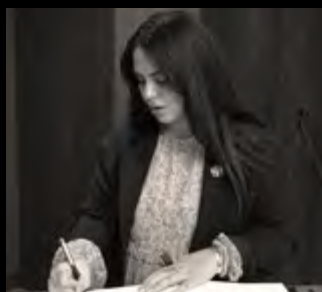
Chris Helm
Chief Financial Officer and
EVP Business Development



Ted Cockle
President



Amy Thomson
Chief Catalogue Officer



Rosa Mercuriadis
Chief Creative, Marketing &
Culture Officer



Melody Mercuriadis
General Manager



Nick Jarjour
Global Head of Song
Management



Roger Howl
Senior Vice President
of Finance



Shiv Prakash
Vice President, Investments



Tobias Lindvall
Vice President, Operations



Rufina Pavry
Director, Investor Relations



Beth Wijayarathna
Executive Vice President,
Song, Branding & Marketing



Samantha Garcia
Commercial Finance Director



Aaron Dunmore
Senior Management
Accountant



Serkan Dervis
Royalties Manager



Chris Wilson
Senior Analyst, Revenue



Tony Barnes
Executive Vice President
of Digital and Innovation



Katie Enevoldsen
Investment Team
Co-Ordinator



Harvey Cowburn
Copyright Admin Assistant



Oscar Shepherd
Copyright Admin Assistant



Helen Anderson
Office Manager

Hipgnosis Songs Group – Los Angeles



Kenny MacPherson
CEO



Jamie Cerreta
Co-President



Casey Robison
Co-President



Dave Ayers
Executive Vice President,
New York



Peter Robinson
Senior Vice President, Nashville

Investment Objective and Policy

Investment Objective

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

Investment Policy

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

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

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

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

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

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

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

Investment restrictions

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

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

Investment Objective and Policy

Continued

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

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

Cash management

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

Hedging and derivatives

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

Leverage

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

Amendments to and compliance with the Investment Objective and Policy

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

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

Principal Risks and Uncertainties

The following is a description of the principal risks and uncertainties for the remaining 6 months of the financial year.

Due Diligence Risk

The due diligence process may not reveal all relevant facts about an investment opportunity. Any mismanagement, fraud, or accounting irregularities by a seller of Catalogues, or their advisers, may materially affect the integrity of the due diligence process.

Key person risk

The Company depends on the services of the Investment Adviser, in particular on Merck Mercuriadis, Chief Executive of the Investment Adviser.

Adverse change in distribution policies and royalty rates

Should Performing Rights Organisations change their collection methods or set lower royalty rates, the Company could receive significantly less revenue than forecast.

Risks associated with the lack of commercial success of individual songs

A Song may not prove to be as popular, or as commercially successful, as forecast at the time of acquisition. However, this risk continues to reduce as the fund scales

Exchange rate risks

The Company has issued share capital denominated in Pounds Sterling and aims to pay regular dividends in that currency. Much of the Group's revenue comes in other currencies (notably US Dollars) so exchange rate shifts may affect the NAV and the ability to pay targeted dividends.

Risks associated with streaming

The Company is heavily reliant on streaming (or an equivalent technology) remaining popular with consumers. Any adverse change in this would affect revenues.

Operational reliance on service providers

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

Integration Risk

As the Company makes substantial catalogue and corporate acquisitions, including its US subsidiary HSG, a number of risks arise including systems risk and regulatory requirements.

Cyber Risk

The Company (like all others) is exposed to external cyber-security threats which have the possible impact of sensitive information leakage and cyber fraud.

Tax Risks

As a result of the economic impact of COVID-19, future corporation tax rates may increase.

Risks associated with withholding taxes

Withholding tax is a complex issue that requires analysis of domestic legislation, double tax treaties and the submission of forms and documents to relevant payers and tax authorities.

Emerging Risks

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. These include adverse regulatory/legislative change and macroeconomic and political change: Brexit; COVID-19; change in US administration.

The principal risks and uncertainties of the Company were identified in further detail in the Annual report and Financial Statements for the year ended 31 March 2020. The Company's principal risk factors are fully discussed in the Company's Prospectus, available on the Company's website (www.hipgnosisongs.com) and should be reviewed by Shareholders.

Directors' Responsibilities

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

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

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

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

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

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

On behalf of the Board

Andrew Sutch
Chair

3 December 2020

Independent Review Report to Hipgnosis Songs Fund Limited

Report on the Condensed Consolidated Financial Statements

Our conclusion

We have reviewed Hipgnosis Songs Fund Limited's condensed consolidated financial statements (the "interim financial statements") in the Interim Report 2020 of Hipgnosis Songs Fund Limited for the 6-month period ended 30 September 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 September 2020;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report 2020 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Report 2020, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report 2020 in accordance with International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report 2020 based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

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

We have read the other information contained in the Interim Report 2020 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
3 December 2020

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020 (unaudited)

	Notes	1 April 2020 to 30 September 2020 £	1 April 2019 to 30 September 2019 £
Income			
Total revenue	11	50,036,643	22,641,230
Interest income		55,328	584,507
Royalty costs	4	(5,292,032)	–
Net operating income		44,799,939	23,225,737
Expenses			
Advisory fees	15	(3,553,890)	(1,781,447)
Amortisation of Catalogues of Songs	6	(19,045,656)	(5,995,918)
Amortisation of capitalised borrowing costs		(1,047,534)	–
Administration fees		(467,206)	(344,918)
Directors' remuneration	15	(199,000)	(94,375)
Broker fees		(31,724)	(31,289)
Audit fees		(145,368)	(55,000)
Legal and professional fees		(3,263,082)	(2,186,968)
Finance charges for deferred consideration		(529,769)	–
Loan interest		(1,609,801)	(52,109)
HSG FV Gain	3	1,396,607	–
Other operating expenses	12	(1,415,076)	(333,258)
Foreign exchange (losses)/gains		(2,894,691)	281,461
Total expenses		(32,806,190)	(10,593,821)
Operating profit for the period before taxation		11,993,749	12,631,916
Taxation	5	(1,743,476)	(1,909,309)
Profit for the period after tax		10,250,273	10,722,607
Total comprehensive income for the period		10,250,273	10,722,607
Basic Earnings per Share (pence)	16	1.61	3.19
Diluted Earnings per Share (pence)	16	1.61	3.19

All activities derive from continuing operations.

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	30 September 2020 £ (Unaudited)	31 March 2020 £ (Audited)
Assets			
Catalogues of Songs	6	1,162,276,428	659,435,205
Other assets		1,189,225	–
Goodwill		204,266	–
Trade and other receivables		61,497,148	42,440,593
Cash and cash equivalents	8	203,719,478	14,098,374
Total assets		1,428,886,545	715,974,172
Liabilities			
C Shares	10	232,024,167	–
Other payables and accrued expenses	9	292,107,133	38,411,448
Bank loan	7	80,658,490	56,082,763
Total liabilities		604,789,790	94,494,211
Net assets		824,096,755	621,479,961
Equity			
Share capital	10	821,970,860	614,208,042
Retained earnings		2,125,895	7,271,919
Total equity attributable to the owners of the Company		824,096,755	621,479,961
Number of Ordinary Shares in issue at period end	10	797,254,294	615,851,887
IFRS Net Asset Value per Ordinary Share (pence)		103.37	100.91
IFRS Net Asset Value per C Share (pence)		100.66	–
Operative Net Asset Value per Ordinary Share (pence)		125.35	116.73
Operative Net Asset Value per C Share (pence)		112.39	–

Approved and authorised for issue by the Board of Directors on 3 December 2020 and signed on their behalf by:

Andrew Sutch Chair

Andrew Wilkinson Director

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020 (unaudited)

	Notes	Number of Ordinary Shares	Share capital £	Retained earnings £	Total equity £
As at 1 April 2020		615,851,887	614,208,042	7,271,919	621,479,961
Shares issued	10	181,402,407	211,245,624	–	211,245,624
Share issue costs	10	–	(3,482,806)	–	(3,482,806)
Dividends paid	13	–	–	(15,396,297)	(15,396,297)
Profit for the period		–	–	10,250,273	10,250,273
As at 30 September 2020		797,254,294	821,970,860	2,125,895	824,096,755

For the six months ended 30 September 2019 (unaudited)

	Notes	Number of Ordinary Share	Shares capital £	Retained earnings £	Total equity £
As at 1 April 2019		202,176,800	198,221,140	337,686	198,558,826
Shares issued	10	187,179,541	192,618,166	–	192,618,166
Share issue costs	10	–	(3,928,077)	–	(3,928,077)
Dividends paid	13	–	–	(8,523,170)	(8,523,170)
Profit for the period		–	–	10,722,607	10,722,607
As at 30 September 2019		389,356,341	386,911,229	2,537,123	389,448,352

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2020 (unaudited)

	Notes	1 April 2020 to 30 September 2020 £	1 April 2019 to 30 September 2019 £
Cash flows used in operating activities			
Operating profit/(loss) for the period before taxation		11,993,749	12,631,916
Adjustments for non-cash items:			
Movement in trade and other receivables		(29,426,685)	(21,490,340)
Movement in other payables and accrued expenses		260,384,802	(33,716,890)
Amortisation of Catalogues of Songs and borrowing costs		20,093,190	5,995,918
Foreign exchange (gains)/losses		2,894,691	(281,461)
		265,939,747	(36,860,857)
Taxation		(1,743,476)	–
Purchase of Catalogues of Songs		(497,393,922)	(199,481,680)
Net cash used in operating activities		(233,197,651)	(236,342,537)
Cash flows generated from financing activities			
Proceeds from issue of shares*	10	426,400,510	192,618,166
Issue costs paid	10	(7,859,151)	(3,928,077)
Dividends paid	13	(15,396,297)	(8,523,170)
Interest paid		(1,609,801)	(52,109)
Borrowing costs		(3,367,049)	–
Bank loan	7	26,895,243	13,697,891
Net cash generated from financing activities		425,063,455	193,812,701
Net movement in cash and cash equivalents		191,865,804	(42,529,836)
Cash and cash equivalents at the start of the period		14,098,374	108,483,752
Effect of foreign exchange rate changes on cash and cash equivalents		(2,244,700)	281,462
Cash and cash equivalents at the end of the period		203,719,478	66,235,378

*Includes C Shares and Ordinary Shares

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

1. General information

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

The Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment of the London Stock Exchange on 11 July 2018, and migrated to a Premium Listing on the Main Market of the London Stock Exchange on 25 September 2019. The Company was added as a constituent of the FTSE 250 Index effective from after the market close on 20 March 2020.

On 10 September 2020 the Company acquired the entire share capital of Big Deal Music Group. Whilst this was a significant acquisition in expanding operations, the size of acquisition does not warrant a separate segment but a complementary one to the primary segment of royalty collection/catalogue ownership. Accounting recognition and measurement policies have only been included where material to the consolidated results and financial position of the Company.

The consideration for this acquisition was funded from the proceeds of Hipgnosis' equity fundraise in July 2020 and through the issue of 17,609,304 new Ordinary Shares ("Consideration Shares") issued at a price of 120.65 pence per Ordinary Share. 6,248,351 of the Consideration Shares were subject to lock up restrictions to 1 October 2020, with 10,123,219 Consideration Shares subject to lock up restrictions to 1 April 2021. The acquisition provides the Company with a full service US music platform, which is expected to enhance royalty income from its growing portfolio of songs, create new songs at an attractive cost and provide in-house US administration, and therefore increase control over its portfolio's income.

Following the equity fundraise in July 2020 the Company, as at 30 September, acquired a portfolio of 42 Catalogues, (Kobalt Fund 1), from Kobalt Music Copyrights S.à.r.l., an investment fund advised by Kobalt Capital Limited, for a total consideration of \$322.9 million. The consideration, net of right to income, represents a blended acquisition multiple of 18.3x average annual income and was funded with the net proceeds from the Company's September equity fundraising together with the Company's existing leverage facility. The accounting for the acquisition of the Kobalt Music Copyrights Portfolio is consistent with the accounting treatment of all other catalogue acquisitions.

The Company makes its investments through its subsidiaries, which are predominantly registered in the UK and US as limited companies, in which the Company is the sole shareholder. The principal place of business of the subsidiaries is the UK.

The Condensed Consolidated Financial Statements present the results of the Group for the six months ended 30 September 2020 and are unaudited. The Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property.

2. Accounting policies

a) Basis of preparation

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

The Condensed Consolidated Financial Statements do not include all the information and disclosures required in the Annual Report and should be read in conjunction with the Company's Annual Report for the year ended 31 March 2020, which are available on the Company's website (www.hipgnosissongs.com). The Annual Report has been prepared in accordance with IFRS.

The same accounting policies and methods of computation have been followed (in addition to a new accounting policy in respect of IFRS 3 Business Combinations) for the preparation of these Condensed Consolidated Financial Statements as in the Annual Report for the year ended 31 March 2020.

The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 April 2020. The new standards or amendments to existing standards and interpretations, effective from 1 April 2020, did not have a material impact on the Company's Condensed Consolidated Financial Statements. It is not anticipated that any standard which is not yet effective, will have a material impact on the Company's financial position or on the performance of the Company's statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

2. Accounting policies (continued)

b) Group information

As at 30 September 2020, the details of the Company's subsidiaries are as follows:

Name of the subsidiary	Place of incorporation and operation	% of voting rights	% Interest	Consolidation method
Hipgnosis Holdings UK Limited	UK	100	100	Full
Hipgnosis SFH I Limited	UK	100	100	Full
Hipgnosis SFH II Limited*	UK	100	100	Full
Hipgnosis SFH III Limited*	UK	100	100	Full
Hipgnosis SFH IV Limited*	UK	100	100	Full
Hipgnosis SFH V Limited*	UK	100	100	Full
Hipgnosis SFH VI Limited*	UK	100	100	Full
Hipgnosis SFH VII Limited*	UK	100	100	Full
Hipgnosis SFH VIII Limited*	UK	100	100	Full
Hipgnosis SFH IX Limited*	UK	100	100	Full
Hipgnosis SFH X Limited*	UK	100	100	Full
Hipgnosis SFH XI Limited*	UK	100	100	Full
Hipgnosis SFH XII Limited*	UK	100	100	Full
Hipgnosis SFH XIII Limited	UK	100	100	Full
Hipgnosis SFH XIV Limited*	UK	100	100	Full
Hipgnosis SFH XV Limited*	UK	100	100	Full
Hipgnosis SFH XVI Limited*	UK	100	100	Full
Hipgnosis SFH XVII Limited*	UK	100	100	Full
Hipgnosis SFH XVIII Limited*	UK	100	100	Full
Hipgnosis SFH XIX Limited	UK	100	100	Full
Hipgnosis SFH XX Limited	UK	100	100	Full
Ruby Ruby (London) Limited†	UK	100	100	Full
Big Deal Music Group#	US	100	100	Full
BDM Acquisition Corp, LLC	US	100	100	Full

* During the financial year ended 31 March 2020 a restructuring took place and the subsidiaries as highlighted above transferred their catalogues and all other assets and liabilities to Hipgnosis SFH I Limited. These subsidiaries are dissolved with effect from 6 October 2020.

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

On 10 September 2020 the Company acquired the entire share capital of Big Deal Music Group which includes BDM Acquisition Corp and Big Deal Music LLC both incorporated in the US. Big Deal Music LLC is part of a joint venture with Big Family LLC, a publishing company which was formed in June 2018 and its equity accounted for in the financial statements.

The subsidiaries of the Company are predominantly tax resident in the UK and are subject to UK corporation tax. The Company acquired Big Deal Music on 10 September 2020 which is domiciled in Los Angeles, California and is subject to applicable State and Federal Taxes.

c) Going concern

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

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

d) Segmental reporting

The chief operating decision maker is the Board of Directors. All of the Company's income is global but received from sources within US, Europe, UK and Guernsey. While the Company's income is derived internationally, the Directors are of the opinion that the Group is engaged in a single segment of business, being the investment of the Company's capital in the Portfolio, with an attractive and growing level of income, together with the potential for capital growth.

The Directors believe that the acquisition of BDM is wholly complementary and does not require segmental reporting at this time.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

3. Business Combination

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

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

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

The excess of the:

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

On 10 September 2020, the Company acquired the entire share capital of Big Deal Music Group (rebranded as Hipgnosis Songs Group) a boutique full-service song company which owns a portfolio of copyright interests, and is headquartered in the US. The consideration for the acquisition was funded from the proceeds of the Company's C Share equity fundraise in July 2020 and through the issue of 17,609,304 new Ordinary Shares issued at a price of 120.65 pence per Ordinary Share. As part of the business combination, the assets were revalued to fair value on the date of the business combination and liabilities evaluated, and recognised in the respective balances in the consolidated financial statements. The fair value gain as a result of this process has been recognised in the statement of comprehensive income. As a result of the remaining purchase price allocation on the Hipgnosis Songs Group balance sheet an immaterial amount of goodwill at \$0.3 million was recorded. The Company has not disclosed the allocation of the purchase price in accordance with IFRS 3 because of non-disclosure legal restrictions set out in the purchase agreement. The Board also believes such information is not material to the users of the financial statements.

4. Significant accounting judgements, estimates and assumptions

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

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

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

In calculating accruals, we make judgments around seasonality, over or under performance, and commercial factors based on historical performance, our knowledge of each catalogue and our regular correspondence with the various administrators, record labels and international societies.

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

Net revenues also include an accrual for performance income, to account for the writer's share of performance royalties which are subject to a significant time lag in reporting in the industry, but which the Company is entitled to receive in due course. In recommending the estimate of this accrual to the Board of Directors and the Investment Adviser used its analysis of each Catalogue's revenue history as well its knowledge of the respective Catalogue performance trends to recommend the estimated accruals. The PRO income accrual is based on analysis of each Catalogue's revenue history as well as knowledge of the respective Catalogue's performance trends.

Net revenue is subject to a royalty cost accrual applied to gross revenue receipts primarily within the Big Deal Music subsidiaries. Royalty cost accruals represent contractual royalties due to songwriters and other rights holders that are payable on a 6-monthly basis for writers under publishing contracts and quarterly for clients under administration contracts. Royalty rates vary by writer (negotiated by contract) and by revenue stream.

Assessment of useful life of intangible assets

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

4. Significant accounting judgements, estimates and assumptions (continued)

Assessment of impairment and the Calculation of Operative NAV

Intangible assets are subject to annual impairment review which relies on assumptions made by the Board. Assumptions are updated annually, specifically those relating to future cash flows and discount rates.

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

Valuations of music publishing rights typically adopt the DCF valuation approach which measures the present value of anticipated future revenues from acquiring the Catalogues, which are discounted at a 'market cost of capital', 8.5% and a terminal value in 10 years. This method is accepted as an objective way of measuring future benefits; taking into account income projections from various music industry sources across various revenue flows whilst also factoring in the associated cost of capital.

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

5. Taxes

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 2008 and is charged an annual fee of £1,200.

Whilst the Company is incorporated in Guernsey, the majority of the Company's subsidiaries are incorporated and tax resident in the UK and the majority of the Group's income and expenditure is incurred in these entities.

One of the Company's UK subsidiaries incorporated BDM Acquisition Corp Inc. (an entity incorporated under the law of Delaware, USA) which acquired the membership interests in Big Deal Music LLC on 10 September 2020.

Big Deal Music Group is subject to applicable federal, state and local taxes in the US.

6. Catalogues of Songs

£

Cost	
At 1 April 2020	679,390,925
Additions	521,886,879
At 30 September 2020	1,201,277,804
Amortisation and impairment	
At 1 April 2020	19,955,720
Amortisation	19,045,656
Impairment	–
At 30 September 2020	39,001,376
Net book value	
At 1 April 2020	659,435,205
At 30 September 2020	1,162,276,428
Fair value as at 30 September 2020	1,371,244,828

£

Cost	
At 1 April 2019	119,950,740
Additions	559,440,185
At 31 March 2020	679,390,925
Amortisation and impairment	
At 1 April 2019	1,491,922
Amortisation	18,463,798
Impairment	–
At 31 March 2020	19,955,720
Net book value	
At 1 April 2019	118,458,818
At 31 March 2020	659,435,205
Fair value as at 31 March 2020	756,818,538

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6. Catalogues of Songs (continued)

The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years (other than in exceptional circumstances for specific Catalogues of Songs). Useful life is separately considered for each Catalogue of Songs and is reviewed at the end of each reporting period. At 30 September 2020 accumulated amortisation for Catalogue of Songs is £ 38,993,471 (31 March 2020: £19,955,720) and the accumulated impairment to date is £nil (31 March 2020: £nil).

The Board engaged portfolio Independent Valuer, Massarsky Consulting, Inc., to value the Catalogues as at 30 September 2020. Each income type from each Catalogue was analysed and forecasted to derive the fair value of the Catalogues by adopting a DCF valuation methodology using a discount rate of 8.5% (31 March 2020: 9%). 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. Massarsky Consulting has also taken into consideration macro factors including the growth of streaming revenue, the global growth of the recorded music industry and the short- and medium-term impact of COVID-19 in their analysis. The Board has approved and adopted the valuations prepared by the portfolio Independent Valuer.

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

-1% discount rate will grow the FV of the Portfolio by 19.57%, increasing the Operative NAV by £266.79 million which represents an increase of +26.4 pence Operative NAV per share.

+1% discount rate will reduce the FV of the Portfolio by 14.57%, reducing the Operative NAV by £198.56 million which represents a decrease of -19.7 pence Operative NAV per share.

7. Revolving credit facility

On 2 September 2019 it was announced the Company had entered into a Revolving Credit Facility (RCF), with JPMorgan Chase Bank (JPM) as Lead Arranger of £100 million which was uplifted on 15 April 2020 to £150 million and uplifted to \$400 million on 23 July 2020. The loan bears interest at 3.75%. The Revolving Credit Facility, which had an original maturity date of 29 August 2022 and has been extended for a further three years to 2 April 2025 on 15 April 2020, provides the Company with greater flexibility to fund investments and provide additional working capital.

At the period end \$86,895,243 (\$107,292,000) (which excludes capitalised borrowing costs), remained drawn down with £2,608,256, paid in interest. This figure is drawn in Sterling as both Hipgnosis Holdings UK Limited and Hipgnosis Songs Fund Limited, which are the principal Group companies party to the RCF, are English and Guernsey companies respectively.

8. Cash and cash equivalents

Cash and cash equivalents comprises cash held by the Group and portfolios of securities.

9. Other payables and accrued expenses

	1 April 2020 to 30 September 2020 £	1 April 2019 to 31 March 2020 £
Trade and other payables	(1,194,082)	(1,460,635)
Investment payable	(280,973,213)	(33,341,553)
Intercompany loans	(3,029)	–
Royalty creditor	(7,737,401)	–
Other royalty creditors	(810,145)	–
Property leases	(902,038)	–
Accruals	(288,189)	–
Current portion of long term borrowing	(193,359)	(254,559)
Current tax payable	–	–
Tax Provision	(5,677)	(3,354,701)
Total other payables and accrued expenses	292,107,133	38,411,448

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

10. Share capital and capital management

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

	30 September 2020 No. of Shares	31 March 2020 No. of Shares
Ordinary Shares of no par value		
Issued and fully paid:		
Shares issued on 11 July 2018	202,176,800	202,176,800
Shares issued on 17 April 2019	138,750,000	138,750,000
Shares issued on 29 August 2019	48,429,541	48,429,541
Shares issued on 30 December 2019	207,946	207,946
Shares issued on 10 January 2020	226,287,600	226,287,600
Shares issued on 10 September 2020	17,609,304	–
Shares issued on 24 September 2020	163,793,103	–
Ordinary Shares as at 30 September 2020	797,254,294	615,851,887

	£	£
Issued and fully paid:		
Share capital at 1 April 2019	198,221,140	198,221,140
Shares issued on 17 April 2019	141,525,000	141,525,000
Share issue costs	(2,853,852)	(2,853,852)
Shares issued on 29 August 2019	51,093,166	51,093,168
Share issue costs	(981,727)	(981,727)
Shares issued on 30 December 2019 ¹	225,884	225,884
Share issue costs	–	–
Shares issued on 10 January 2020 ²	231,000,000	231,000,000
Share issue costs	(4,021,571)	(4,021,571)
Shares issued on 10 September 2020 ³	21,245,625	–
Share issue costs	–	–
Shares issued on 24 September 2020 ⁴	189,999,999	–
Share issue costs	(3,482,806)	–
Shares issued on 30 September 2020 ⁵	236,400,512	–
Share issue costs	(4,376,345)	–
Total share capital as at 30 September 2020	1,053,995,027	614,208,042

¹ Shares issued as performance fee in respect of year ended 31 March 2019

² 231,000,000 C Shares calculated at 10 January 2020 to convert to 226,287,600 Ordinary Shares at a conversion rate of 0.9796 Ordinary Shares for each C Share held on 10 February 2020

³ 17,609,304 Ordinary Shares issued at \$1.2065 for the consideration of the acquisition of Big Deal Music on 10 September 2020

⁴ 163,793,103 Ordinary Shares issued at \$116 per Ordinary Share

⁵ 236,400,512 C Shares calculated at 30 September to convert to 214,202,503 Ordinary Shares at a conversion rate of 0.9061 Ordinary Shares for each C Share held on 4 December 2020

On 24 September 2020, the Company issued an additional 163,793,103 Ordinary Shares at an issue price of 116 pence each and raised gross proceeds of £190 million.

On 10 September 2020, the Company issued an additional 17,609,304 Ordinary Shares at an issue price of 120.65 pence each to the sellers of Big Deal Music, LLC (which was rebranded to The Hipgnosis Songs Group following acquisition) ("HSG"), in connection with the Company's acquisition of HSG.

On 15 July 2020, the Company issued 233,446,307 C Shares at an issue price of 100 pence per C Share, raising gross proceeds of approximately £233.4 million and the Company issued an additional 2,954,205 C Shares at an issue price of 100 pence per C Share, raising further gross proceeds of just under £3.0 million.

C Shares of 236,400,512, are reflected as a liability until converted on 4 December 2020 to 214,202,503 Ordinary Shares at a conversion rate of 0.9061 Ordinary Shares for each C Share held.

Under the Company's Articles of Incorporation, each Shareholder present in person or by proxy has the right to one vote at general meetings. On a poll, each Shareholder is entitled to one vote for every Ordinary Share held.

Shareholders are entitled to all dividends paid by the Company and, on a winding up, provided the Company has satisfied all of its liabilities, the Shareholders are entitled to all of the residual assets of the Company.

11. Revenue

	1 April 2020 to 30 September 2020 £	1 April 2019 to 30 September 2019 £
Mechanical income	4,767,559	1,391,295
Performance income	8,742,008	4,201,061
Digital downloads income	1,226,746	1,028,665
Streaming income	8,016,641	4,653,236
Synchronization income	6,906,096	2,030,838
Publishing admin income	33,658	–
Writer's Share income	12,261,743	8,189,913
Producer royalties	2,355,839	577,165
Masters income	2,994,089	32,336
Other income*	2,732,264	536,721
Total revenue**	50,036,643	22,641,230

* Other Income refers to any income not covered by the other income types, for example sheet income and lyric exploitation.

**Excludes royalty costs and bank interest received.

There is an inherent time lag with royalties between the time a Song is performed, and the revenue being received by the Copyright owner. The time lag ranges from 3-6 months on domestic income and 12-18 months on international income. The revenue accruals booked in the period are included within trade and other receivables. Revenue includes publishing and administration income generated by HSG.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

12. Other operating expenses

	1 April 2020 to 30 September 2020 £	1 April 2019 to 30 September 2019 £
Regulatory fees	12,218	13,239
Listing fees	450,269	11,748
Directors and officers insurance	49,359	10,101
Directors expenses	4,536	921
Registrar fees	22,575	11,978
Public relation fees	171,414	153,412
Travel and accommodation fees	110,811	92,019
Bank charges	16,149	13,474
Aborted deal expenses	176,922	–
Disbursements and sundry	174,626	10,430
Postage; printing and stationery	12,411	15,936
HSG payroll (salaries)	129,495	–
HSG staff expenses	51,912	–
HSG other expenses	21,284	–
HSG depreciation fixed assets	11,095	–
Total other operating expenses	1,415,076	333,258

13. Dividends

A summary of the dividends is set out below:

	Dividend per share Pence	Total dividend £
1 April 2020 to 30 September 2020		
Interim dividend in respect of quarter ended 31 March 2020	1.25	7,698,148
Interim dividend in respect of quarter ended 30 June 2020	1.25	7,698,149
	2.50	15,396,297
1 April 2019 to 30 September 2019		
Interim dividend in respect of quarter ended 31 March 2019	1.25	4,261,585
Interim dividend in respect of quarter ended 30 June 2019	1.25	4,261,585
	2.50	8,523,170

The Company announced its fourth interim dividend for the previous financial year, for the period from 1 January to 31 March 2020 of 1.25 pence per Ordinary Share. The interim dividend was paid to Shareholders on the register at the close of business on 11 May 2020, on 27 May 2020.

The Company announced its first interim dividend for the current financial year, for the period from 1 April to 30 June 2020, of 1.25 pence per Ordinary Share. The interim dividend was paid to Shareholders, on the register at the close of business on 17 July 2020, on 31 July 2020.

Subsequent to the period end, the Company announced its second interim dividend for the period from 1 July 2020 to 30 September 2020 of 1.3125 pence per Ordinary Share. The dividend was paid to Shareholders, on the register at the close of business on 6 November 2020, on 30 November 2020.

Dividend payments during the year were paid only to Ordinary Shareholders.

14. Financial Risk Management

Financial Risk Management Objectives

The Company'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 Company's risk management and sets policies to manage those risks at an acceptable level.

The Company's principal risk factors are fully discussed in the Company's Prospectus, available on the Company's website (www.hipgnosisongs.com) and should be reviewed by Shareholders.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

15. Related Party Transactions and Directors' Remuneration

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

Directors

The Company Directors' fees for the period to 30 September 2020 amounted to £199,000 (30 September 2019: £94,375), of which £nil (30 September 2019: £nil) was outstanding at the period end. Following conclusion of the independent remuneration review by Tyzack Associates, the Remuneration Committee resolved on 28 April 2020 to grant an additional payment to each of the Directors of £25,000, and £9,000 to Ms Coleman reflecting her appointment on 27 November 2019, in consideration of the variable elements of workload during FY2020. The additional payment was paid on 29 April 2020 and is included as an operating cost of the Company. The Directors have each undertaken to reinvest the net amount of these additional payments (after tax) in Ordinary Shares of the Company. Tyzack Associates also recommended an increase in the Directors' normal annual fees effective from 1 April 2020. The Non Executive fees are £75,000 (30 September 2019: £50,000), the Chair of the Portfolio Committee and the Chair Audit and Risk Management Committee are £81,500 (30 September 2019: £55,000) and the annual fee for the Chair of the Board is £85,000 (30 September 2019: £57,500).

Investment Adviser

Merck Mercuriadis is the founder and owner of the Investment Adviser. Merck stepped down from his duties as a Director of Jonny Coffer Limited and RubyRuby (London) Limited on the 13 May 2020.

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

Investment Adviser fees for the period to 30 September 2020 amounted to £3,553,890 (30 September 2019: £1,781,447) of which £nil (31 March 2020: £nil) outstanding at the reporting date.

16. Earnings per share

	30 September 2020		30 September 2019	
	Basic	Diluted	Basic	Diluted
Profit for the period (£)	10,250,273	10,250,273	10,722,607	10,722,607
Weighted average number of Ordinary Shares in issue	636,479,578	636,479,578	336,506,009	336,506,009
Earnings per Share (pence)	1.61	1.61	3.19	3.19

The earnings per share is based on the profit or loss of the Group for the period and on the weighted average number of Ordinary Shares for the period assuming the C Shares converted on 30 September 2020.

There are no dilutive shares at 30 September 2020.

It should be noted that the profit for the period to 30 September 2020 stated above is attributable to the Ordinary Shares and the C Shares, whereas the Earnings per Share figure for the same period is based only upon Ordinary Shares in issue. This limits comparability of Earnings per Share for the two periods shown above.

17. Subsequent events

On 28 October 2020 the Company declared a dividend of 1.3125 pence per Ordinary Share in respect of the quarter ended 30 September 2020 payable on 30 November 2020.

On 20 November 2020 The Company acquired the 100% interest of Sacha Skarbek's publishing catalogue and Writer's share of performance.

On 27 November 2020 The Company acquired the rights to Tricky Stewart's earnings from producer royalties on a defined number of songs.

On 2 December 2020 the Company acquired 100% of Eric Stewart's Writer's Share of Performance and Neighbouring Rights income.

With effect from 4 December 2020, 236,400,512 C Shares were converted to 214,202,503 Ordinary Shares at a conversion rate of 0.9061 Ordinary Shares for each C Share.

A further \$210 million has been drawn on the RCF to finance the consideration for the acquisition of Kobalt Fund 1, taking total drawings to \$297.3 million.

At time of writing, the United Kingdom is in a second lockdown due to COVID-19 which continues to have an impact on the wider music industry, especially the Live sector which forms part of Performance and Writer Share income received by the Company.

The estimate of Performance income and Writer's Share income received since April 2020 has been reduced in line with the Company's revised expectations at the start of this financial year. This reduction in expected income is driven by a drop in Public Performance income, which relates to revenues collected from bars, shops and restaurants etc. Despite this, revenues remain stable and the impact is expected to be short term with a pick-up in earnings during 2021.

The Company continues to assess the impact of COVID-19 and consequently has reflected a greater level of caution within the accruals for the Calendar Q3 (July-September) earnings period, for which statements will be received over the coming months.

Music streaming remains buoyant; it is expected that this will outpace the decline in other revenue streams, and this is reflected in Goldman Sachs' post COVID-19 report which projects that song related revenues, across music publishing, will grow by 3.5% overall in 2020.

There were no other material events after the period end to the date on which these Condensed Consolidated Financial Statements were approved.

* Source: Goldman Sachs (Equity Research), 'Music in the Air, The show must go on'

Additional Information

Alternative Performance Measures

Performance Measure	Definition	Reason for Use
Annualised ongoing charges	Adjusted Operating Costs £11,214,914 less Non Recurring administrative expenses £4,526,358 over a 12-month period	Ongoing charges are a good indicator of expenses likely to recur in the foreseeable future
Adjusted Operating Costs	Operational expenses £34,202,797 excluding the cost of amortisation of investments £20,093,192 and foreign exchange losses arising on investments £2,894,691	Ongoing charges are a good indicator of expenses likely to recur in the foreseeable future
EPS excluding total Amortisation	Profit after Tax excluding total amortisation £30,343,463 divided by Weighted average number of Ordinary Shares in issue 636,479,578	The Operating profit adjusted for Amortisation aligns with the Operative NAV which reflects that the values of Catalogues of Songs are based on fair values produced by an Independent Valuer
NAV Return for Ordinary Shareholders %	Latest published Operative NAV per share 125.35 pence as at 30 September 2020 increase as a percentage of the last published Operative NAV per share 116.73 pence as at 31 March 2020 plus dividends paid equals 12%	To show how the assets have performed over time to shareholders
Net Debt	Loan facility amount £86,895,243 utilised less cash held in bank £203,719,476	Liquidity metric used to determine how well a company can pay all of its debts if they were due immediately
Non Recurring administrative expenses	Exceptional Costs included within legal and professional fees £2,739,635 plus Aborted deal expenses £176,922 plus Interest Costs £1,609,801	Good indicator of expenses not likely to recur in the foreseeable future
Ongoing charges %	Annualised ongoing charges £13,377,113 divided by weighted average Operative NAV post conversion £991,976,308	To monitor the likely to recur expenses relative to the fund size over time
The Operative NAV Profit before Tax	Operating profit for the year/period before taxation £11,993,749 plus total amortisation £20,093,190	The Operating profit adjusted for Amortisation aligns with the Operative NAV which reflects that the values of Catalogues of Songs are based on fair values produced by an Independent Valuer
Weighted Average Operative NAV	Average of the Operative NAV post conversion as at 30 September 2020 £1,265,089,322 and the Operative NAV as at 31 March 2020 £718,863,294.	The average was taken given the share issuance has grown rapidly over the year

Glossary of Capitalised Defined Terms

“Administrator” means Ocorian Administration (Guernsey) Limited;

“Admission” means admission, on 11 July 2018, to trading on the SFS of the London Stock Exchange, of the Ordinary Shares becoming effective in accordance with the Listing Rules and/or the LSE Admission Standards and on 25 September 2019 to a Premium Listing on the Main Market;

“AEOI” means Automatic Exchange of Information;

“AIC” means the Association of Investment Companies;

“AIC Code” means the AIC Code of Corporate Governance;

“Annual General Meeting” or **“AGM”** means the annual general meeting of the Company;

“Annual Report” or **“Annual Report and Consolidated Financial Statements”** means the annual publication of the Company provided to the Shareholders to describe their operations and financial conditions, together with their Consolidated Financial Statements;

“Apple Music” means the music and video streaming service developed by Apple Inc.;

“Articles of Incorporation” or **“Articles”** means the articles of incorporation of the Company;

“ASCAP” means the American Society of Composers, Authors and Publishers;

“Asset Management Committee” means a committee which considers the ongoing management and revenue maximisation of the Catalogues of Songs;

“Audit Committee” or **“Audit and Risk Management Committee”** means a formal committee of the Board with defined terms of reference;

“Average Market Capitalisation” means, in relation to each month where the advisory fee is payable, (“A” multiplied by “B”) plus (“C” multiplied by “D”), where:

“A” is the average of the middle market quotations of the Ordinary Shares for the five day period ending on the last business day of that month (adjusted as appropriate to exclude any dividend where the Ordinary Shares are quoted ex such dividend at any time during that five day period); “B” is weighted average of the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the end of each day during that month; “C” is the average of the middle market quotations of a class of C Shares in issue for

the five day period ending on the last business day of that month (adjusted as appropriate to exclude any dividend where the C Shares of that class are quoted ex such dividend at any time during that five day period); and “D” is weighted average of the number of that class of C Shares in issue (excluding any Shares held in treasury) at the end of each day during that month;

“Board” or **“Directors”** means the Directors of the Company;

“BDM” means Big Deal Music Group rebranded upon acquisition to Hipgnosis Songs Group (HSG);

“BMI” means Broadcast Music, Inc.;

“BPI” means the British Phonographic Institute;

“Brexit” means the departure of the UK from the EU;

“C Shares” means a temporary and separate class of shares which are issued at a fixed price determined by the Company;

“Catalogue” means one or more Songs acquired from a single songwriter or artist;

“CBS” means a US commercial broadcast television and radio network;

“CD” means compact disc;

“CEO” means chief executive officer;

“CISAC” means the International Confederation of Societies of Authors and Composers;

“Closing Market Capitalisation” means, in relation to each Accounting Period, “E” multiplied by “F”, where: “E” is the Performance Share Price; and “F” is the weighted average of the number of Ordinary Shares in issue (excluding any Shares held in treasury) at the end of each day during the Accounting Period;

“Companies Law” means the Companies (Guernsey) Law, 2008, (as amended);

“Company” means Hipgnosis Songs Fund Limited. References to the Company are also considered to be references to the Group, where applicable;

“Company Secretary” means Ocorian Administration (Guernsey) Limited;

“Consolidated Financial Statements” means the audited financial statements of the Company, including the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and associated notes;

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

“Copyright Royalty Board” means the US Copyright Royalty Board;

“Corporate Broker” means Nplus1 Singer Advisory LLP (N+1 Singer) and J. P. Morgan Securities plc;

“Corporate Governance Code” means The UK Corporate Governance Code 2019 as published by the Financial Reporting Council;

“COVID-19” means the global coronavirus pandemic;

“DCF” means discounted cash flow;

“Disclosure Guidance and Transparency Rules” or **“DTRs”** mean the disclosure guidance published by the FCA and the transparency rules made by the FCA under section 73A of FSMA;

“Downloads” means royalties for the permanent digital mechanical transfer of music;

“DSP” means digital service providers;

“Earnings per Share” or **“EPS”** means the Earnings per Ordinary Share and is expressed in pounds Sterling;

“ECL” means expected credit losses;

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

“EU” means European Union;

“FCA” means the UK Financial Conduct Authority (or its successor bodies);

“FRC” means Financial Reporting Council;

“FSMA” means the UK Financial Services and Markets Act 2000;

“GFSC” or **“Commission”** means the Guernsey Financial Services Commission;

“GFSC Code” means the GFSC Finance Sector Code of Corporate Governance;

“GMR” means Global Music Rights;

“Grammy” means an award presented by the Recording Academy to recognise achievements in the music industry;

“Group” means Hipgnosis Songs Fund Limited and its subsidiaries;

“IAS” means international accounting standards as issued by the Board of the International Accounting Standards Committee;

“IFPI” means International Federation of the Phonographic Industry;

“IFRIC” means International Financial Reporting Interpretations Committee;

“IFRS” means the International Financial Reporting Standards, being the principles-based accounting standards, interpretations and the framework by that name issued by the International Accounting Standards Board;

“IFRS NAV” means the value of the Gross Assets of the Company less its liabilities (including accrued but unpaid fees) in accordance with the accounting policies adopted by the Directors;

“Independent Valuer” means Massarsky Consulting, Inc., appointed by the Board to independently value the Company’s Catalogues within the Portfolio;

“Interim Report” means the Company’s half yearly report and unaudited condensed consolidated financial statements for the period ended 30 September;

“Investment Adviser” means The Family (Music) Limited;

“Investment Advisory Agreement” means the investment advisory agreement dated 27 June 2018 (as amended) between The Family (Music) Limited, the Company and its subsidiaries;

“Investment Entity” means an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both;

Glossary of Capitalised Defined Terms

Continued

“IPO” means the initial public offering of shares by a private company to the public;

“ISAE 3402” means International Standard on Assurance Engagements 3402, “Assurance Reports on Controls at a Service Organisation”;

“ISIN” means an International Securities Identification Number;

“Kobalt” means Kobalt Music Copyrights S.à.r.l.;

“Kobalt Fund 1” Following the equity fundraise in July 2020 the Company, as at 30 September, acquired a portfolio of 42 Catalogues from Kobalt Music Copyrights S.à.r.l., an investment fund advised by Kobalt Capital Limited;

“LGBTQQIAAP” means the abbreviation of ‘lesbian, gay, bisexual, transgender, transsexual, queer, questioning, intersex, asexual, allies, and pansexual.’

“LIBOR” means the London Interbank Offered Rate the basic rate of interest used in lending between banks on the London interbank market and also used as a reference for setting the interest rate on other loans.

“Listing Rules” means the listing rules made by the UK Listing Authority under section 73A FSMA;

“Live” means publishing revenue derived from the live performance of music copyrights at concerts;

“London Stock Exchange” or **“LSE”** means London Stock Exchange Plc;

“MAR” means EU regulation 596/2014 on market abuse;

“MAU” means monthly active users;

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

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

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

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

“Nomination Committee” means a formal committee of the Board with defined terms of reference;

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

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

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

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

“Performance Right Organisations” or **“PROs”** means a performing rights organisation, such as PRS or BMI, which represents and collects performance royalties for and on behalf of each of its members;

“Performance Share Price” means in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the one month period ending on the last business day of that accounting period;

“Portfolio” means the portfolio of Songs (whether organised into Catalogues or otherwise) held by the Company directly or indirectly from time to time;

“Portfolio Committee” means a committee which approves all purchases of Catalogues of Songs;

“Preferred Portfolio Administrator” means the portfolio administrators appointed by the Company in order to assist with the administration of the Portfolio including Kobalt Music Services Limited and Hipgnosis Songs Group;

“Premium Listing” means the a Premium Listing on the Main Market of the London Stock Exchange;

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

“Primary Bid” means a retail offer made via the PrimaryBid platform;

“Prospectus” means the prospectus issued by the Company on 27 June 2018 and further prospectus published on 27 September 2019;

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

“Public Performance” means revenue generated from licenses for the right to play music publicly in a commercial environment e.g. shops, bars, restaurants and shopping malls;

“QR” means quick response;

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

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

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

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

“Remuneration Committee” means a formal committee of the Board with defined terms of reference;

“RIAA” means Recording Industry Association of America;

“Right To Income” The Company sometimes receives a right to income as part of the Catalogue acquisition, which is typically dependent on the timing of the negotiations and relates to royalty income paid over to The Company on closing of the acquisition. This right to income is related to the period before the start of the financial year;

“SFS” means London Stock Exchange’s specialist fund segment of the main market for listed securities;

“Shareholder” means the holder of one or more Ordinary Shares;

“Song” means a songwriter’s and/or publisher’s share of copyright interest in a song, being a musical composition of words and/or music and the songwriter’s proportion of the publishing rights of a single musical track, and when construction permits, the collection of words and/or music as purchased by consumers;

“Song Management” Active Management of the placing of songs in Films, TV Adverts, TV Programs, Video Games and streaming playlists also including promoting the Interpolation of our songs by new songwriters and Covers of our songs by new artists;

“Streaming” means performance and mechanical royalties for digitally playing music in real-time, for example through Spotify;

“Synchronisation” means royalties for playing music in connection with visual media (for example film, TV, advertisements);

“The-Dream” means the Catalogue purchased from Terius Nash, better known by his stage name ‘The-Dream’;

“Total NAV Return” The total return on the Operative NAV per share, reflecting the change in Operative NAV during the period assuming that any dividends paid to shareholders were reinvested at Operative NAV at the time the shares were quoted ex-dividend;

“TV” means television;

“UK” or **“United Kingdom”** means the United Kingdom of Great Britain and Northern Ireland;

“UKLA” means UK Listing Authority;

“US” or **“United States”** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

“Writer’s Share” means performance royalties collected by a Performance Rights Organisation and paid through directly to the songwriter as opposed to the publisher share of performance;

“YouTube” means the US video-sharing website;

“£” or **“Pounds Sterling”** or **“Sterling”** means British pound sterling and **“pence”** means British pence;

“\$” or **“USD”** means United States dollars and **“cents”** means United States cents; and

“€” or **“EUR”** means the official currency of the majority of member states of the EU.

Directors and General Information

Company Registration Number: 65158

Board of Directors

Andrew Sutch, Chair
Paul Burger, Senior Independent Director
Andrew Wilkinson, Chair of Audit Committee
Simon Holden
Sylvia Coleman

Founder

Merck Mercuriadis

Advisory Board

Nile Rodgers
The-Dream
Giorgio Tuinfort
Starrak
Nick Jarjour
David Stewart
Bill Leibowitz
Ian Montone
Rodney Jerkins
Chris Helm
Björn Lindvall

Investment Adviser

The Family (Music) Limited
Merck Mercuriadis, CEO
Björn Lindvall, COO
Chris Helm, CFO

Notting Hill United House
9 Pembridge Road
Notting Hill
London W11 3JY

www.hipgnosissongs.com

Registered Office

PO Box 286
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 4LY

Administrator and Company Secretary

Ocorian Administration
(Guernsey) Limited
PO Box 286
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey GY1 4LY

Corporate Brokers

N+1 Singer Advisory LLP
1 Bartholomew Lane
London EC2N 2AX

J. P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP

RBC Europe Limited
(Appointed 17 September 2020)
100 Bishopsgate
London EC2N 4AA

Independent Auditor

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glatigny Esplanade
St Peter Port
Guernsey GY1 4ND

Music Specialist Legal Counsel

Bill Leibowitz
271 Madison Avenue
20th Floor
New York
New York 10016

Legal Advisers to the Company

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG

Legal Advisers to the Company as to Guernsey Law

Ogier (Guernsey) LLP
Redwood House
St Julian's Avenue
St Peter Port
Guernsey GY1 1WA

Principal Banker

Barclays Bank PLC
PO Box 41
Le Marchant House
St Peter Port
Guernsey GY1 3BE

Registrar

Computershare Investor Services
(Guernsey) Limited
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Tudor House
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St Peter Port
Guernsey GY1 1DB

Identifiers

ISIN: GG00BFYT9H72
Ticker: SONG
SEDOL: BFYT9H7
Website: www.hipgnosissongs.com
LEI: 213800XJIPNDVKXMOCT1
GIIN: 5XGPC8.99999.SL.831

Managing your account online

The Company's registrar, Computershare Investor Services (Guernsey) Limited, allows you to manage your shareholding online. If you are a direct investor you can view your shareholding, change the way the registrar communicates with you and buy and sell shares. If you haven't used this service before, all you need to do is enter the name of the Company and register your account at

<https://www-uk.computershare.com/investor>

You'll need your Investor code (IVC) printed on your share certificate in order to register.

Corporate Summary

Structure

The Company is an investment company limited by shares, registered and incorporated in Guernsey under the Companies Law on 8 June 2018. The Company is registered with the Guernsey Financial Services Commission under the Registered Collective Investment Scheme Rules 2015, and the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. The Company is not authorised or regulated by the Financial Conduct Authority.

The Company makes and manages its investments directly or indirectly through a number of wholly owned subsidiary companies incorporated in England & Wales, together referred to as the Group.

Investment Process

The Company's Investment Adviser, The Family (Music) Limited, was founded by Merck Mercuriadis. Merck is the manager and/or former manager of globally successful recording artists such as Elton John, Guns N' Roses, Morrissey, Iron Maiden, Nile Rodgers and Beyoncé, and hit songwriters such as Diane Warren, Justin Tranter and The-Dream. Merck is the former CEO of The Sanctuary Group plc.

The Family (Music) Limited has been appointed by the Board to source Songs and provide recommendations to the Board on acquisition and disposal strategies. The Investment Adviser is also responsible for managing and monitoring royalty and/or fee income due to the Company from its copyrights and collection agents, and developing strategies to maximise the earnings potential of the Songs in the portfolio through improved placement and coverage of Songs.

The Investment Adviser continues to assemble an Advisory Board of highly successful music industry experts which include award winning members of the artist, songwriter, publishing, legal, financial, recorded music and music management communities, all with in-depth knowledge of music publishing and access to a significant network of relationships in the music industry.

The Board has formed a Portfolio Committee which considers the recommendations of the Investment Adviser before granting its approval to purchase the Catalogues of Songs, as well as an Asset Management Committee which considers the ongoing management and revenue maximisation of the Catalogues of Songs. These committees are chaired by Mr Burger and Mr Sutch, respectively.

AIC

The Company is a member of the Association of Investment Companies, complies with the AIC Code and is the sole constituent of the AIC's "Royalties" Specialist Investment Trusts sector classification. The Company's page on the AIC's website is at

<https://www.theaic.co.uk/companydata/0P0001BL9D>

Website

The Company's website, which can be found at **www.hipgnosissongs.com**, includes information on the Company, such as its launch prospectus, past reports and accounts, policies, media coverage and regulatory news announcements.

Advice to Shareholders

In recent years investment related scams have become increasingly sophisticated and difficult to spot. We are therefore warning all our Shareholders to be cautious so that they can protect themselves and spot the warning signs.

Fraudsters will often:

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they are only making the offer available to you
- ask you to not tell anyone else about it

You can avoid investment scams by:

- **Rejecting unexpected offers** – Scammers usually cold call but contact can also come by email, post, word of mouth or at a seminar. If you have been offered an investment out of the blue, chances are it's a high-risk investment or a scam.
- **Checking the FCA Warning List** – Use the FCA Warning List to check the risks of a potential investment. You can also search to see if the firm is known to be operating without proper FCA authorisation.
- **Getting impartial advice** – Before investing get impartial advice and don't use an adviser from the firm that contacted you. If you are suspicious, report it
 - You can report the firm or scam to the FCA by contacting their Consumer Helpline on **0800 111 6768** or using their online reporting form.
 - If you have lost money in a scam, contact **Action Fraud** on 0300 123 2040 or **www.actionfraud.police.uk**. For further helpful information about investment scams and how to avoid them please visit **www.fca.org.uk/scamsmart**.

Cautionary Statement

The Chair's Statement, the Investment Adviser's Report and the Report of the Directors have been prepared solely to provide additional information for shareholders to assess the Company's strategies and the potential for those strategies to succeed. These should not be relied on by any other party or for any other purpose.

The Chair's Statement, Investment Adviser's Report and the Report of the Directors may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology.

These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors and the Investment Adviser, concerning, amongst other things, the investment objectives and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, and distribution policy of the Company and the markets in which it invests.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance.

The Company's actual investment performance, results of operations, financial condition, liquidity, distribution policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document.

Subject to their legal and regulatory obligations, the Directors and the Investment Adviser expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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Further information available online: **www.hipgnosisongs.com**

REMINDER

what happened to us?



#blacklivesmatter
#antiracist



All The Small Things • Electricity • **Come And Get It** • I Predict A Riot • **Disturbia** • Mercy •
Not Giving In • Getaway Car • **Scared To Be Lonely** • Grenade • **All Of The Stars** • Slave To
The Rhythm • **Payphone** • Yeah • **The Lazy Song** • Don't Let Go (Love) • **Barcelona** • Honest
• **Me, Myself & I** • It Will Rain • **Blue Jeans** • Maps • **They Don't Know** • Would I Lie To You? •
Flatliner • New Year's Day • **Perfect** • Places Sisters Are Doin' It For Themselves • **Xo** • With You
• **Good Times** • Lonely Together • **Freaky Friday** • Dress • **Runnin' (Lose It All)** • Changing •
Diva • Somebody • **One Last Time** • Waterfalls • **Liability** • I'll Be There For You • **If You Know,
You Know** • This Is Why We Can't Have Nice Things • **Out Of The Woods** • Somewhere On
A Beach • **Count On Me** • Just Give Me A Reason • **Don't Be So Hard On Yourself** • Nervous •
Someone To You • Sign Of The Times • **Supercut** • Even So Come • **Soundtrack 2 My Life**
• Unknown (To You) • **I Miss You** • Run The World (Girls) • **All Of The Lights** • You Make It Easy •
Bad Medicine • Love On Top • **Cheating** • Fallin' All In You • **As You Are** • Don't Come Around
Here No More • **Younga** • Dance For You • **Thorn In My Side** • Lay Your Hands On Me • **It Won't
Kill Ya** • Fake Love • **Something
Big** • Hunger • **Where Are U Now**
• Love • **The Same Power** •
Open Up The Heavens • **Birthday
Cake** • **Stereo Hearts** • Setting
Fires • How Can It Be • **Black
Magic** • **Swish Swish** • Here's My
Heart • Green Onions • **Life Of
The Party** • **everytime** • Feel The
Love • Holy Grail • **Arrow** • Head
Held High • **Born To Be My
Baby** • Company • **Obsessed** •
• Fuck You • **Say Amen (Saturday Night)** • Young Girls • **Polaroid** • History • **Touch My Body** •
Been You • **Bloodline** • Miracle Of Love • **Would You Ever** • Yo (Excuse Me Missy) • **Mariners
Apartment Complex** • I'm Coming Out • **You And I** • We Can Do Better • **Is That You Me** •
Because He Lives (Amen) • **Me And My Broken Heart** • Wasted Times • **Be Without You** • Chicks
• **The Lord Our God** • Beautiful Pain • **Girl Like You** • Ruby • **Nothin' On You** • Follow Your Fire •
All Loved Up • Empress • **Better Life** • Flame • **Not In That Way** • Shed A Light • **Get Ur Freak
On** • Million Reasons • **End Of Time** • Billionaire • **Don't** • bad idea • **My Story** • Raise Your
Hands • **Strawberries & Cigarettes** • Think Before I Talk • **Night Changes** • Ascension (Don't
Ever Wonder) • **Purpose** • Who Says You Can't Go Home • **Kiss The Sky** • Feel The Love •
Talking To The Moon • Baby, You Make Me Crazy • **Sexy Bitch** • Run It! • **Nina** • Sky Full Of Song
• **Ride** • Ghostin • **Partition** • Wings • **Be the Man** • King of the Clouds • **2 Phones** • 1+1 •
Chain Breaker • Lovin', Touchin', Squeezin' • **The Fire** • Get Used To It • **Two Weeks** • We Belong
Together • **Dangerous** • Afire Love • **Drops In The Ocean** • Ask The Lonely • **God With Us** •



HIPGNOSIS SONGS FUND

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