

ROUND  
HILL  
MUSIC

ROYALTY  
FUND  
LIMITED

Round Hill Music Royalty Fund Limited Annual Report 2021

# ROUND HILL MUSIC ROYALTY FUND LIMITED

Annual Report

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

# MUSIC ROYALTIES WITH A PROVEN TRACK RECORD

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Defined terms used throughout this Annual Report have the meanings given in the Glossary unless the context otherwise requires.

In addition, the Alternative Performance Measures provide explanations for certain terms used in this Annual Report.

# HIGHLIGHTS

ECONOMIC NAV<sup>1</sup>

**US\$459.7m**

TOTAL DIVIDENDS PER  
ORDINARY SHARE<sup>2</sup>

**US\$0.045**

ECONOMIC NAV PER ORDINARY  
SHARE<sup>1</sup>

**US\$1.12**

IFRS NAV PER ORDINARY SHARE<sup>1</sup>

**US\$0.95**

ORDINARY SHARE PRICE<sup>4</sup>

**US\$1.06**

ORDINARY SHARE PRICE PREMIUM/  
(DISCOUNT) TO ECONOMIC NAV<sup>3,4</sup>

**(5.1%)**

ORDINARY SHARE PRICE TOTAL  
RETURN<sup>4,5</sup>

**9.3%**

ORDINARY SHARE NAV  
TOTAL RETURN<sup>4,6</sup>

**17.6%**

ECONOMIC NAV PER C SHARE<sup>1</sup>

**US\$1.03**

IFRS NAV PER C SHARE<sup>1</sup>

**US\$0.97**

C SHARE PRICE<sup>4</sup>

**US\$0.96**

C SHARE PRICE PREMIUM /  
(DISCOUNT) TO ECONOMIC NAV<sup>3,4</sup>

**(6.8%)**

C SHARE PRICE TOTAL RETURN<sup>7</sup>

**(4.0%)**

C SHARE NAV TOTAL RETURN<sup>8</sup>

**5.1%**

1 The Directors are of the opinion that an Economic NAV provides a meaningful alternative performance measure and the values of Catalogues are based on fair values produced by an independent valuer, Citrin Cooperman (incorporating Massarsky Consulting, Inc.). This figure is as at 31 December 2021.

2 Total Dividend per Ordinary Share paid in respect of the period, including payment made post year end.

3 This figure represents the % variance between the listed share price and the Economic Net Asset Value.

4 This figure is sourced from Bloomberg as at 31 December 2021.

5 A measure showing how the Ordinary Share price has performed over a period of time (in this case from Initial Admission on 13 November 2020 to 31 December 2021, taking into account the appreciation in the share price and dividends paid to holders of Ordinary Shares).

6 A measure showing how the NAV per Ordinary Share has performed over a period of time (in this case from Initial Admission on 13 November 2020 to 31 December 2021, taking into account the reinvestment of any dividends or capital gain distributions paid to holders of Ordinary Shares).

7 A measure showing how the C Share price has performed over a period of time (in this case from Admission on 20 July 2021 to 31 December 2021, taking into account the appreciation in the share price and dividends paid to holders of C Shares).

8 A measure showing how the NAV per C Share has performed over a period of time (in this case from Admission on 20 July 2021 to 31 December 2021, taking into account the reinvestment of any dividends or capital gain distributions paid to the holders of C Shares).



# CHAIRMAN'S STATEMENT



**TREVOR BOWEN**

**We are pleased to present Round Hill Music Royalty Fund Limited's first Annual Report since trading began on the Specialist Fund Segment of the London Stock Exchange.**

On behalf of the Board, I am pleased to present this first Annual Report for Round Hill Music Royalty Fund Limited (the "**Company**" and with its UK Subsidiaries the "**Group**") for the period of incorporation on 5 August 2020 to 31 December 2021 (the "**Annual Report**").

Following the Company's successful IPO on 13 November 2020, it raised further capital in December 2020, through the Placing Programme, with the net proceeds used to acquire the Pipeline Investments as detailed in the Prospectus. Using the Placing Programme, in June 2021, the Company raised additional funds through the issue of Ordinary Shares to Josh Gruss, the Founder and CEO of Round Hill Music LP ("**Round Hill**") and the Company's investment manager (the "**Investment Manager**"). In July 2021, the Company was able to go back to market to raise additional funds in a C Share placing, the net proceeds of which it has subsequently deployed. We are delighted to welcome such a broad range of Shareholders to Round Hill Music Royalty Fund Limited.

This Annual Report reviews the considerable progress the Company has made in constructing a well-diversified Portfolio of iconic music Copyrights, as well as the progress the music industry has made during 2021. Despite the challenging COVID-19 environment that continued through the past year, we remain very optimistic about the momentum behind the music industry and our Catalogues.

## **SHARE ISSUANCES**

On 11 November 2020, the Company announced it had successfully raised gross proceeds of US\$282,000,000 at IPO. It then announced a subsequent placing and raised a further US\$46,561,000 in December 2020, which ensured that the Company had sufficient capital, combined with its ability to utilise gearing, to acquire all of the Pipeline Investments from Round Hill Music Royalty Fund LP ("**Round Hill Fund One**"), as outlined further below.

On 7 June 2021, Josh Gruss, as a limited partner of Round Hill Fund One, invested some of his proceeds from the sale of the Pipeline Investments to acquire a further 2,000,000 Ordinary Shares at US\$1.00 per Ordinary Share, in line with terms set out in the Prospectus. This Ordinary Share issue was in addition to the 10,000,000 Ordinary Shares at US\$1.00 per Ordinary Share that Mr Gruss acquired at the IPO. I welcome this substantial investment by our Investment Manager in the Company.

In July 2021, the Company raised an additional US\$86,500,000 in a C Share placing against a minimum target of US\$50,000,000. This additional support was used to assist in the acquisition of near-term pipeline investments and to further the Company's ambition of investing in music Copyrights with proven track records.

## INVESTMENTS

On 2 February 2021, the Company announced the acquisition of the Pipeline Investments as detailed in the Prospectus by way of a two-step process. The first step comprised the acquisition of the assets of Round Hill Fund One, excluding its shareholding in RH Carlin Holdings LLC ("**Carlin**") (the "**First Investment**"), which was completed on 1 February 2021. The total cash consideration paid by the Company in respect of the First Investment was US\$281,860,320, which represented approximately 85% of the gross proceeds raised in the IPO and the December 2020 placing.

On 4 May 2021, the Board announced the completion, in April 2021, of the second step and the acquisition of a 29.14% interest in Carlin from Round Hill Fund One (the "**Second Investment**"). The consideration for both the First Investment and the Second Investment represented the underlying independent valuation of the Copyright assets as at 30 June 2020. At this point, the Company had successfully invested the capital raised in the IPO and its subsequent 2020 placing.

During the reporting period, with the work of the Investment Manager, the Company announced various acquisitions using the C Share proceeds.

In August 2021, the Company announced the acquisition of an interest in the publishing Catalogue of the prolific film score composer and Yes guitarist, Trevor Rabin. The acquisition included 3,528 film cues and songs by Trevor Rabin.

In September 2021, the Company announced the acquisitions of three Catalogues. The first was 100% of the master royalty income rights from Dennis Elliott to recordings from the first seven albums by Foreigner. Dennis Elliott was the original drummer of the rock group. The Group next acquired the recorded music income and

publishing rights to a 30-song Catalogue from Tim Palmer, an English record producer, guitarist and songwriter, providing exposure to Pearl Jam and Ozzy Osbourne. The third acquisition was of the master royalty income of 532 original recordings from The O'Jays.

It was an active end to the year with several transactions in the months of November and December. In November, the Company announced a long-term agreement to administer "100% the neighbouring rights" income from master recordings to 39 original recordings from three members of the British rock band, Supertramp. In December, the Company announced the acquisition of American country pop singer and songwriter Niko Moon's fractional interest in publishing Copyrights in 29 compositions. The producer royalties and neighbouring rights income to 308 recordings from producers Jack Richardson CM and Garth Richardson followed. An interest in the master recordings, including neighbouring rights royalties, and music publishing assets of the popular US reggae band, Rebelution, were also purchased in December. This deal was shared with a private fund managed by Round Hill. Finally, a significant share of the master artist royalties and an agreement to administer her neighbouring rights income were acquired from acclaimed singer, songwriter and Heart guitarist Nancy Wilson.

These acquisitions, up to the period end, took the Portfolio to 49 Catalogues (including the indirect interest in the Carlin Catalogue), comprising of more than 122,000 Songs.

Post the reporting period end, in January 2022, the Company announced the purchase of the publishing, master rights and master royalties from the Catalogue of British-American rock singer David Coverdale, as well as entering into a long-term agreement to administer his neighbouring rights income. In February, the Company announced the purchase of a significant majority of the publishing, masters and neighbouring rights in a Catalogue of 94 compositions and 159 recordings from all four members of the legendary rock band, Alice in Chains.

All acquisitions made by the Group post the identified Pipeline Investments were acquired using a mix of C Share fund raise proceeds and debt.

## CHAIRMAN'S STATEMENT CONTINUED

As announced by the Board on 11 February 2022, following the net proceeds of the C Shares placing having been fully invested, the Board determined that the calculation date for the conversion of the C Shares in issue into new Ordinary Shares would be by reference to the Economic NAV of the C Share pool and the Ordinary Share pool as at close of business on 29 April 2022, in accordance with the Articles. It is expected that dealings in the new Ordinary Shares will commence on 11 May 2022.

### SUSTAINABILITY / ESG

The Investment Manager and the Company's advisers have been engaging directly with certain Shareholders since the IPO about formulating the strategy and approach to its Environmental, Social and Governance policy ("ESG"). Further information can be found on page 11 of the Annual Report.

### UKRAINE

Following the escalation of the conflict between Ukraine and Russia in February 2022 and the related economic sanctions imposed by various governments, the Board of Directors of the Company are actively monitoring the situation and will assess any impact as it is deemed to arise. The impact of the war in Ukraine and subsequent humanitarian, economic and foreign policy developments continue to be reviewed by the Board and consideration is being given to how these combined events could impact current risks or create new risks.

The Board recognises that the overall impact of the conflict may not yet be apparent and does not underestimate the inevitable effect it will have on global financial markets including recent geopolitical concerns that are causing additional global market volatility. The Company, through its Investment Manager is represented in both Russia and Ukraine through Warner Chappell Music. In line with other major international music companies, Warner Music Group ("WMG") suspended its operations in Russia amidst the invasion of Ukraine. The Investment Manager is in close contact with WMG and the collection society network regarding actions and sanctions in the region at this difficult time the Investment Manager's income from Russia, Ukraine and other CIS territories does not represent a material proportion of total revenues. Therefore, as at the

date of approval of the Consolidated Financial Statements, based on its assessment of the current situation and information available, the Board does not envisage that this will have a material impact on the Company. However, it will continue to monitor the situation carefully.

### CONCLUSION

Given the robust global pipeline of notable artists and Catalogues being considered by the Investment Manager, the Board is considering its options to take advantage of these strong opportunities for the future benefit of Shareholders. The Board believes the Company is well placed for another successful year.

### REVOLVING CREDIT FACILITY

In April 2021, the Group entered into a new US\$82 million revolving credit facility (the "RCF"), provided by Truist Securities, Inc. ("Truist"). Subsequently, the Group was able to tap into an additional US\$28 million from the RCF at the period end, based on a leverage threshold of 25% Economic NAV, as set out in the Prospectus. As at 31 December 2021, the Company had approximately US\$82 million of cash on hand and circa US\$60 million of debt outstanding.

### PERFORMANCE

Since admission to trading on the Specialist Fund Segment ("SFS"), the Company's Ordinary Share price has traded consistently between US\$1.01 and US\$1.08. Since the inception of the C Shares on 20 July 2021, the C Share Price has traded consistently between US\$0.96 and US\$1.01. At 31 December 2021, the Economic Net Asset Value per Ordinary Share was US\$1.12 and the IFRS NAV per Ordinary Share was US\$0.95. As at December 31, 2021, the Economic Net Asset Value per C Share was US\$1.03 and the IFRS NAV per C Share was US\$0.97. Since IPO, the holders of Ordinary Shares have received an Economic NAV total return of 17.6% and an Ordinary Share price total return of 9.3%. Since the inception of the C Shares, the holders of C Shares have received an Economic NAV total return of 5.1% and a C Share price total return of -4.0% during the period. Since its launch in July 2021, no returns have been issued to the holders of C Shares. Any value returns generated on behalf of the C Shares holders for the period have been accrued within the Economic Net Asset Value per C Share.

## DIVIDENDS

The Company declared and paid three dividends in 2021, totalling US\$0.03 per Ordinary Share, paid in quarterly instalments, in respect of the first three quarters of its first financial period: US\$0.0075 per Ordinary Share in June 2021, US\$0.01125 per Ordinary Share in September 2021 and US\$0.01125 per Ordinary Share in December 2021. In March 2022, the Company paid a quarterly dividend of US\$0.015 per Ordinary Share. This dividend comprised US\$0.01125 per Ordinary Share for the quarter to 31 December 2021, together with a further dividend payment of US\$0.00375, being the balance payable for the initial quarterly dividend for the quarter to 31 March 2021. This ensured that holders of Ordinary Shares received the full annualised dividend of 4.5% of the Company's initial Issue Price of US\$1.00 for the period from Initial Admission to 31 December 2021.

## OUTLOOK

Despite the significant challenges that COVID-19 imposed on the live music industry, music consumption prevailed as a valuable resource of solace for the masses. According to the 2021 mid-year report of the Recording Industry Association of America ("**RIAA**"), recorded music revenues in the U.S. grew 27% during the first half of 2021 over the same period in 2020, indicating the industry is making a strong recovery from the pandemic. Streaming continues to experience significant growth globally, which accounted for 84% of all revenues and was up 26% year over year ("**YoY**"). The rapid growth in paid subscribers across music consumption platforms, new licensing deals with tech companies, and the easing of pandemic restrictions are just some of the major drivers behind the industry's positive momentum.

While the period ended with the Omicron variant restoring pandemic restrictions across many cities globally, various factors indicated less of a cause for concern compared to prior waves. Nevertheless, the new variant was an important reminder of the uncertain backdrop that still exists.

Over the course of 2021, the volume of catalogues sold by major artists reflected the increased appetite for the music intellectual property rights asset class and garnered much attention on the music industry. Looking ahead, the Investment Manager has identified a strong near-term pipeline of investment opportunities which includes music publishing, master recordings and neighbouring rights from various iconic artists, songwriters and producers.

The Board and the Investment Manager will continue to work towards ensuring the implementation and successful execution of the Company's investment strategy to deliver strong returns for Shareholders. I would like to thank our Shareholders, my Co-Directors, our Investment Manager and our many partners for their continued support.

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### Trevor Bowen

Chairman

27 April 2022



# LETTER FROM THE CEO OF THE INVESTMENT MANAGER



**JOSH GRUSS**

**This report marks the initial steps towards the Investment Manager's ultimate goal of developing reliable, consistent, growing cash flow streams for the Group from a diversified portfolio of music royalties.**

It is with great pleasure that we, the Investment Manager, present to you our first annual report for the Company as a publicly traded investment company on the London Stock Exchange. During the period to 31 December 2021, the Group acquired close to US\$400 million of high-quality music rights with a further US\$94.6 million having been acquired post the period in review. The Group's acquisition of the assets of Round Hill Fund One established a solid foundation of songs and recordings with steady cash flows for the Group to build on for the future and a diversified Portfolio of 49 Catalogues ranging from Motown to Bruno Mars and Kiss. The Group quickly followed with the 29.14% stake in the esteemed Carlin Catalogue which is steeped in music publishing history, boasting timeless hits from Louis Armstrong, Meatloaf and Bonnie Tyler.

During the second half of 2021, the Investment Manager added even more incredible rights to the Group's Portfolio with hits from Yes, Pearl Jam, Supertramp, Rebelution, The O'Jays, Rage Against The Machine, Heart, Deep Purple, Foreigner and Zack Brown Band, as well as the score music to feature films such as "Armageddon", "Remember The Titans", "Bad Boys II" and "National Treasure" via the Trevor Rabin deal. These deals followed the Investment Manager's mantra of buying older time-tested copyrights, which are diversified by income type and genre. These catalogues provide a diversified mix of publishing, master recordings, artist royalties and neighbouring rights. Songs that are proven and time-tested, with a steady and growing set of cash flows. We acquired them for the Group, responsibly looking after Shareholder value with an average multiple of 17.9x 2018-2020 Net Publisher's Share ("**NPS**"), significantly below the market average multiple of 20x for repertoire of this vintage.

As the market becomes more competitive with companies vying for music publishing assets, we are striving to acquire for the Group more recordings and neighbouring rights, which we feel have less competition and more growth potential than publishing. Recordings and neighbouring rights assets in the Group grew 11% YoY in 2021, which is much higher growth than music publishing, and these assets can be bought at more favourable valuations.



We are also investing in our team so we can have more services that allow the Investment Manager to add further value to the Group's rights and be a more attractive partner to songwriters and artists. Total employees at the Investment Manager now stand at 68 people, with the main base in Nashville, a city which has become the heart of the music business in North America, and our other offices in London, Los Angeles and New York. We have also added Steve Clark, our fantastic COO, and Neitra Scott, Head Of Human Resources. Our Recordings team, led by Joe Calitri, grew from two to ten employees in the last two years; and our Neighbouring rights team is led by Roisin Brophy, formerly of PPL (Phonographic Performance Limited), in our Sound Hill division. We have several people dedicated to finding Catalogue opportunities and have a thriving ratio of qualified creative synchronisation staff to the size of our repertoire that exceeds many of our competitors.

We are constantly evaluating the market to stay ahead of the curve by seeking out notable investment opportunities with future growth in mind. Data shows that investments in rock and older music are ahead of other opportunities. According to the 2021 report from Luminate (formerly MRC Data) global music consumption in older catalogues increased from 63% of total streams to 69%, a 6% increase in share of consumption. There was 19.3% YoY increase in consumption of catalogue music (18 months of older) in 2021. This is an acceleration of a trend we experienced during the first waves of COVID-19 lockdowns, as music fans turned to old favourites for nostalgic listening or became introduced to them for the first time through playlists, TikTok and other discovery vehicles.

Rock music consumption continues on its growth trajectory. Unlike much of the past decade, several notable 2021 Hot 100 hits featured prominent use of guitars, particularly electric – fuelled by a mainstream revival of late-'90s rock and early-2000s pop-punk, as many Gen Z listeners began discovering the era for the first time.

The influx of new Rock songs coupled with the continued popularity of classic catalogues (for example, Alice in Chains and David Coverdale) on streaming, helped Rock finish the year with a 12.2% increase in total global consumption – including a 12.4% lift in on-demand streams. Rock also overperforms heavily as a favourite genre in Latin America, Spain and France, where Western/English language rock, according to Luminate's 2021 report, is as popular as local rock, for example, in Colombia (65% vs. 58%) and Chile (78% vs. 71%).

As investment interest in the music space increases, the Investment Manager has no shortage of pipeline opportunities to consider. However, it is important to exercise discipline around valuation and sensible growth. With the Investment Manager exercising its discretion on behalf of the Group, it will not chase opportunities where valuations are either considered too high or they do not meet the rigorous quality criteria.

On behalf of the Investment Manager, I would like to thank all of the Company's Shareholders and the Board for a very successful inaugural year on the London Stock Exchange, and to the songwriters and artists whose output we represent.

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**Josh Gruss**

Founder and CEO of  
Round Hill Music L.P.  
27 April 2022

# COMPANY OVERVIEW

**The Company is a Guernsey company incorporated on 5 August 2020. It is domiciled in Guernsey and is tax resident in the United Kingdom. The Company is also registered with the Guernsey Financial Services Commission ("GFSC") as a closed-ended investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 2020 and the Registered Collective Investment Scheme Rules 2021.**

Pursuant to the Prospectus, comprising the Company's Prospectus dated 19 October 2020, as amended by the Supplementary Prospectus dated 3 November 2020, the Company offered its Ordinary Shares for issue by means of a placing and offer for subscription, raising US\$282.00 million through the issue of Ordinary Shares at the Issue Price of US\$1.00 each. The Company's Ordinary Shares were admitted to trading on the SFS of the London Stock Exchange on 13 November 2020.

On 16 December 2020, the Company announced it had raised a further US\$46.56 million from a placing of 46,100,000 Ordinary Shares which were admitted to trading on the SFS on 18 December 2020.

On 3 June 2021, the Company announced it had issued an additional 2,000,000 Ordinary Shares at an issue price of US\$1.00 per Ordinary Share, pursuant to a placing under the Placing Programme. These additional Ordinary Shares were admitted to trading on the SFS on 7 June 2021.

Subsequent to the interim period ended 30 June 2021, the Company successfully raised gross proceeds of US\$86.5 million pursuant to the placing of 86,500,000 C Shares at an issue price of US\$1.00 per C Share under the Placing Programme. The C Shares were admitted to trading on the SFS on 20 July 2021.

The Company's total issued share capital currently consists of 330,100,000 Ordinary Shares and 86,500,000 C Shares.

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





# INVESTMENT OBJECTIVE AND POLICY

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

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

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

The Company intends to invest in small to medium sized Catalogues (typically 100-1000 Copyrights) that are diversified by artist, genre, decade and royalty type. The Company also intends to invest predominantly in classic, older Copyrights with enduring appeal and which experience consistent usage. Such compositions have generally reached a steady state of earnings, are stabilised and not subject to the natural decline in earnings and value that typically occurs within the initial ten years of a composition's life.

Typically, the revenue generated by the Copyrights will comprise:

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

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

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

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

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

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

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

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

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

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

## INVESTMENT OBJECTIVE AND POLICY CONTINUED

### INVESTMENT RESTRICTIONS

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

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

### DIVIDEND POLICY

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

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

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

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

For the avoidance of doubt, the targets set out above shall not apply with respect to any tranche of C Shares prior to the conversion of the C Shares into Ordinary Shares.

Holders of any class of C Shares are entitled to participate in any dividends and other distributions of the Company as the Directors may resolve to pay to holders of that class of C Shares out of the assets attributable to that class of C Shares. However, in relation to the 86,500,000 C Shares issued by the Company in July 2021, the Directors do not envisage paying a dividend. All income attributable to the C Shares will be accrued and form part of the C Share net asset value for purposes of the C Share conversion calculation.

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

The Company's first dividend of US\$0.0075 per Ordinary Share, which did not include royalty income from the acquisition of the 29.14% interest in RH Carlin Holdings LLC, was announced on 24 May 2021 and fully paid by 10 June 2021. The second dividend of US\$0.01125 per Ordinary Share was announced on 20 August 2021 and paid by 6 September 2021. A third dividend of US\$0.01125 per Ordinary Share was announced on 18 November 2021 and paid by 6 December 2021. On 9 March 2022, the Company announced a quarterly dividend of US\$0.015 per Ordinary Share. This dividend comprised US\$0.01125 per Ordinary Share for the quarter to 31 December 2021, together with a further dividend payment of US\$0.00375, being the balance payable for the initial quarterly dividend for the quarter to 31 March 2021. This dividend was paid by 25 March 2022. This ensured that holders of Ordinary Shares received the full annualised dividend of 4.5% of the Company's initial Issue Price of US\$1.00 for the period from Initial Admission to 31 December 2021.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

## INTRODUCTION

### The Board recognises that Shareholders now have a growing interest in the ESG considerations resulting from a company's business.

The Investment Manager and the Company's advisers have been engaging directly with certain Shareholders since the IPO about formulating the strategy to ESG. As a result of these conversations, the largest Shareholders have recommended that the Company and the Investment Manager use North Peak Advisory, who are experts in this field. The Investment Manager has been working closely with North Peak Advisory, who have been tasked with carrying out a deep dive analysis of the Group and the Investment Manager over a number of meetings, with a view to documenting a clear policy on ESG for the Group. The Board looks forward to presenting this plan to Shareholders in due course. In the meantime, the Company and the Investment Manager are implementing various policies to take account of ESG considerations.

Some highlights of work undertaken so far are covered under the following headings.

## ENVIRONMENTAL

The Company will monitor its environmental foot-print (and that of its service providers) to ensure compliance with good practice. This will include monitoring of carbon emissions (particularly in relation to travel arrangements), energy efficiency and waste management.

Taking the three components of ESG, the Investment Manager will be monitoring its carbon emissions and energy efficiency, in particular. On the latter point, the Investment Manager moved into a new Nashville building in January 2022 and the office achieved a LEED (Leadership in Energy and Environmental Design) certification, that touches on the building's carbon, energy, water, waste, transportation, materials, health and indoor environmental quality. The Investment Manager replaced ageing electrical equipment to ensure reduced power consumption going forward.

The LEED scoring system looks at a wide range of attributes relating to climate change (35%), human health (20%), water resources (15%), biodiversity (10%), green economy (10%), community (5%) and natural resources (5%).

## SOCIAL

The Company believes that the manner in which it (and its service providers) interacts with people, its Shareholders, artists, songwriters, other wider stakeholders and the community at large are a good proxy for long term business success.

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

The Investment Manager has a Diversity, Equity and Inclusion ("DEI") Committee in addition to a Green Team. Both are comprised of senior staff members and non-management employees, with representation from every business unit. The Investment Manager aims to uphold the components of DEI firm-wide, through its recruitment and treatment of all members of staff.

Although the Investment Manager is not looking to formally seek PRI (Principles of Responsible Investing) accreditation at this time, it does strive towards offering fair payment as part of its investment strategy and will avoid investing in music assets where song lyrics are considered negatively controversial, inappropriate or derogatory in today's society.

Externally, the Investment Manager is already involved with the following initiatives:

- Ensuring its printed music licensees source their paper from sustainable, responsible sources, while committing to ensure the employees at any outsourced manufacturing plants are paid at minimum a living wage.
- Mentoring and training individuals who wish to pursue a career in the music industry through an internship programme.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY CONTINUED

- The Josh Gruss/Round Hill Music Endowed Scholarship Fund at Berklee College of Music, Boston, USA aids multiple students on an annual basis with financial assistance in pursuing music business/management degrees (and which received from Mr Gruss 931,272 Ordinary Shares of the 2,000,000 additional Ordinary Shares issued to him, under the Placing Programme, in June 2021).

### GOVERNANCE

The Company is committed to good governance disciplines including in respect of diversity, inclusiveness, transparent Shareholder communication and engagement, management of conflicts of interest and effective Board management and controls.

The Board has oversight of the business model and strategy of the Company. It meets at least four times a year and is responsible for the ongoing process of identifying, carrying out a robust assessment of, and managing and mitigating the principal and emerging risks and uncertainties faced by the Group.

The Investment Manager similarly takes governance responsibilities very seriously, leveraging external independent services from Blue River Partners LLC, additionally covering the area of compliance.

The Investment Manager has responsibility for implementing the Company's investment strategy, the discretionary management of the Group's investments and reporting to the Board. There are three relevant subcommittees at the Investment Management level which address ESG issues.

The risk, operations and compliance committee ensures risks are identified and control measures are put in place to mitigate the risk. The sustainability working group gives recommendations on ESG integration into the investment strategy and asset management throughout an asset's life. This includes appropriate ESG target setting, monitoring and reporting. The Investment Manager evaluates investment opportunities aligned with the Sustainable Development Goals, with the purpose of accelerating the energy transition towards a net zero carbon world. An external assurance consultant is used to advise on this project selection following a robust due diligence process.

# INVESTMENT MANAGER'S REPORT: PORTFOLIO OVERVIEW

As at the period end, the Group's Portfolio comprised 49 Catalogues, consisting of over 122,000 songs. Having made 12 acquisitions over the course of the period, the Group made substantial progress in deploying capital to acquire a variety of music rights in high quality Catalogues across genres, vintages, and income composition.

## LIST OF CATALOGUES, AS AT 31 DECEMBER 2021

1	Adage V	18	Florida Georgia Line	35	Steven Chamberlin
2	Al Anderson	19	Gerald Marks	36	Supertramp
3	Andreas Carlsson	20	GIL-GPS	37	Suzy McNeil
4	Arthouse	21	Howie Day	38	Ted Nugent
5	Big Loud Shirt	22	Jani Lane	39	Tesla
6	Big Tractor	23	Jimmy Robbins	40	The Offspring
7	Bob DiPiero	24	Josh Kear	41	The O'Jays
8	Bosshouse	25	Kid Rock Writers	42	The Richardsons
9	Bush Masters	26	Lou Yoelin	43	Tim Palmer
10	Calvin Lewis	27	Marti Frederiksen	44	Toby Keith
11	Carlin	28	Monty Criswell	45	Trevor Rabin
12	Charlie Midnight	29	Nancy Wilson	46	Triumph
13	Chris Tompkins	30	Niko Moon	47	Vinnie Vincent
14	Dennis Elliott	31	Pressman Films	48	Wade Kirby
15	Eddie Holland	32	Rebution	49	What A Wonderful World
16	Eddie Schwartz	33	Root 49		
17	Eric Carmen	34	Spacehog		

## INVESTMENT MANAGER'S REPORT: PORTFOLIO OVERVIEW CONTINUED

### FIRST INVESTMENT PORTFOLIO OVERVIEW

Catalogue	Overview
<b>Adage V</b>	The Adage V Catalogue includes a range of 315 classic songs and writers from the 1960s to the 2010s. The Catalogue features a mix of jazz and R&B standards from Miles Davis, Ann Peebles, and Chris Kenner. Also incorporated in the collection are 5,200 themes and cues from popular children's TV programmes including "Pokémon", "Yugioh", and "Sonic X", which position the Portfolio to benefit from the continued expansion of television performance income.
<b>Admin/Co-Pub</b>	The Admin/Co-Pub Catalogue consists of 72 individual administration contracts and co-publishing contracts between US\$1,000 and US\$1,000,000. Co-publishing agreements are contracts whereby the writer sells half of the publishing to the Company for an advance. The administration agreements are long term agreements whereby the Company does not own the underlying copyrights but the Investment Manager collects administration fees of around 10% to 20% of the copyrights' royalty income.
<b>Al Anderson</b>	The Al Anderson Catalogue is comprised of Al Anderson's publisher and writer's share in the Zac Brown Band's No. 1 song, "Loving You Easy". Between 1971 and the early 1990s, Anderson was the lead guitarist in the popular rock band, NRBQ. Around the 1990s, Al pivoted to country music, writing hit songs for artists including Carlene Carter, Vince Gill, Diamond Rio, and Tim McGraw's No.1 hit, "The Cowboy in Me". "Loving You Easy" was recorded by the Zac Brown Band in 2015 and achieved No.1 on Billboard's U.S. Country Airplay in August of 2015.
<b>Andreas Carlsson</b>	The Andreas Carlsson Catalogue includes hits of the 1990s and 2000s by artists including Britney Spears, Celine Dion, Katy Perry, Carrie Underwood and Bon Jovi. Featured in the collection of 402 songs are "Bye Bye Bye", "Waking Up In Vegas", "Inside Your Heaven", and "I Want It That Way", which was famously named a top 10 pop song of all time by Rolling Stone Magazine. The Group acquired both the publisher's and writer's share of the copyrights and the deal also includes administrative control over a significant proportion of the Catalogue.
<b>Arthouse</b>	The Arthouse Catalogue features 176 Grammy-award winning and contemporary songs from the 2010s, including several No. 1 hit charting songs. The Group holds 100% of administration and publishing rights to the Catalogue. Hit songs in the Arthouse Catalogue from artists like Bruno Mars, Cee Lo Green, Carrie Underwood and Katy Perry have proved to sustain their popularity well beyond their release year. The collection of songs in this portfolio represents a range of cultural anthems from this decade.
<b>Big Loud Shirt</b>	The Big Loud Shirt Catalogue is a collection of 7,000 modern country songs, including 100% of the administration rights and 50% of the publishing rights to these tracks. Over 50 No.1 Country singles are prominently featured in this Catalogue, including "Blown Away", "Before He Cheats", and "Live Like You Were Dying". Also included are top country songwriters like Rodney Clawson, Chris Tompkins, Craig Wiseman, Matt Dragstrem. This extremely high quality catalogue of country songs provides increasing synchronisation potential as the genre continues to grow in popularity.
<b>Big Tractor</b>	The Big Tractor Catalogue is a collection of classic country hits of the 2000s, featuring both well-known and up-and-coming artists. Hits in this Catalogue include "I Saw God Today" by George Strait and "Amazed" by Lonestar, in addition to newly released singles by Blake Shelton and Hunter Hayes. "Amazed" is one of only two country songs that have reached Billboards #1 Hot 100 (Pop Chart).
<b>Bob DiPiero</b>	The Bob DiPiero Catalogue includes 230 country songs from the 2000s. DiPiero has written 15 U.S. No.1 hits and countless top 20 hits for the likes of Tim McGraw, Faith Hill, The Oak Ridge Boys, Highway 101 and Restless Heart. Featured in the Catalogue is the song "I Love This Bar", which climbed to No.1 on the country charts in the autumn of 2003 and sustained its position for five weeks.



## FIRST INVESTMENT PORTFOLIO OVERVIEW - CONTINUED

Catalogue	Overview
<b>Bosshouse</b>	The Bosshouse Catalogue is a music production library comprising of musical works, masters, and compilations. The acquisition was attractive to the Investment Manager because of the diversity that the music library provided and the connectivity of the composers to the television community. Bosshouse and Transphonic, its artist label, have secured thousands of song placements across television, film, advertising, video games and trailers. In addition to diversity, the Catalogue provides the Group with the ability to co-own rights to future songs through a joint venture.
<b>Bush Masters</b>	The Bush Masters Catalogue features 57 hard rock hits from the 1990s. Nirvana tracks like "Glycerine", "Everything Zen", and "Machinehead" are included in the collection. The Investment Manager worked with Bush's lead singer Gavin Rossdale to acquire the Catalogue from the former record company, Kirtland Records. The Group acquired a 50% ownership stake and administrative and master recording control of 100% of the Bush Masters Catalogue. Additionally, the Catalogue was acquired at the beginning of the 15th anniversary of the release of "Sixteen Stone", which was Bush's seminal album.
<b>Calvin Lewis</b>	The Calvin Lewis Catalogue contains iconic songs from the 1960s and features the rights to the hit song "When a Man Loves a Woman". This track has gone on to be recorded by artists including Marvin Gaye, Percy Sledge, Michael Bolton, and Art Garfunkel, among many others. The song was named the 54th most popular song of all time by Rolling Stones Magazine.
<b>Charlie Midnight</b>	The Charlie Midnight Catalogue of 608 songs features hits by well-known artists including James Brown, Joni Mitchell, The Doobie Brothers, Britney Spears, Seal, Billy Joel, Barbra Streisand, and Christina Aguilera. Charlie Midnight is a Grammy-nominated record producer and songwriter and has also been nominated for two Golden Globes. Midnight has produced and written songs for more than 30 films, including classics like Rocky IV and The Bodyguard. The acquisition of this catalogue included partial administration rights and 100% publishing rights to its contents.
<b>Chris Tompkins</b>	Country singer, Chris Tompkins, has penned some of the biggest country hits of the 2010s. The Chris Tompkins Catalogue contains 156 country music hits, including Tompkins' song, "Before He Cheats" by Carrie Underwood, which dominated the country charts in 2006. The song went on to achieve No.1 on every country chart and held its position for five consecutive weeks and achieved ASCAP Song of the Year in 2007, Country Song of the Year at the 2008 Grammys and was the first country song to have over two million digital downloads. Chris Tompkins achieved multiple other No.1 singles including Chris Young's "Voices", Luke Bryan's "Drunk On You", and Dierks Bentley's "Drunk On a Plane".
<b>Eddie Holland</b>	Comprised of over 300 of the 1960s biggest Motown hit singles, the Eddie Holland Catalogue showcases some of the decade's most recognisable songs. Eddie Holland was a part of the "Holland-Dozier-Holland" song writing team responsible for writing many of the songs that defined the Motown sounds at the time. The collection contains 25 No.1 hit singles, including "(Love Is Like A) Heat Wave", by Martha & the Vandellas, "How Sweet It Is (To Be Loved By You)", "Baby Love", "Stop! In the Name of Love", and "You Keep Me Hangin' On" by the Supremes. In addition to the original Motown artists, legends like Rod Stewart, James Taylor and Phil Collins have recorded their versions of these songs.
<b>Eddie Schwartz</b>	The Eddie Schwartz Catalogue contains the pop song of the 1980s, "Hit Me With Your Best Shot". In August of 2015, all United States copyright rights in the composition "Hit Me With Your Best Shot" granted to ATV Music Publishing were terminated and reverted to the song writer, Eddie Schwartz. The song sold well over a million copies in the U.S., achieving a gold certification by the Recording Industry Association of America. The song is one of Pat Benatar's most recognisable and continues to generate steady historical earnings.

**INVESTMENT MANAGER'S REPORT: PORTFOLIO OVERVIEW  
CONTINUED**

**FIRST INVESTMENT PORTFOLIO OVERVIEW - CONTINUED**

Catalogue	Overview
<b>Eric Carmen</b>	Featuring 152 classic pop songs of the 1970s and 1980s, the Eric Carmen Catalogue showcases the iconic tracks of the world renown singer, songwriter, guitarist and keyboard player. Carmen's band, the Raspberries, had a number one million selling hit called "Go All The Way", which appeared on the multiplatinum soundtrack to the film "Guardians Of The Galaxy". Following his career with the Raspberries, Eric went off on his own and produced world-wide hits like "Never Gonna Fall In Love Again", "She Did It", "Hungry Eyes", "Make Me Lose Control", and "All By Myself". "All By Myself" was also brought to new worldwide audience when Celine Dion recorded it in 1997.
<b>Florida Georgia Line</b>	Formed in 2010 in Nashville, Florida Georgia Line is one of the most successful American country acts, featuring the duo Brian Kelley and Tyler Hubbard. The Florida Georgia Line Catalogue includes 53 of their songs, including "Cruise", which is recognised as one of the best performing country songs of all time, having amassed over 10 million downloads. Other notable songs include "Get Your Shine On", "Round Here", and "This Is How We Roll".
<b>Gerald Marks</b>	Containing 333 songs spanning from 1940s jazz to Christmas songs, the Gerald Marks Catalogue demonstrates the value that timeless classics continue to generate decades later. Round Hill acquired both the publisher's and writer's share of the copyrights at a discount back in June of 2011 and includes titles by some of the most influential jazz performers like Louis Armstrong, Earl Hines, Fats Waller, and Oscar Peterson. The Catalogue also features the jazz standard "All of Me", which has been recorded by iconic artists including Ella Fitzgerald, Frank Sinatra, and Billie Holiday.
<b>GIL / GPS</b>	The GIL / GPS Catalogue of 446 songs consists of iconic classic rock songs from legendary artists like the Rolling Stones, Otis Redding, Patti Page, Pat Boone and Ricky Nelson. Having been acquired from a very old, family-run publisher in New York, the upside potential from increase active administration and management is significant.
<b>Howie Day</b>	The Howie Day Catalogue includes the royalty income stream from master recordings of 100 of Howie Day's work. The collection features hit song "Collide", which hit No.7 on Billboard Adult Top 40 charts in 2004. Because the Catalogue was acquired out of personal bankruptcy proceedings, there is an opportunity for substantial value and upside for the Group.
<b>Jani Lane</b>	The Jani Lane Catalogue includes 53 tracks from the American recording artist, songwriter, and lead vocalist for the rock band Warrant. The band went on to sell over 10 million records and toured for millions of fans during the 1980s and 1990s, amassing a loyal following throughout the years. While Warrant produced several successful hits, eight of their songs were top 40 Billboard hits, "Cherry Pie", "I Saw Red", "Uncle Tom's Cabin", "Blind Faith", "Heaven", "Down Boys", "Big Talk", and "Sometimes She Cries".
<b>Jimmy Robbins</b>	The Jimmy Robbins Catalogue includes 145 country tracks of the 2010s by one of Nashville's top writers, Jimmy Robbins. In 2014, Robbins won a CMA Triple Play award for having three No.1 songs in a 12-month period, as well as winning ASCAP Country Song of the Year for Thomas Rhett's "It Goes Like This". Throughout his career, Jimmy has written songs for several country heavyweights like Luke Bryan, Kelly Clarkson, Lady A, and Keith Urban. His song "Gonna Wanna Tonight" was the 10th most played song on Country radio in 2015.

## FIRST INVESTMENT PORTFOLIO OVERVIEW - CONTINUED

Catalogue	Overview
<b>Josh Kear</b>	The Josh Kear Catalogue is a portfolio of 148 country-pop songs of the 2010s. Nashville based songwriter, Josh Kear, is widely regarded as one of the genre's most consistent hit makers. He has spent nearly 17 years writing for the independent powerhouse, Big Yellow Dog Music. In 2007, Kear had his breakthrough number one song with Carrie Underwood's massive hit, "Before He Cheats", which spent five weeks at the top of the charts. In November of 2014, Josh celebrated his 10th number one song "Neon Light" by country superstar, Blake Shelton. This acquisition adds to the Company's existing shares of some of the biggest country and pop hits, helping the Investment Manager in terms of licensing larger shares.
<b>Kid Rock Writers</b>	28 hard rock songs of the 1990s from the popular artist Kid Rock make up the Kid Rock Writers Catalogue. Jason Krause, the lead guitarist, and James Trombley, the organ player in Kid Rock's band helped to co-write the songs in this Catalogue. The collection consists primarily of songs from Kid Rock's popular album, "Devil without a Cause", which has sold over 15 million albums across the globe. Also included in the Catalogue are hit songs from Uncle Kracker and several blues songs by the late singer R.I. Burnside. Partial administration and 100% of publishing rights were acquired ahead of the 15-year anniversary of Kid Rock's breakthrough album.
<b>Louis Yoelin</b>	The Louis Yoelin Catalogue includes 4,500 production music library cues by composer and songwriter, Louis Yoelin. The acquisition of this Catalogue of high-quality cues to television and film helped to enhance the Group's Bosshouse production music library.
<b>Marti Frederiksen</b>	The Catalogue of Marti Frederiksen, an award-winning songwriter and producer, features rock songs of the 2000s and 2010s by iconic artists like Aerosmith, Daughtry, Def Leppard, Fuel, Mötley Crüe, Ozzy Osbourne, and Foreigner. Popular songs to highlight include "Jaded" by Aerosmith, "Sick" by Adelitas Way, "Undo It" and "Mama's Song" by Carrie Underwood, "Love Remains the Same" by Gavin Rossdale, and "Crawling Back to You" by Daughtry.
<b>Monty Criswell</b>	Following the Big Tractor Catalogue acquisition, Monty Criswell wanted to sell his entire copyright ownership and royalty interests in the songs written by him under contracts with Big Tractor Music. The Monty Criswell Catalogue comprises of around 192 demoed songs, of which 28 have been cut. Many of the uncut but demoed compositions are street ready for continued exploitation. Songs in the Catalogue have been recorded by major artists like Darius Rucker, George Strait, Chris Young, Gretchen Wilson and James Wesley.
<b>Pressman Films</b>	The Pressman Films Catalogue comprises 142 film themes and cues of the 2010s. Included in the collection is the film cue featured in "The Man Who Knew Infinity" which is a 2015 British biographical drama film about the mathematician, Srinivasa Ramanujan. The Company's long-standing songwriter, Coby Brown, was the film's composer.
<b>Root 49</b>	Comprising of over 630 country songs of the 2010s, the Root 49 Catalogue features hits written for Jason Aldean, Tim McGraw, Chris Cagle, and Gary Allan. Some of the talented songwriters included in the Catalogue are Bridgette Tatum, Danny Myrick, and Odie Blackmon. The Investment Manager originally acquired the Catalogue at a discount due to the distressed nature of the previous owner and the Group holds 100% of both administration and publishing rights.
<b>Spacehog</b>	The Spacehog Catalogue includes all of the songs from the band, Spacehog. The Group holds the publishing and the master recordings rights to this collection, allowing the Investment Manager to be the "one stop shop" from licensing to synchronisation. Prominently featured in the Catalogue is the song "In the Meantime", which hit the top of the Billboard charts in the early 1990s. The Group holds the rights to the master recordings of this famous song, which has been used in several popular video games like Guitar Hero and Rock Band. At the time of the acquisition, the seller lacked the administrative capabilities to collect publishing royalties internationally, thus providing enhanced revenue potential.

**INVESTMENT MANAGER'S REPORT: PORTFOLIO OVERVIEW  
CONTINUED**

**FIRST INVESTMENT PORTFOLIO OVERVIEW - CONTINUED**

Catalogue	Overview
<b>Steven Chamberlin</b>	Included in the Steven Chamberlin Catalogue are 23 songs from the hit hard rock band, Warrant. The seller, Steve Chamberlin, was the original drummer for the two-time platinum band that produced songs such as "Heaven", "Cherry Pie", and "Down Boys". These three major songs charted No. 2, No. 10, and No. 27 on Billboard Hot 100, respectively.
<b>Suzie McNeil</b>	The Suzie McNeil Catalogue includes both the writer and publisher shares of Canadian pop rock singer and songwriter, Suzie McNeil. Suzie pursued a solo music career and released her debut album "Broken & Beautiful" in April of 2007. In 2014 she teamed up with Elisha Hoffman, Rebecca Lynn Howard, and Marti Frederiksen to form the country rock quartet, Loving Mary. The Catalogue features 21 rock songs of the 2000s.
<b>Ted Nugent</b>	The Ted Nugent Catalogue contains 100% of the administration and publishing rights to 154 classic rock songs from the singer songwriter of the 1970s, Ted Nugent. Several of his albums produced rock anthems and classic rock radio staples including "Hey Baby", "Stranglehold", "Dog Eat Dog", and the worldwide smash, "Cat Scratch Fever". Following his solo career, Nugent joined the supergroup, Damn Yankees, which included stars from bands such as Night Ranger and Styx.
<b>Tesla</b>	The Tesla Catalogue contains all of Tesla's biggest hits spanning the last 30 years and includes songs like "Love Song", "Modern Day Cowboy", "Getting's Better", and "Comin' Atcha Live". Tesla has sold over 14 million albums in the U.S. and has had several charting hits like "Love Song", which reached No.10 on the Billboard Hot 100 and "Modern Day Cowboy", which reached No.35 on the Mainstream Rock Charts.
<b>The Offspring</b>	The Offspring Catalogue includes 100% of the administration, publishing and master's rights to 135 songs of the iconic rock band, the Offspring. The band has sold over 40 million albums globally and are considered one of the best-selling punk rock bands of all time. Their album "Smash" was released in 1994 and went on to become their most successful album, fuelled by songs like "Come Out and Play", "Self Esteem" and "Gotta Get Away". "Smash" set an all-time record for most units sold by an independent label band at 16 million records and continued to sell consistently well in the twenty-one years since its release. It has been certified 6x Platinum in the U.S. The acquisition of this Catalogue includes all of their publishing and master recordings, except for their release on Epitaph Records.
<b>Toby Keith</b>	The Toby Keith Catalogue is comprised of 126 country songs of the 2000s. Featured in the Catalogue is the song "I Love This Bar", which reached No.1 on the country charts in 2003 and held its position for five weeks. The song sold over one million downloads and is the song that inspired a chain of restaurants owned by Toby Keith called, "Toby Keith's I Love This Bar & Restaurant".
<b>Triumph</b>	Containing the master's rights to 170 classic rock master recordings from the 1970s and 1980s, the Triumph Catalogue features several hits from the Canadian rock band. The band, Triumph, is best known for its guitar-driven rock songs and alternative Canadian rock trio vibe with songs like "Lay It on the Line", "Magic Power", and "Fight the Good Fight". Guitar and vocalist, Rik Emmett, became a world class rock guitar hero and graced the cover of many trades, including Guitar Player and Rolling Stones.
<b>Vinnie Vincent</b>	The Company acquired both the publisher's and writer's share of the copyrights to the Vinnie Vincent Catalogue from Kiss band member, Vincent Cusano. The Catalogue contains 25 hit songs from the legendary rock band of the 1980's, Kiss. This Catalogue experiences significant income when Kiss is touring.
<b>Wade Kirby</b>	The Wade Kirby album is made up of 80 country songs of the 2010s. The Company became acquainted with the hit songwriter, Wade Kirby, through its acquisition of the Big Tractor Catalogue. Kirby's songwriting credits include cuts and singles by George Strait, Blake Shelton, Jason Aldean, Faith Hill, Darius Rucker, and Cole Swindell. He also co-wrote George Strait's No.1 song "I Saw God Today", Blake Shelton's No.1 song "Doin' What She Likes", and Easton Corbin's "All Over The Road".



## SECOND INVESTMENT: CARLIN CATALOGUE

**The Carlin Catalogue is widely considered to be one of the highest quality independently owned music publishing catalogues in existence and has truly become a cornerstone of the Group's assets.**

Carlin Music was founded in 1966 by music industry icon, Freddy Bienstock, and scaled its catalogue over time through various acquisitions. These notable acquisitions include Belinda Music, TM Music/Faithful Virtue Music (which published the songs by Bobby Darin, Tim Hardin and John Sebastian), the music publishing interests of The New York Times, Edward B. Marks Music Co. (publishers of Billie Holiday, Ernesto Lecuona, and Jim Steinman), and many more.

The Bienstock family owned and operated Carlin Music for more than 50 years, expanding the Catalogue's diverse collection to more than 100,000 songs.

In April of 2021, the Company, through a wholly owned subsidiary, acquired a 29.14% minority equity interest in RH Carlin Holdings LLC, where the songs in the Carlin Catalogue are owned and controlled. The majority ownership (70.86%) of Carlin rests with Round Hill Music Royalty Fund II LP (a private fund whose investments are managed by the Investment Manager) and a Round Hill co-investment vehicle.

### Selected Artists

Frank Sinatra

Whitney Houston

Meat Loaf

Air Supply

Dolly Parton

Van Morrison

Louis Armstrong

James Brown

Elvis Presley

David Bowie

UB40

The Kinks

Yes

Barbra Streisand

Madonna

Neil Young

Rush

Johnny Cash

Billie Holiday

Jerry Lee Lewis

Bonnie Tyler

### Selected Songs

The Twist

Hold Tight

Blueberry Hill

Be My Baby

Gloria

The Impossible Dream

As Time Goes By

Jailhouse Rock

Owner Of A Lonely Heart

Missing You

Wooly Bully

What A Wonderful World

Nine To Five

I Got You (I Feel Good)

Fever

Santa Baby

Cabaret

Video Killed The Radio Star

I Will Always Love You

Can't Help Falling In Love

Happy Together

Be-Bop-A-Lula

Do Wah Diddy Diddy

Feels Like Heaven

Body And Soul

Lola

Jolene

Under The Boardwalk

Spread A Little Happiness

Great Balls Of Fire

Somebody That I Used to Know

Sweet Sixteen

Paradise By The Dashboard Light

(It's A) Long Lonely Highway

Amazing Grace

## INVESTMENT MANAGER'S REPORT: PORTFOLIO OVERVIEW CONTINUED

### FURTHER 2021 CATALOGUE ACQUISITIONS

Catalogue	Overview
<b>What a Wonderful World</b>	In August 2021, the Company entered into an agreement to acquire the rights to the Robert Thiele music, "What a Wonderful World Catalogue". This acquisition offers expanded rights in addition to the rights already owned within the Carlin catalogue. This was a proprietary bolt-on acquisition that further enlarged the Company's exposure to this truly iconic and evergreen composition.
<b>Trevor Rabin</b>	In August 2021, the Company announced the acquisition of the publishing Catalogue of the prolific film score composer and Yes guitarist, Trevor Rabin. The acquisition included 3,528 film cues and songs by Trevor Rabin. Songwriting credits on Yes tracks by the Rock and Roll Hall of Famer include iconic songs like "Changes", "The Calling", and "Owner of a Lonely Heart". Rabin also contributed film scores to highly successful films like "Remember the Titans", "Bad Boys II", and "National Treasure". The acquisition includes the writer's and publisher's share of the relevant copyright interests, and administrative control which allows the Investment Manager to control the synchronisation licensing of the Catalogue rights.
<b>Dennis Elliott</b>	In September 2021, the Company announced the acquisition of 100% of the master royalty income rights of Dennis Elliott to the first seven albums by Foreigner. Dennis Elliott was the original drummer of the rock group. The Catalogue comprises of 71 original recordings, which include "Feels Like The First Time", "I Want to Know What Love Is", and "Waiting For A Girl Like You". The Catalogue provides substantial exposure to streaming, which was approximately 84% of the revenue mix over the 2018 to 2020 calendar years.
<b>Tim Palmer</b>	In September 2021, the Company announced the acquisition of the recorded music income and publishing rights to a 30-song Catalogue from English record producer, guitarist and songwriter, Tim Palmer, providing exposure to Pearl Jam and Ozzy Osbourne. The Catalogue includes mixer royalty income for the master recording rights over tracks from Pearl Jam's album "Ten" and certain producer and publishing royalties for Ozzy Osbourne's "Down to Earth".
<b>The O'Jays</b>	In September 2021, the Company announced the acquisition of 100% of the master royalty income of 532 original recordings from the American Classic R&B group, The O'Jays. The Catalogue includes iconic hits like "For The Love of Money", which was the theme song to U.S. reality show "The Apprentice" and "Back Stabbers", which was the band's first million selling album.
<b>Supertramp</b>	In November 2021, the Company announced entry into a long-term agreement to administer 100% of the neighbouring rights income generated from the master recordings of 39 original recordings from three members of the British rock band, Supertramp. The deal includes hit songs such as "The Logical Song", "Take the Long Way Home", and "Breakfast in America". "The Logical Song" has been Supertramp's biggest hit and became No. 1 in Canada, No. 7 in the UK and No. 6 on the US Billboard chart.
<b>Niko Moon</b>	During December 2021, the Company announced the acquisition of American country pop singer and songwriter, Niko Moon's fractional interest in publishing copyrights. The deal includes 29 compositions written for artists, including the popular country groups The Zac Brown Band and the Rascal Flatts. Moon's notable work earned him Songwriter of the Year at the 2021 SESAC Nashville Music Awards.
<b>The Richardsons</b>	In December 2021, the Company announced the acquisition of 100% of a Catalogue comprising of 308 tracks from Jack and Garth Richardson, which includes the producer royalties and neighbouring rights income to timeless hits. The Catalogue includes the chart topping songs "Send the Pain Below" (Chevelle), "Killing in the Name" (Rage Against the Machine), "Night Moves" (Bob Seger), "Swing Life Away" (Rise Against) and "Headstrong" (Trapt). The Catalogue from the well-known producers helps to enrich the Portfolio's diversification across genre and royalty type.

Catalogue	Overview
<b>Rebellion</b>	In December 2021, the Company announced the purchase of a share in the master recording and music publishing assets of the popular US reggae band, Rebellion. The acquisition of the Catalogue includes popular songs like "Feeling Alright", "Fade Away", and "Safe And Sound". Included in the deal are six of the band's albums that achieved US reggae chart's number one spot. The Grammy-nominated band's extensive touring will help to drive the Catalogues revenues in the future.
<b>Nancy Wilson</b>	In December 2021, the Company announced the acquisition of a sizable share of the master artist royalties and entered into a long-term agreement to administer the neighbouring rights income of the acclaimed singer, songwriter, and Heart guitarist, Nancy Wilson. The deal includes a significant share of the rights to Heart, who have sold over 35 million records and have four Grammy nominations.

## POST YEAR END ACQUISITIONS

In January 2022, the Company announced the purchase of the publishing, master rights and master royalties for, and entered into a long-term agreement to administer the neighbouring rights income from, the Catalogue of British-American rock singer, David Coverdale. In February 2022, the Company also announced the purchase of a significant majority of the publishing, masters and neighbouring rights in a Catalogue of 94 compositions and 159 recordings from all four members of the legendary rock band, Alice in Chains.

**INVESTMENT MANAGER'S REPORT: PORTFOLIO OVERVIEW  
CONTINUED**

**PORTFOLIO COMPOSITION**

**2021 Top 50 Earners in the Group**

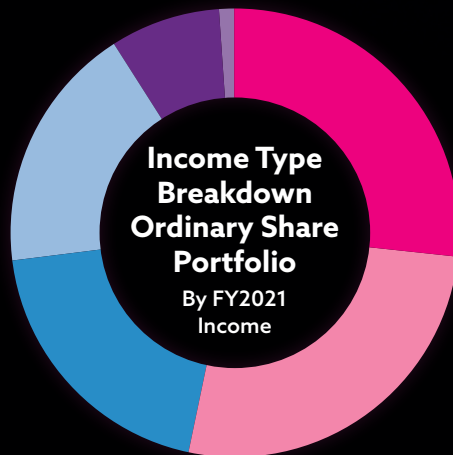
Rank	Song Title	Composers
1	All By Myself	Carmen/Rachmaninoff
2	Total Eclipse of the Heart	Steinman
3	The Bones	Robbins/Morris/Veltz
4	You Can't Hurry Love	Dozier/Holland/Holland
5	What A Wonderful World	Thiele/Weiss
6	Hit Me With Your Best Shot	Schwartz
7	Before He Cheats	Tompkins/Kear
8	Cherry Pie	Cagle/Chamberlin/Dixon/Oswald/Turner
9	Reach Out, I'll Be There	Holland/Dozier/Holland
10	I Want It That Way	Carlsson/Sandberg
11	Self Esteem	Holland
12	It's All Coming Back To Me Now	Steinman
13	The Kids Aren't Alright	Holland
14	You're Gonna Go Far Kid	Holland
15	Land of A Thousand Dances	Kenner
16	Burnin' It Down	Tompkins/Clawson/Hubbard/Kelley
17	I'd Do Anything For Love (But I Won't Do That)	Steinman
18	Gone Away	Holland
19	When A Man Loves A Woman	Lewis/Wright
20	Stranglehold	Nugent
21	Come Out And Play	Holland
22	Happy Together	Gordon/Bonner
23	You Keep Me Hangin On	Dozier/Holland/Holland
24	Collide	Day/Griffin
25	I Can't Help Myself Sugar Pie Honey Bunch	Dozier/Holland/Holland
26	This Is How We Roll	Bryan/Swindell/Hubbard/Kelley
27	Holding Out For A Hero	Steinman/Pitchford
28	One Margarita	Carter/Dragstrem/Thompson
29	How Sweet It Is To Be Loved By You	Dozier/Holland/Holland



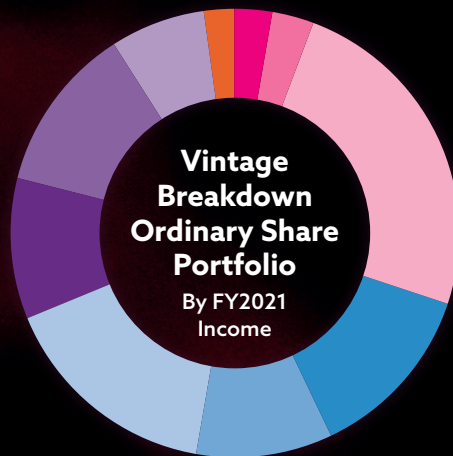
Rank	Song Title	Composers
30	Pretty Fly For A White Guy	Holland
31	Where Did Our Love Go	Dozier/Holland/Holland
32	Go All The Way	Carmen
33	Cruise	Rice/Rice/Hubbard/Kelley/Moi
34	Chasin' You	Wiseman/Wallen/Moore
35	Need You Now	Haywood/Kear/Kelley/Scott
36	Why Don't You Get A Job	Holland
37	Cat Scratch Fever	Nugent
38	I'm Alive	Carlsson/Lundin
39	Ain't Too Proud To Beg	Holland/Whitfield
40	All of Me	Simons/Marks
41	Baby Love	Dozier/Holland/Holland
42	Baby I Need Your Loving	Dozier/Holland/Holland
43	Nowhere To Run	Dozier/Holland/Holland
44	Best Day of My Life	Shelley/Barnett/Rublin/Sanchez/Accetta/Goodman
45	This City	Robbins/Fischer/Morgan
46	Love Is Like A Heat Wave	Dozier/Holland/Holland
47	Drunk On You	Clawson/Kear/Tompkins
48	Get Your Shine On	Hubbard/Kelley/Clawson/Tompkins
49	I Got You (I Feel Good)	Brown
50	Heaven	Oswald/Cagle/Chamberlin/Dixon/Turner

**Over the course of the period, the Group made 12 acquisitions, with each Catalogue further enhancing the Portfolio's diversification across genre, vintage and income source.**

These acquired Catalogues feature artists and tracks across various asset classes from Rock and Roll Hall of Famers like Trevor Rabin to American Classic R&B groups like The O'Jays. The Company's commitment to increasing diversification in order to strengthen the Portfolio was demonstrated through these deals and we believe these thoughtful acquisitions present considerable opportunity to grow both in consumption and value.



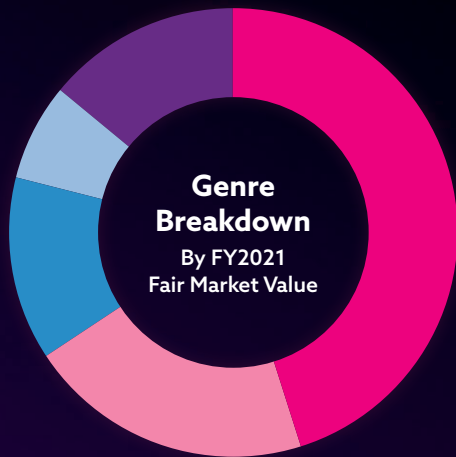
Masters	<b>27%</b>
Performance	<b>27%</b>
Streaming	<b>20%</b>
Synchronisation	<b>18%</b>
Mechanical	<b>8%</b>
Other	<b>1%</b>



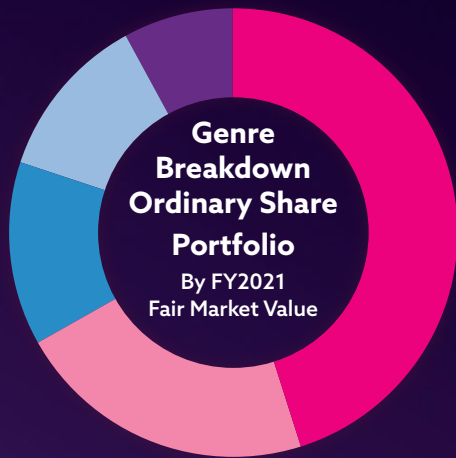
Pre-1950s	<b>3%</b>
1950s	<b>3%</b>
1960s	<b>24%</b>
1970s	<b>13%</b>
1980s	<b>10%</b>
1990s	<b>16%</b>
2000s	<b>10%</b>
Early 2010s	<b>12%</b>
Late 2010s	<b>7%</b>
2020s	<b>2%</b>



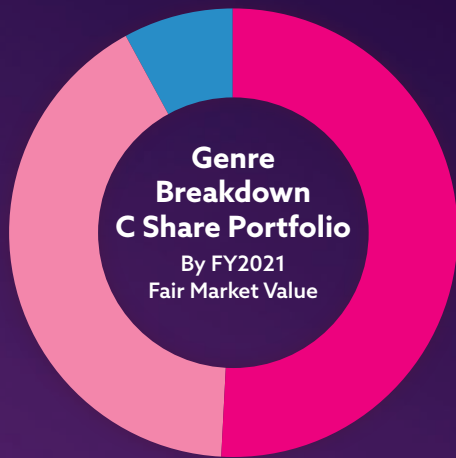
**INVESTMENT MANAGER'S REPORT: PORTFOLIO OVERVIEW  
CONTINUED**



Rock	<b>45%</b>
Pop	<b>21%</b>
Country	<b>13%</b>
Classic R&B	<b>7%</b>
Other	<b>14%</b>



Rock	<b>45%</b>
Pop	<b>22%</b>
Country	<b>13%</b>
Other	<b>12%</b>
Classic R&B	<b>8%</b>



Rock	<b>51%</b>
Reggae Rock	<b>41%</b>
Country	<b>8%</b>





# INVESTMENT MANAGER'S REPORT: FINANCIAL AND OPERATIONAL HIGHLIGHTS

## FINANCIAL REVIEW

### Economic NAV and IFRS NAV

There are two net asset values reported by the Company. An IFRS NAV, which is the value, at any date, of the assets of the Company after deduction of all liabilities determined in accordance with IFRS. The IFRS NAV reflects the Catalogues classified as intangible assets and measured at amortised cost less any impairment in accordance with IFRS. An Economic NAV, which at any date, is the Gross Asset Value less the amount which (to the extent not otherwise deducted in the calculation of Gross Asset Value), in accordance with the Company's latest published valuation methodology, fairly reflects the amount of the liabilities and expenses of the Company. The Economic NAV reflects an adjustment to the IFRS NAV for the Catalogues based on fair values determined by an independent valuer, Citrin Cooperman (incorporating Massarsky Consulting, Inc) (the "**Independent Valuer**").

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

At 31 December 2021, the net asset value per Ordinary Share and C Share was as follows:

	Economic NAV (US\$)	IFRS NAV (US\$)
Ordinary Shares	1.12	0.95
C Shares	1.03	0.97

Since IPO, the holders of Ordinary Shares have received an Economic NAV total return of 17.6% and an Ordinary Share price total return of 9.3%. Since the inception of the C Shares, the holders of C Shares have received an Economic NAV total return of 5.1% and a C Share price total return of -4.0% during the period. Any value generated on behalf of the holders of the C Shares for the period has been accrued within the Economic Net Asset Value per C Share.

As of 31 December 2021, on a comparable basis, the fair value of Catalogues owned by the Group excluding Carlin increased by 6.24% from 30 June 2021. This growth was driven by the Independent Valuer's consideration of:

- 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;

- Streaming revenue growth has exceeded expectations in part due to mass adoption by the public during the COVID-19 pandemic, which has also led to an older demographic streaming older catalogues.
- Recorded music industry has also seen significant growth given its heavy exposure to streaming and an impressive uplift in vinyl sales.
- It is fitting that the Company's investment strategy to date provides 20% exposure to streaming, 79% exposure to older catalogues (1950s-2000s), and 27% exposure to masters.
- opportunities emerging from new digital media platforms such as TikTok and Peloton, which have become a dominant and constantly evolving mode of music consumption.
- Earnings from these sources are expected to continue and grow annually beyond their initial licence period.

The Company's Independent Valuer used a discount rate of 8.5% to determine the fair value of the Catalogues as of 31 December 2021, which is consistent with the discount rate used as of 30 June 2021.

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

- -1% discount rate will grow the fair value of the Catalogues by 17.88%, increasing the Economic NAV of the Group by US\$66.481 million, which represents an increase of 16.47% to the Economic NAV per Ordinary Share of the Company and an increase of 6.13% to the Economic NAV per C Share of the Company.
- +1% discount rate will reduce the fair value of the Catalogues by 13.10%, reducing the Economic NAV of the Group by US\$48.683 million, which represents a decrease of 12.06% to the Economic NAV per Ordinary Share of the Company and a decrease of 4.49% to the Economic NAV per C Share of the Company.

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

## INVESTMENT MANAGER'S REPORT: FINANCIAL AND OPERATIONAL HIGHLIGHTS CONTINUED

### Reconciliation of IFRS NAV to Economic NAV

as at 31 December 2021

	31 December 2021 US\$
<b>IFRS NAV as at 31 December 2021</b>	<b>396,918,833</b>
Amortisation adjustment between Economic and IFRS NAV	17,933,023
Non-cash revenue accruals recognised in terms of IFRS	(5,582,350)
Recognition of Catalogue Fair Value in Economic NAV	50,444,792
<b>Economic NAV as at 31 December 2021</b>	<b>459,714,298</b>



## Revenue

Net revenue for the Group's first year was US\$23.7 million.

As with all other businesses, the Company has had to endure operating under challenging conditions that have not been experienced in over a century. The COVID-19 pandemic has caused tremendous disruptions in all aspects of society as well as the world economy. As bad or devastating as these disruptions have been, they have also led to millions of people consuming more music than ever before, leaving the music industry overall to be more robust than others.

This growth of music consumption during the COVID-19 pandemic has been driven largely by streaming, and the acceptance of streaming by people worldwide has expanded rapidly during the period as lockdowns changed consumer behaviour. Globally, data and analytics provider, Luminate reports that on-demand audio streaming grew 26% in 2021, and in the U.S. alone audio streaming increased nearly 13% YoY. Streaming is growing even more rapidly in emerging markets, with the International Federation of the Phonographic Industry ("IFPI") reporting that streaming revenues in Africa were up 34% in 2020.

Catalogue music has notably been doing very well in the pandemic, with Luminate noting that total catalogue album consumption grew by nearly 25% in 2021. It should be noted, however, that their definition of 'catalogue' encompasses anything older than 18 months, making it difficult to determine whether that growth is just in music that is 2-4 years old rather than 20-40 years old. With that in mind, it still reaffirms the Investment Manager's decision for the Group's composition of its Portfolio to be made primarily of vintage catalogue music.

The Group's Ordinary Share Portfolio is also strengthened by the fact that 27% of its revenue composition is from master recordings and the 11% YoY growth in this revenue stream exceeds benchmarks across the industry. According to Luminate's period end reports for 2021, total album sales (physical + digital) grew only 6.3% in the USA and declined 12% in Canada. While digital album sales are largely in decline, vinyl sales continue to grow at a faster rate.

According to the BPI using Official Charts Company data, vinyl sales in the UK grew 8% in 2021, and Luminate reports vinyl sales in the USA growing nearly 22% YoY in 2021. The rebirth of vinyl and subsequent consumer desire puts the Group in a position for future revenue growth.

While the music industry has been mostly resilient to the pandemic, the live music and performance facet of it has obviously been affected the most. As can be expected, performance income has continued to fall across the music industry, with the IFPI reporting that performance rights global revenues fell over 10% in 2020. In the UK, PRS similarly noted that public performance receipts fell by 61% in 2020. With lockdowns continuing into the first half of 2021, along with the Delta and Omicron variants appearing over the Summer and Autumn, the music industry already expects disruption in performance income continuing into at least 2022.

In the second half of 2019, the Investment Manager (in its publisher's role) signed a new sub-publishing for non U.S./UK collections with Warner Chappell Music and expects this change in sub-publishing to help improve its future efforts in collections for the Group's going forward.

Additionally, as the world recovers from the latest wave of the pandemic and countries reduce or remove restrictions, the Investment Manager expects live events to make up for lost time with subsequent performance income to recover and grow once more.

## OPERATING COSTS

The Group's operating expenses which were not capitalised for the period ended 31 December 2021 were US\$10.62 million. This was mainly applicable to legal and professional fees related to the formation of the Company and the direct and indirect transfer of the Catalogues from Round Hill Fund One into the Company, as well as fees pertaining to tax structuring and implications of the transfer. Additionally, operating costs included typical transaction costs associated with bringing the Company to market.

## INVESTMENT MANAGER'S REPORT: FINANCIAL AND OPERATIONAL HIGHLIGHTS CONTINUED

### REVOLVING CREDIT FACILITY

In April 2021, the Group entered into the new US\$82 million RCF, provided by Truist. On 30 December 2021, the Company increased the capacity under the RCF from US\$82 million to US\$110 million. As at 31 December 2021, the Company had US\$82 million of cash on hand and circa US\$60 million of debt outstanding.

The Company may, from time to time, be geared through the use of borrowings. Borrowings would principally be used for investment purposes. Gearing represented by borrowing will not exceed 25% of Economic NAV, calculated at the point of drawdown, in accordance with the Prospectus. As at 31 December, 2021, debt to Economic NAV was 15.52% and the Company had complied (and continues to comply) with all covenant compliances as per the RCF with Truist.

### DIVIDENDS

The Company targets an annualised dividend yield per Ordinary Share of 4.5%, by reference to the IPO Issue Price of US\$1.00 per Ordinary Share.

In 2021, the Company declared and paid three dividends, totalling US\$0.03 per Ordinary Share, paid in quarterly instalments in respect of the first three quarters of its first financial period: US\$0.0075 per Ordinary Share in June 2021, US\$0.01125 per Ordinary Share in September 2021 and US\$0.01125 per Ordinary Share in December 2021. In March 2022, the Company paid a quarterly dividend of US\$0.015 per Ordinary Share. This dividend comprised US\$0.01125 per Ordinary Share for the quarter to 31 December 2021, together with a further dividend payment of US\$0.00375, being the balance payable for the initial quarterly dividend for the quarter to 31 March 2021. This ensured that holders of Ordinary Shares received the full annualised dividend of 4.5% of the Company's initial Issue Price of US\$1.00 for the period from Initial Admission to 31 December 2021.

Since the Company's admission to the SFS, Economic Net Asset Value per Ordinary Share increased by 14.3% to US\$1.12. The Company is targeting a net total return per Ordinary Share of 9% to 11% per annum over the medium to long term.

The Company will seek to maintain the annualised dividend target over the long term for the holders of Ordinary Shares.

Holders of any class of C Shares are entitled to participate in any dividends and other distributions of the Company as the Directors may resolve to pay to holders of that class of C Shares out of the assets attributable to that class of C Shares. However, all income attributable to each class of C Shares in issue will be accrued and form part of the C Share net asset value for that class, for purposes of the C Share conversion calculation for that class. For the avoidance of doubt, the annualised dividend yield and net total return targets set out above in relation to Ordinary Shares, will not apply with respect to any tranche of C Shares prior to the conversion of those C Shares into Ordinary Shares.

Broadcast Music Inc. ("**BMI**") is a major Collective Management Organisation ("**CMO**") and licensor of public performance rights in the United States. Historically, the organisation has made three payments to rights holders (i.e. writers and publishers) in the first half and one payment in the second half of each year. Due to the significance of the royalty payments received, this has led to an unbalanced payment schedule across each semi-annual period. Marked differences in cash flows across these periods could have had an impact on dividends. However, BMI's change to a smoother distribution period across each year commencing in January 2022 has eliminated this risk.

Starting in 2022, BMI is changing the frequency of its royalty distributions to be more in line with most other CMOs globally, resulting in one distribution per calendar quarter. This will result in a more stable income flow going forward while benefiting from a slightly accelerated timeframe as well (by a month or two) on the historical calendar. This will help provide further stability to the Company's cash flow available for dividends.



In order to implement the new distribution model, BMI commenced its transition in 2021 by making five distribution payments. The Investment Manager processed these upon receipt and, as of the December 2021 royalty figures, the Group's accounting figures are now more evenly spread. In the interest of full disclosure, BMI's accountings to all rights holders will now follow this schedule going forward:

Performance Period	Distribution Date
3Q 2021	February 2022
4Q 2021	May 2022
1Q 2022	August 2022
2Q 2022	November 2022

## SETTLEMENTS AND LICENCES

As Round Hill's managed and administered Catalogues continue to grow, so too do the opportunities to license the repertoire. The more rights the Investment Manager acquires for the Company and its private funds, the more it is seen as a "must have" for trending digital media platforms to license. Music is now being consumed and monetised in more ways than ever and the Investment Manager continues to benefit from the digital boom, both from novel licensing opportunities that open entirely new sources of revenue, to building on existing relationships, evolving deal terms and coming to better relationships with existing licensing partners. The past year was no exception, and even more licensing opportunities lie on the horizon ahead.

As for specifics, building on recent successes with short-form video platforms TikTok and Triller, the last year saw Round Hill find continued success in enforcement campaigns against platforms Roblox and Twitch. In the case of Roblox, Round Hill, in conjunction with its fellow industry publishers and the National Music Publishers' Association, closely monitored the use of content on the Roblox platform and advised on Roblox's licensing strategy and authorisation (or lack thereof). Round Hill carefully considered initiating its own litigation campaign

against Roblox, failing success of the industry-wide effort. However, Round Hill ultimately played a key role in opting into a favourable industry-wide settlement agreement reached between Roblox and the music publishing industry in October 2021. A sizeable settlement payment for past unauthorised usage of Round Hill managed and administered content on the platform was received from Roblox in February 2022.

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

Round Hill looks ahead as well to more licensing opportunities to come with its existing partners. Most notably, as Facebook (recently re-named as Meta) expands its "Metaverse" platform, Round Hill anticipates Meta will need even greater rights than are currently licensed. After a brief extension, Round Hill's two-year licence term with Facebook/Meta expires in April of 2022. Round Hill is engaging with Facebook/Meta on renewed deal terms and associated licensing payment for an anticipated new multi-year licence term.

Round Hill is also in communication with its digital licensing administrator, Audiam, regarding further new licensing opportunities, including: SNAP (a short-form video platform); Singa (a karaoke platform); and WithInVR (a virtual reality fitness app)—each representing totally new opportunities and revenue sources that previously did not exist for the Round Hill managed and administered Catalogues.

All contribute to the viability of the time-tested Copyrights that the Investment Manager manages and administers for the Company in the constantly evolving digital marketplace and continued monetisation of content and, ultimately, the return on investment for the Group's Portfolio and future acquisitions.

## INVESTMENT MANAGER'S REPORT: FINANCIAL AND OPERATIONAL HIGHLIGHTS CONTINUED

### OPERATIONAL UPDATE

The Investment Manager's system integration plans continue on track, both on the publishing and record sides of the business. Post the successful retirement of a legacy publishing system in July 2021, focus and attention has been on data integrity subsequent to the data set migration, and on preparing the next substantial Carlin data set ready for migration at the end of 2022. The record side of the business is now successfully using a new platform for handling both master and neighbouring rights; the legacy system is no longer used for running the day-to-day business but is still in existence purely as a reference tool for now.

In the last three months of 2021, the Investment Manager made two significant hires: a Vice President of IT and a Vice President of Data. The candidates concerned bring a wealth of music industry experience and institutional knowledge into the Investment Manager that will expedite plans both on the system architecture and data sides respectively. Through enriched data, more revenue generating income tracking and enhanced analytics will be delivered.

### SYNCHRONISATION AND CREATIVE HIGHLIGHTS

While some firms in the investment space look at music as a source of passive income, the Investment Manager believes that a strong element of value added growth is achieved by creatively working a Catalogue by proactively seeking out incremental opportunities via licensing. The section below provides some background on the different divisions within the Investment Manager, to highlight how incremental value is being added to positively work and appropriately exploit the Group's assets.

### ADVERTISING

Advertisers are helping expose the Group's classic repertoire to large audiences, keeping those song assets' value high and increasing familiarity among younger demographics. In order to keep up with current trends in the advertising and film marketing space, the Round Hill creative team is constantly creating new, more

contemporary master versions of older titles (that the Group controls synchronisation rights on) to pitch to agency creatives and give familiar songs a new, fresher twist with current artists that appeal to a broader demographic.

One such example is a cover the creative team worked on for the Thiele & Weiss classic "What a Wonderful World", with our published artist Reuben and The Dark and our synchronisation producer AG. In 2021, this new master landed a campaign for Celebrity Cruises. This is just the latest in a string of ads, film and television trailers over the last 2 years for this new master.

"Total Eclipse of the Heart" (Steinman) by Bonnie Tyler was used in an ad for Pepsi Zero, Joy in A Glass (Canada) and "Do You Believe in Magic" (Sebastian) was used in a spot for Campbell's Soup. Tiffany's also renewed their licence of Mark Ronson and King Princess' version of "Happy Together" (Bonner, Gordon) in the second half of 2021.

"Love Will Keep Us Together" (Sedaka) was featured in a H-E-B Grocery ad.

### FILM, TV AND GAME TRAILERS

Film and television marketing continued to thrive in 2021 in pandemic conditions, and is an area that the Investment Manager's creative pitching team focuses on particularly. The budgets are larger than for uses within the body of films and TV episodes and often have longer runs and much broader reach or visibility for the chosen song.

"Happy Together" was pitched and landed in "The Morning Show S2" promo using the cover by King Princess and Mark Ronson. "Maybe This Time" (Kander & Ebb) by Liza Minelli was selected from one of the creative team's promotional e-blasts to be featured brilliantly in "Tiger King: Murder, Mayhem and Madness Season 2" trailer. "Original Prankster" by The Offspring was pitched to and landed the K1 Video Game trailer, while "Love Will Keep Us Together" (Sedaka) by Captain & Tennille was used in the campaign for "Vacation Friends" (Hulu) trailer. A more modern song from the Portfolio "Start A War" (Broussard, Burke) by Klergy and Valerie Broussard was featured in "The Walking Dead: World Beyond" trailer.

## FILM

"Hit Me With Your Best Shot" (Schwartz) by Pat Benatar was used in the Universal Picture film "All My Life". Our writer/artist John Hampson created various versions of his hit "Absolutely (Story of a Girl)" by Nine Days for the science fiction film "Everything Everywhere All At Once". He created versions to fit multiple characters along with a full-length power ballad version of the early 2000s hit. The Meatloaf classic "I'd Do Anything for Love (But I Won't Do That)" (Steinman) was pitched for a hilarious karaoke scene in the Netflix film "Love Hard", using the Company's own master recording. With Meatloaf's recent passing and Jim Steinman's passing in 2021, Meatloaf has re-entered the charts, giving the Steinman Catalogue increased attention and love, and we expect even more uses of this Catalogue in 2022.

## TELEVISION

"Two Out of Three Ain't Bad" (Steinman) by Meatloaf was used in the season premiere episode of "The Moodys" (Fox). "Total Eclipse of the Heart" (Steinman) was pitched and landed a prominent use in an episode of the new Hulu show "Pam & Tommy". "Making Love (Out of Nothing At All)" (Steinman) by Air Supply was pitched and landed in the HBO series "Somebody Somewhere".

# INVESTMENT MANAGER'S REPORT: MARKET CONDITIONS AND OUTLOOK

**Even with ongoing disruptions to the music industry continuing into 2021 due to the COVID-19 pandemic, the overall music business continued to grow in 2021, as creators and consumers adjusted to novel market conditions.**

The continued loss in performance and live music income due to the restrictions and lockdowns throughout the world in the first half of 2021 was offset by increases in digital income from streaming. Some of the important trends we have noted are below.

### Streaming Growth Continues in 2021 Worldwide

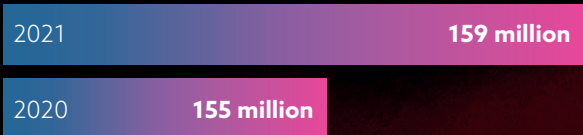
Across the world, it has been noted that streaming consumption is driving growth in the music industry at large. According to Luminate's latest period end Reports, global on-demand audio streams grew 26.3% YoY in 2021. In the USA, total album consumption grew by 11.3% YoY, largely driven by a 9.9% YoY increase in total on-demand song streaming. Some of this streaming growth is due to TikTok, with the app reporting in its own 2021 report that over 175 songs that trended on TikTok ended up charting on the Billboard Hot 100, doubling the amount from 2020. In Canada, total album consumption grew by 9.2% YoY in 2021 and, much like the USA, this growth was being driven by a 10.6% increase in total on-demand streaming. In the UK, per BPI's collections using Official Charts Company data, total music consumption in the UK showed a continued rise of total music consumption of 2.5% YoY, with streaming growing 5.7% compared to 2020. Streaming now accounts for over 83% of all UK music consumption. Per Luminate's reporting, the UK is one of five countries with the most significant on-demand audio streaming growth rates, with Japan, Colombia, Poland and Turkey being the top four.

### Global On-Demand Audio Song Streams



Source: Luminate 2021 US Period end Report

### UK Total Album Consumption



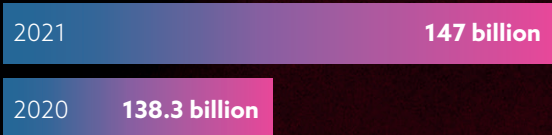
Source: BPI using Official Charts Company Data

### US Song Streaming (Audio + Video)



Source: Luminate 2021 US Period end Report

### UK Audio Streaming



Source: BPI using Official Charts Company Data

Luminate is the most comprehensive global provider of data and analytics to the entertainment and music industry and consumers.  
 IFPI is the International Federation of Phonographic Industry, a global membership organisation of record companies that was formed to represent the interests of its members through legislation and good practice.  
 PRS is the UK's Performing Rights Society, a membership organisation of publisher and writer members that centrally licenses, collects and processes royalty revenue for all performing music uses (including radio, TV and live) across the UK.  
 BPI is the British Phonographic Industry and is the trade association of the UK recorded music industry. BPI is a member of IFPI



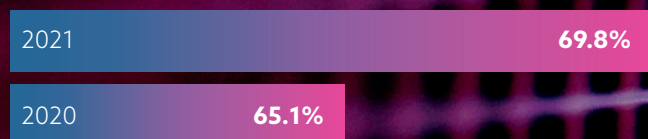
## Vintage Catalogue Takes the Lead over New Music

A significant trend in 2021 was that, for the first time since Luminate has been tracking streaming data, streaming of 'new music' or 'current' music (i.e., less than 18 months old, as understood by the international record industry) declined in volume YoY. In the USA, new music has declined by 3.7% YoY, with 'catalogue' or 'vintage' (i.e., music that is 18 months or older) growing 19.3% YoY to a total share of 69.8%. Similarly in Canada, new music declined by 5.3% YoY with catalogue growing 17.4% YoY. This trend started during the first waves of the COVID-19 pandemic and has accelerated even as lockdowns started lifting around the world. As more music listeners pick up streaming, many are discovering (or rediscovering) older songs through Digital Music Platforms ("DMPs") playlists or short form video platforms like TikTok and Triller.

## Vinyl Sales Soar Worldwide

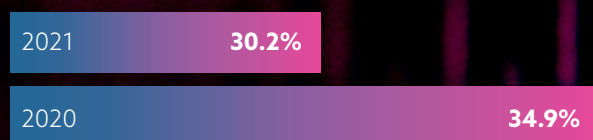
Despite the pandemic upending concerts and tours, physical sales grew in 2021. Per Luminate, physical album sales in the USA grew 21.7% YoY, driven by a significant 51.4% growth in vinyl sales globally. In the UK, vinyl continued to grow for the 14th consecutive year on record, with 5 million vinyl copies sold in 2021, growing 8% YoY per BPI's report from 2021<sup>1</sup>.

### Catalogue Share - US Consumption



Source: Luminate 2021 US Period end Report.

### Current Share - US Consumption



Source: Luminate 2021 US Period end Report.

## Rising Cost of Living causes a review of Subscriptions

Post COVID-19 lockdowns, geo-political uncertainties and rising inflation, coupled with rising costs, are causing individuals to have less disposal income. This cost of living pressure is causing many to review their regular expenditures which is starting to result in the cancellation of streaming service subscriptions. This action appears to be aimed towards audio video streaming services at this moment in time and there is no evidence just yet of declines in pure music streaming service subscriptions. The Board and Investment Manager will continue to watch and monitor trends across the area of music streaming subscriptions which do not appear to be negatively affected.

## Performance Collections Lagging, but Fans Eager for Live Shows

Looking into 2022 and beyond, societies and publishers are expected to see a positive upswing in royalty collections and distributions as the world is reopening post Covid lockdowns. The Confederation of Societies of Authors and Composers ("CISAC") reported in their Global Collections Report from October 2021 that worldwide royalty collections were down 9.9% in 2020, with live music and public performances having fallen by 45% to €1.6 billion, but offset by digital collections rising 16.6% in the same period to €2.4 billion. Despite setbacks due to the pandemic in 2021, causing a slower recovery than initially expected, concert goers are eager to get back to shows. According to a June 2021 MarketCast survey in the US, it showed that about half of all music fans are more willing to attend live music events than they were before the pandemic. Additionally, Live Nation Entertainment noted in 2021, in an address to shareholders, that demands for new shows were already happening, selling out "faster than ever before". While the demand and enthusiasm are there for the resumption of live music events, the surging Omicron variant has already caused some shows and events, including the 64th Annual Grammy Awards, to be postponed or cancelled. According to CISAC, most collecting societies do not expect to recover their 2019 collections level before 2022 at best.

### Josh Gruss

Founder and CEO of  
Round Hill Music L.P.  
27 April 2022

<sup>1</sup> BPI is the British Phonographic Industry and the central source of data for the UK's recorded music industry. Statistics were sourced from BPI's report titled "2021 in Music: vinyl & cassettes continue to surge"

# STAKEHOLDERS AND SECTION 172

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

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

- a. the likely consequences of any decision in the long term;
- b. the interests of the company’s employees;
- c. the need to foster the company’s business relationships with suppliers, customers and others;
- d. the impact of the company’s operations on the community and the environment;
- e. the desirability of the company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly between members of the company.

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

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

The Board’s engagement with its Shareholders is described in the section “Dialogue with Shareholders” on page 48. All Shareholders are treated equally and no Shareholder receives preferential treatment. When making decisions of relevance to Shareholders, the Board considers first and foremost the likely consequences of their decisions in light of their duty to act in the best interests of the Company in the longer term. The Board also considers what is likely to be in the best interests of Shareholders as a whole, but does not consider individual Shareholder’s specific circumstances or desires when making its decisions.

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

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

As described in detail in the Company’s viability statement on page 42, the Board considers the prospects of the Company and other members of the Group whenever it considers the Group’s sustainability. All strategic decisions are therefore taken with the long-term success of the Company and other members of the Group in mind and the Board would take external advice whenever it considered that such would be beneficial to its decision making process, primarily from its retained service providers (including legal counsel), but also from other external consultants.

The Board recognises that shareholders have a growing interest in ESG considerations resulting from a company’s business. Please see more information regarding ESG in the report on pages 11 and 12.

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

The Board encourages openness and transparency with its service providers.

## MANAGEMENT OF THE GROUP

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

## INVESTMENT MANAGER AND PORTFOLIO ADMINISTRATOR

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

Pursuant to the Portfolio Administration Agreement dated 19 October 2020, as supplemented, the Investment Manager has agreed to administer (on behalf of the Company and any UK Subsidiaries) the Copyrights owned by the Company (and any UK Subsidiaries) and, in respect thereof, the Investment Manager is responsible, subject to the overall supervision of the Board, for the administration and commercial exploitation of the Copyrights with full power and authority on behalf of the Company, to i) licence the exploitation of the Copyrights (including in respect of broadcast and other public performances, mechanical

reproduction, the synchronisation of Copyrights and the use of Copyrights in connection with merchandising activities); ii) print, publish and sell alone or together, printed editions or other reproductions of Copyrights; iii) collect all royalties, revenues, profits and monies with respect to the Copyrights; iv) prosecute and defend litigation in respect of the Copyrights; and v) make arrangements of, or otherwise adapt or change, any of the Copyrights.

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

## CORPORATE BROKER AND FINANCIAL ADVISER

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

## SECRETARY AND ADMINISTRATOR

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

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

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

## STAKEHOLDERS AND SECTION 172 CONTINUED

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

### REGISTRAR

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

### REVIEW OF SERVICE PROVIDERS

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

A full list of the Group's service providers is set out on page 100.



# BOARD OF DIRECTORS

As at 31 December 2021 the Company had three directors, all of whom were independent and non-executive.



TREVOR BOWEN



CAROLINE CHAN



FRANCIS KEELING

## Independent Non-Executive Director (Chairman)

Trevor is an experienced director with over 30 years' experience spanning a variety of industries. Trevor spent 11 years as a partner of KPMG and 17 years helping to manage U2 and other artists. Trevor has acted as a non-executive director on a number of boards (he is currently a non executive director of CEIBA Investments Limited and Kennedy Wilson Investments Inc.) most notably as a non-executive director of Ulster Bank which included six years as the Chairman of the Bank's audit committee. He is an Irish national and a qualified Chartered Accountant. Trevor is resident in Ireland.

### Committee memberships:

Audit Committee (Chairman), Management Engagement Committee, Remuneration Committee

### Length of service:

1 year 2 months  
Appointed 2 October 2020

## Independent Non-Executive Director

Caroline has over 30 years' experience as a corporate lawyer and is a Guernsey Advocate. She retired from private practice in 2020. After studying law at St Anne's College, Oxford, Caroline trained and qualified as an English solicitor with Allen & Overy, where she worked in their corporate team for nearly nine years including three years in their Hong Kong office. Caroline returned to Guernsey in 1998, and practised locally, including as a partner with Ogier and then Mourant Ozannes. She is a member of the Guernsey Competition and Regulatory Authority, and Chair of the Board of Governors of The Ladies' College. Caroline is resident in Guernsey.

### Committee memberships:

Audit Committee, Management Engagement Committee, Remuneration Committee (Chairman)

### Length of service:

1 year 4 months  
Appointed 5 August 2020

## Independent Non-Executive Director

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

### Committee memberships:

Audit Committee, Management Engagement Committee (Chairman), Remuneration Committee

### Length of service:

1 year 2 months  
Appointed 2 October 2020

# PRINCIPAL RISKS AND UNCERTAINTIES

## CORPORATE INFORMATION

A description of important events which have occurred during the period from incorporation on 5 August 2020 until 31 December 2021 (the "Period"), and their impact on the performance of the Company and its subsidiaries, as shown in this Annual Report which includes the Strategic Report, the Corporate Governance Report and the Consolidated Financial Statements contained on pages 59 to 98, are incorporated here by reference.

## PRINCIPAL AND EMERGING RISKS AND UNCERTAINTIES

The Board, through the Audit Committee, regularly reviews the principal and emerging risks and uncertainties affecting the Group, through an on going process for identifying, evaluating and monitoring the significant risks faced by the Group, together with identifying the mitigating actions as part of the process of managing these risks. The principal risks are set out in detail on pages 12 to 24 of the Company's Prospectus dated 19 October 2020.

The risks considered by the Board as the principal and emerging risks to the Group and the mitigations applied are summarised below

Principal and Emerging Risks	Mitigation
<p><b>Investment risk</b> Copyright performance concerns – there can be no guarantee that the historic performance of a Copyright will continue in the future.</p>	<p>The Board is provided with independent reviews of the investments with reports on the performance of the Copyrights. The Board will monitor the underlying Portfolio to ensure performance is met and maintained and that milestones are met. The Investment Manager is to predominantly acquire Copyrights that demonstrate enduring appeal and longevity and take into account responses in changes to popularity of genres, and appreciation and reputation of particular artists.</p>
<p><b>Intellectual Property Rights</b> Reliance upon intellectual property rights could cause an adverse risk on the Group's financial position – the ability to implement the Investment Policy and achieve the Investment Objective is dependent upon the Group being able to protect and exploit the intellectual property rights represented by Copyrights.</p>	<p>The Investment Manager is engaged to provide guidance to the Board on how to exploit the intellectual property rights represented by Copyrights, ensuring any risks are taken into consideration to avoid an impact to the financial position of the Group.</p>
<p><b>Dividends</b> Targeted annual dividend cannot be achieved – dividends are based on a number of estimates and assumptions.</p>	<p>The Board and the Investment Manager work together to follow the Company's Investment Policy, to acquire investments that will generate revenue to achieve the targets set to maintain the payment of dividends.</p>
<p><b>Valuation of assets</b> Incorrect / inappropriate pricing methods used resulting in financial loss</p>	<p>External valuations are performed on the assets by a third party and provided to the Administrator, with oversight and approval of such valuations provided by the Investment Manager. The Investment Manager undertakes a deep dive into the outputs to minimise risks and the valuation for the Catalogues (excluding Carlin) is approved by the Board.</p>
<p><b>Oversight</b> Ineffective monitoring / oversight of outsourced functions not conducted effectively and, in terms of legislative or regulatory requirements, resulting in regulatory sanctions / error / failure by service provider causing loss / reputational damage / sanctions</p>	<p>Regular reviews of third parties are undertaken by the Administrator and the Board.</p>
<p><b>Emerging risks</b> The war in Ukraine Inflation rising Interest rates rising Subscriber decline</p>	<p>The Board has developed a risk matrix for the Company which is tabled at every Board meeting and continually monitors emerging risk areas relevant to the performance of the Group including those which could threaten its business model, future performance and liquidity on an ongoing basis. For example, the Board has given consideration to the risks to the Group emerging from the war between Russia and Ukraine, rising inflation and interest rates. In addition, cost of living pressures are causing people to cancel membership to subscription services.</p>

## RELATED PARTY TRANSACTIONS

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

## INTERNAL CONTROL AND FINANCIAL REPORTING

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

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

- the Board is responsible for the Group's systems of risk management and internal controls and for reviewing their effectiveness. The Board confirms that through the Audit Committee there is an on-going process for identifying, evaluating and monitoring the significant risks faced by the Group. The internal controls, which are delegated to the applicable service providers as appropriate, are designed to meet the Group's particular needs and the risks to which it is exposed;
- the Board clearly defines the duties and responsibilities of their service providers. The appointment of agents and advisers is conducted by the Board after consideration of the quality of the parties involved and the Board monitors their on-going performance and contractual arrangements;
- the Board regularly reviews the performance of, and the contractual arrangements with, the Group's agents, advisers and service providers;

- investment management and Portfolio administration services are provided to the Group by the Investment Manager;
- corporate broking and financial advisory services are provided to the Company by the Corporate Broker and Financial Adviser;
- administration (including compliance) and secretarial services are provided to the Group by the Secretary and Administrator;
- the Board reviews financial information produced by the Administrator on a regular basis;
- the Board also specifies which matters are reserved for a decision by the Board and which matters may be delegated to its service providers.

## GOING CONCERN

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

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

Despite the Group making a loss in its first operating period, the Group has a significant cash balance as well as large positive net current assets and net assets at the period end.

COVID-19 has continued to affect revenues across the entire music ecosystem and the Group is not insulated from its impact. In 2020, the global value of music copyright was up 2.7% YoY to US\$32.5 billion, with a mixture of growth and decline between labels (up 8%), collecting societies (down 9%) and directly collected revenue for publishers (up 12%). According to CISAC, global live and public performance collections fell over 45% in 2020

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

compared to 2019 and with lockdowns still happening through 2021, it is expected that performance royalty flow will still be affected through 2022. The Group's Portfolio has a heavy concentration in older repertoire which earns very little from the live music sector, so the impact of COVID-19 on the Group's live performance revenue is expected to be less significant than that of industry projections.

With the lifting or removal of lockdowns and restrictions around the world, the Investment Manager is of the view that the Group should start seeing performance royalty income coming back. The increase in digital music consumption (of which performance royalty income is an element) is helping to compensate for most of the declines experienced in general performance royalty income. Globally, CISAC reports that digital collections have increased 16.6% YoY in 2020, and the IFPI similarly notes that total streaming revenues were up 24.3% in 2021 to US\$25.9 billion. In the US, ASCAP recently reported their domestic revenue was up 4.4% YoY in 2021 to US\$1.01 billion, mainly driven by an increase in collections from audio streaming and audio-visual sectors. On the recording side in the UK, BPI notes that streaming revenue was up nearly 14% in 2021 to £837.2 million.

After reviewing the cash flow projections, receiving feedback from the Investment Manager, as well as considering the principal risks and uncertainties and emerging risks, and based on their own judgement, the Directors believe that the Group has adequate financial resources to continue its operational existence for the foreseeable future and for at least 12 months from the date of approval of this Annual Report. The Directors believe it is appropriate for the Group to adopt the going concern basis in preparing the Consolidated Financial Statements.

## VIABILITY STATEMENT

The Investment Manager has prepared an assessment taking into account several risk factors that could affect the viability of the music business and income to the Group in the three-year period ending 31 December 2024.

The three-year assessment period is considered appropriate as: 1) music publishing and recorded music are expected to grow healthily over the long-term; 2) three years of income is deemed to reflect a normalised level of income within music publishing; and 3) accurate and precise external income projections are more readily available for the next three-year period.

The Group is expected to grow at a stable rate in the medium and long-term based on past performance and resiliency of music royalties even during the COVID-19 pandemic. The short-term impact from the COVID-19 pandemic on performance income is expected to lift by the second half of 2022.

For purposes of stress testing, the Investment Manager considered worst case scenarios for this assessment that could have an impact on income and cash flows in the next three years. These risk factors include publisher service providers' inability to administer rights, no increase in annual digital licensing rates in the U.S., rights withdrawal by artists from streaming platforms, the inability of CMOs to license and distribute music, and sustained decline in live music consumption.

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





# CORPORATE GOVERNANCE STATEMENT

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

The Company is committed to complying with the corporate governance obligations which apply to Guernsey registered companies. As a Guernsey incorporated investment company and under the Disclosure Guidance and Transparency Rules of the UK's FCA, the Company is not required to comply with the UK Corporate Governance Code (the "**UK Code**").

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

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

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

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

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

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

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

- Provision 22: The Board has decided not to establish a nomination committee because the Company is a relatively new investment company and, given the size of the exclusively non-executive and independent Board, the Company has no requirement for this committee. As such, it was deemed appropriate for the whole of the Board to undertake the responsibilities of a nomination committee, for at least the next financial year.
- Provision 29: Trevor Bowen's chairmanship and membership of the Audit Committee is not consistent with the provisions of the AIC Code, as he is Chairman of the Board. Mr Bowen has the most recent and relevant financial experience and, given the size of the Board, it was acknowledged at the time of the IPO, that steps would be taken following Initial Admission, with a view to appointing one or more additional Directors and address this inconsistency with the AIC Code. Since the launch of the Company, the Board and its advisers have been actively taking steps to identify suitable candidates for an additional position on the Board, and discussions have been held with a number of individuals. The Board and its advisers continue to search for a potential candidate with appropriate skills to complement the current skills of the Board, and hope to make an announcement within the next 3 to 6 months, and with a view to ensuring compliance with this particular provision of the AIC Code.
- Provision 30: The Board has taken the decision that it would not be of any material benefit for the Group to appoint an internal auditor, as the Group does not have any employees and it does not operate any systems of its own; instead, it relies on the employees and systems of its external service providers. As such, the Board has decided that this provision is not relevant to the Company.

## BOARD COMPOSITION

The Board comprises three Directors, their biographies appear on page 39 demonstrating the wide range of skills and experience they each bring to the Board. All the Directors are non-executive and, for the purpose of



provision 13 of the AIC Code, all are considered to be independent, with the Chairman being independent on appointment. As part of their examination of the independence of the Board, the Board has concluded that all Directors remain independent under the principles of the AIC Code.

Trevor Bowen is the Chairman.

Apart from Trevor Bowen, who is a director of Ceiba Investments Limited and Kennedy Wilson Holdings Inc. which are listed companies, none of the Directors have directorships or employments in any other public company nor do any of the Directors hold cross-directorships or have significant links with each other through involvement in any other companies or bodies, save for their directorships of the UK Subsidiaries.

## BOARD SUCCESSION

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

## BOARD DIVERSITY

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

As noted above, the Board and its advisers have been actively taking steps to identify suitable candidates for an additional position on the Board, and discussions have been held with a number of individuals.

## TENURE

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

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

## BOARD EVALUATION

The Board is committed to ensuring that on an annual basis the strengths of the Board are recognised and any weaknesses are addressed. Each Director has undertaken to engage with the evaluation process and take appropriate action when development needs have been identified. An external facilitation of the performance evaluation will be considered by the Board on an annual basis.

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

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### BOARD MEETINGS

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

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

In the financial period under review the Directors held 4 scheduled quarterly Board meetings, 7 *ad hoc* Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meeting and 1 Management Engagement Committee meeting in order to carry out their duties. Directors' attendance at these meetings was as follows:

Director	Scheduled Board Meetings	7 <i>ad-hoc</i> Board Meetings	Audit Committee	Remuneration Committee	Management Engagement Committee
Trevor Bowen	4 of 4	7 of 7	2 of 2	1 of 1	1 of 1
Caroline Chan	4 of 4	6 of 7	2 of 2	1 of 1	1 of 1
Francis Keeling	4 of 4	7 of 7	2 of 2	1 of 1	1 of 1

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

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

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

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

### Board Committees

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

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

### Audit Committee

As at the financial period end, the members of the Audit Committee were Trevor Bowen, Francis Keeling and Caroline Chan. Trevor Bowen has assumed Chairmanship of the Audit Committee and as noted above, it is acknowledged that Trevor's membership of the Audit Committee is not consistent with the provisions of the AIC



Code (as he is Chairman of the Company). As noted above, the Board and its advisers have been actively taking steps to identify suitable candidates for an additional position on the Board, and discussions have been held with a number of individuals. The Board and its advisers continue to search for a potential candidate with appropriate skills to complement the current skills of the Board, and hope to make an announcement within the next 3 to 6 months.

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

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

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

The Audit Committee has recommended to the Board that the re-appointment of KPMG as the Company's external auditor be proposed to Shareholders at the 2022 annual general meeting. The Audit Committee will, if appropriate, consider arranging for the external audit contract to

be tendered in 2030 (being 10 years from the initial appointment) with the aim of ensuring a high quality and effective audit.

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

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

Each year, for good governance, the Management Engagement Committee examines the Audit Committee's performance and effectiveness, and ensures that its tasks and processes remain appropriate. Key areas covered include the clarity of the Audit Committee's role and responsibilities, the balance of skills among its members and the effectiveness of reporting its work to the Board. Following feedback from the Management Engagement Committee, the Board is satisfied that all members of the Audit Committee have relevant financial experience and knowledge and ensure that such knowledge remains up to date. Overall the Board considers that the Audit Committee has the right composition in terms of expertise and has effectively undertaken its activities and reported them to the Board during the year.

During the period to 31 December 2021, the Audit Committee met to consider the half-yearly report for the period from incorporation to 30 June 2021 and to receive the audit planning report from the Company's external auditor. The report from the Chairman of the Audit Committee is on pages 50 to 52.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

### Management Engagement Committee

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

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

### Remuneration Committee

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

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

### BRIBERY

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

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

### DATA PROTECTION

The Group has implemented measures designed to ensure its compliance with the Data Protection (Bailiwick of Guernsey) Law, 2017 (as amended) and other applicable data protection legislation in other jurisdictions. The Company has also issued a privacy notice explaining the data it holds, how the data is processed and its procedures. This notice is available for review and download at the Company's website - [RHMRFL-Privacy-Notice-final.pdf](#)

### DIALOGUE WITH SHAREHOLDERS

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

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

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

In addition, the Directors are available to enter into dialogue with Shareholders by telephone or email and the Chairman is always willing to meet Shareholders, as the Company believes such communication to be important. Shareholders also have the opportunity to address questions to the

Chairman and the Audit Committee at the Company's annual general meeting.

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

At the Annual General Meeting held on 9 December 2021 there were no votes against any of the resolutions proposed.

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

# AUDIT COMMITTEE REPORT

## MEMBERSHIP

Trevor Bowen, Chairman of the Audit Committee

Caroline Chan, Non-executive Director

Francis Keeling, Non-executive Director

## KEY DUTIES

The Audit Committee's key duties are as follows:

- reviewing and monitoring the integrity of the Group's financial statements and financial results announcements, and reviewing significant financial reporting judgements contained therein, and monitoring compliance with relevant statutory and listing requirements;
- reporting to the Board on the appropriateness of the Group's accounting policies and practices including critical accounting policies and practices;
- advising the Board on whether the Group's annual report and consolidated financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy;
- overseeing the relationship with the external auditor and reviewing the effectiveness of the external audit process;
- conducting a tender process and making recommendations to the Board, for it to put to the Shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity;

- reviewing and monitoring the systems of internal controls and risk management operated by the Group and by the Group's principal service providers;
- reviewing annually whether an internal audit function is required;
- developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditor; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
- reporting to the Board on how it has discharged its responsibilities.

## AUDIT COMMITTEE MEETINGS

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

## MAIN ACTIVITIES OF THE COMMITTEE DURING THE PERIOD

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

## FAIR, BALANCED AND UNDERSTANDABLE

In order to comply with the AIC Code, the Board has requested that the Audit Committee advise them on whether it believes that the Group's annual report and consolidated financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position, performance, business model and strategy.



## FINANCIAL REPORTING AND SIGNIFICANT ISSUES

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

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

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

## PRIMARY AREAS OF JUDGEMENT AND ESTIMATION

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

- Estimating royalty income for each Catalogue in order to evaluate investment potential. These conclusions are based on the Investment Manager's extensive reports and management accounts, which include historical earnings as well as industry growth projections released by trusted third parties;
- The Investment Manager calculates accruals by analysing prior period royalty statements. As royalties are cyclical outside of one-time events, the Investment Manager believes this is an appropriate approach. The Board discusses the methodology with the Investment Manager;
- The Board has assessed the useful life of each Catalogue's assets to be 16 years and amortises its intangibles as such;

- The Investment Manager assesses the collectability of royalty income receivables and advances annually to determine whether an impairment needs to be recorded; and
- Discounted cash flow models prepared by the Independent Valuer on a bi-annual basis to determine the valuation of each Catalogue using assumptions that are subject to the Independent Valuer's judgement (see Note 4 of the Notes to the Consolidated Financial Statements). The Independent Valuer is appointed by the Board and the Catalogue valuations, excluding Carlin, are subject to the Board's approval.

## INTERNAL CONTROLS

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

## AUDIT COMMITTEE REPORT CONTINUED

### INTERNAL AUDIT

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

### EXTERNAL AUDIT

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

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

In particular the Audit Committee formally appraise the external auditor against the following criteria:

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

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

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

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

### APPOINTMENT AND INDEPENDENCE

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

KPMG was initially appointed as the Company's independent auditor on 5 August 2020 and they were re-appointed by the Company's Shareholders at the Company's annual general meeting on 9 December 2021.

The fees payable to KPMG for audit services to the Group is £450,000. The only non-audit service provided by KPMG was in relation to its review of the Group's Interim Report for which it was paid fees of £75,000.

The Audit Committee has recommended to the Board that the re-appointment of KPMG as the Company's external auditor be proposed to the Shareholders at the 2022 annual general meeting.

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

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

### AUDIT COMMITTEE EVALUATION

Our activities formed part of the external review of Board effectiveness for the period and was performed in March 2022.

Another internal evaluation of the Audit Committee's effectiveness for 2022 is due to be carried out in early 2023.

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#### Trevor Bowen

Chairman of the Audit Committee  
27 April 2022

# REMUNERATION COMMITTEE REPORT

## OVERVIEW

In accordance with the Company's Articles, the Directors shall determine the Directors' fees payable, provided that the aggregate amount of such fees paid in respect of services rendered to the Company shall not exceed £300,000 (US\$407,461) per annum.

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

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

## DIRECTORS' REMUNERATION

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

	Fixed Fee £	Committee Chair fee £	Additional payment £	Gross total £	Gross total US\$
Trevor Bowen (Chairman of the Board and the Audit Committee)	51,025	5,669	61,600	118,294	164,862
Caroline Chan (Chairman of the Remuneration Committee)	39,686	1,387	46,600	87,673	122,186
Francis Keeling (Chairman of the Management Engagement Committee)	39,686	5,669	46,600	91,955	128,155

In May 2021, each Director became entitled to an *ad hoc* supplementary payment, to acknowledge the work undertaken by the Directors in connection with both the IPO process and the acquisition process for the Pipeline Investments, via the First Investment and the Second Investment, including the Group's entry into the RCF. In particular, the payments recognised each Director's role in completing the acquisition of the Pipeline Investments, given the restricted role of the Investment Manager, because it is also the manager of Round Hill Fund One, the seller of the Pipeline Investments. The payments were made in July 2021, with £45,000 (US\$61,198) paid to Trevor Bowen and £35,000 (US\$47,598) paid to each of Caroline Chan and Francis Keeling.

In September 2021, the Board resolved to establish the Remuneration Committee, with Caroline Chan as the Chairman. In that role, Caroline Chan received a pro rata payment of £1,387 (US\$1,886) for the period of her appointment until the year end. Although the Board had initially determined that the full Board would undertake the responsibilities of a remuneration committee, after further consideration, it was determined that a separate Remuneration Committee should be established, to consider and determine an appropriate level of Director

remuneration, to reflect the assets sector in which the Company operates and the time being spent by the Directors on matters for the Group.

In December 2021, the Remuneration Committee recommended to the Board: (i) an uplift in the Directors' base annual salary for 2022; and (ii) an *ad hoc* supplementary payment to each Director, to recognise their workload since the end of April 2021 to the period end.

In relation to the base annual salary review, the Remuneration Committee considered (i) market research about non-executive directors' fees from initial public offerings of investment funds in alternative assets sectors, since 2019, which was provided to the committee by Cenkos; (ii) a research paper from Trust Associates Limited, issued in October 2021, reviewing non-executive directors' fees between 31 March 2020 and 31 March 2021; and (iii) fees for investment companies within the same sector as the Company. It was determined that external remuneration consultants were not required for the remuneration review for Directors' fees for 2022.

## REMUNERATION COMMITTEE REPORT CONTINUED

The recommendations were approved by the Board on 9 December 2021. As such, each Director's annual remuneration has increased by £30,000 per annum for 2022 and Trevor Bowen will receive £75,000 (US\$101,483; in 2021: £45,000 or US\$62,715) (as Chairman of the Board) plus £5,000 (US\$6,776) as Chairman of the Audit Committee). Each of Caroline Chan and Francis Keeling will receive £65,000 (US\$87,952; in 2021: £35,000 or US\$48,778) per annum, plus £5,000 (US\$6,766) for chairing the Remuneration Committee and Management Engagement Committee, respectively. The total amount of Directors' remuneration to be paid in 2022 is currently anticipated to be £220,000 (US\$298,682).

In addition, Trevor Bowen (as Chairman of the Board and of the Audit Committee) received a supplementary payment of £16,600 (US\$22,575) and Caroline Chan and Francis Keeling each received a supplementary payment of £11,600 (US\$15,775), each of which was paid in December 2021. The members of the Remuneration Committee do not anticipate recommending to the Board that further supplementary payments are paid to the Directors in the near future, as they consider the current level of annual remuneration reflects their current workload.

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

The terms and conditions of appointment of the non-executive Directors are available for inspection at the Company's registered office by prior arrangement with the Secretary. The Directors do not receive a separate fee for being a director of each of the UK Subsidiaries.

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

## SUMS PAID TO THIRD PARTIES

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

## DIRECTORS' INTEREST IN SHARES

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

	Number of Ordinary Shares held as at 31 December 2021	Number of Ordinary Shares held as at the date of this report
Trevor Bowen	75,000	75,000
Caroline Chan	50,000	50,000
Francis Keeling	20,000	20,000

On behalf of the Remuneration Committee

### Caroline Chan

Chairman of the Remuneration Committee  
27 April 2022



# DIRECTORS' REPORT

## The Directors present their Annual Report of the Group for the period from incorporation on 5 August 2020 to 31 December 2021.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

A description of important events that have occurred during the Period, their impact on the Consolidated Financial Statements and a description of the principal and emerging risks and uncertainties facing the Group, together with an indication of important events that have occurred since the end of the period and are likely to affect the Group's future development, are included in the Company Overview, the Chairman's Statement, the Investment Manager's Report, this Directors' Report, the Principal Risks and Uncertainties section on pages 40 to 42, the Audit Committee Report and the Notes to the Consolidated Financial Statements contained on pages 70 to 98 and are incorporated herein by reference.

### STATUS

The Company is a Guernsey company with registered number 68002, the Shares of which have been admitted to trading on the SFS.

### DIRECTORS

The directors in office are shown on page 39. All Directors remain in office as at the date of approval of this Annual Report. Further details of the Directors' responsibilities are given on pages 57 to 58.

### MANAGEMENT OF CONFLICTS OF INTEREST

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

### RESULTS AND DIVIDENDS

The financial results of the Group for the Period are set out on pages 66 to 98.

The Company declared and paid the following dividends during the period:

Announcement Date	Payment Date	Dividend Ordinary per Share
24 May 2021	10 June 2021	US\$ 0.0075
20 August 2021	6 September 2021	US\$ 0.01125
18 November 2021	6 December 2021	US\$ 0.01125

On 9 March 2022, the Company announced a quarterly dividend of US\$0.015 per Ordinary Share, comprising US\$0.01125 per Ordinary Share for the quarter to 31 December 2021, together with a further dividend payment of US\$0.00375, being the balance payable for the initial quarterly dividend for the quarter to 31 March 2021. The payment date was 25 March 2022.

### RELATED PARTIES

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

## DIRECTORS' REPORT CONTINUED

### SUBSTANTIAL SHAREHOLDINGS

As of 31 December 2021, the following Shareholders had notified the Company that they held or controlled 5% or more of the total voting rights of the Company in issue:

	Ordinary Shares	C Shares	Total voting rights	% of voting rights
M&G Investments	44,626,287	12,000,000	56,626,287	13.59%
Schroder & Co	10,874,578	32,857,000	43,731,578	10.50%
CCLA Investment Management	27,152,956	11,130,845	38,283,801	9.19%
Close Brothers Asset Management	23,022,149	-	23,022,149	5.53%
Fidelity International	22,667,670	3,045,747	25,713,417	6.17%
abrdn	20,610,351	4,495,029	25,105,380	6.03%
Handelsbanken	22,167,189	-	22,167,189	5.32%
BMO Global Asset Management	19,800,000	1,800,000	21,600,000	5.18%

### DISCLOSURE OF INFORMATION TO THE AUDITOR

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

### AUDITOR

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

Signed on behalf of the board:

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**Trevor Bowen**

Chairman

27 April 2022

# RESPONSIBILITY STATEMENT

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

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

The Companies Law requires the Directors to prepare an annual report and financial statements for each financial year. Under the Companies Law, the Directors have elected to prepare the Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, and applicable law.

Under the Companies Law, the Directors must not approve the Consolidated Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period.

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

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

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

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

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

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

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

- the Consolidated Financial Statements, prepared in accordance with IFRS, the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and

## **RESPONSIBILITY STATEMENT CONTINUED**

- the Annual Report and Consolidated Financial Statements include information required by the FCA ensuring that the Company complies with the provisions of the Listing Rules, Disclosure Guidelines and Transparency Rules of the FCA. The Company voluntarily complies with a number of the Listing Rules including Section 9.8: Annual report, the remaining are outlined in its Prospectus. The Company complies with those provisions of the Listing Rules, Disclosure Guidelines and Transparency Rules of the FCA, save as noted in the Corporate Governance Statement of the Annual Report. There is no additional information that is required to be disclosed under Listing Rules 9.8.4.

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

Signed on behalf of the Board

**Trevor Bowen**

Director

27 April 2022

**Francis Keeling**

Director



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

## Our opinion is unmodified

We have audited the consolidated financial statements of Round Hill Music Royalty Fund Limited (the "Company") and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of comprehensive income, cash flows and changes in equity for the period from 5 August 2020 (date of incorporation) to 31 December 2021, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the financial position of the Group as at 31 December 2021, and of the Group's financial performance and cash flows for the period from 5 August 2020 (date of incorporation) to 31 December 2021;
- are prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

## Basis for opinion

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

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows:

	The risk	Our response
<p><b>Revenue recognition</b></p> <p>\$ 29,863,023</p> <p>Refer to the Audit Committee report (page 51), note 2 Accounting Policies, note 3 Significant Accounting Judgements, Estimates and Assumptions and note 9 Royalty Income.</p>	<p><b>Basis:</b></p> <p>The Group earns revenue from the catalogues of songs in which it owns interests. Revenues take the form of royalties, license fees and other income including mechanical royalties, performance royalties, and synchronisation fees.</p> <p>Revenue is collected by independent portfolio administrators and royalty collection agents (together the "Collection Agents") and is reported and paid by them on a periodic basis. These contractual arrangements entered into by the Group with the Collection Agents may be complex in nature.</p>	<p><b>Our audit procedures included:</b></p> <p><b>Control evaluation:</b></p> <p>We tested the design and implementation of controls over revenue recognition.</p> <p><b>Assessing principles:</b></p> <p>We assessed the Group's revenue recognition accounting policies for compliance with International Financial Reporting Standards ("IFRS"), and in particular IFRS 15 "Revenue from Contracts with Customers".</p>

The risk	Our response
<p>Additionally, the Collection Agents' may report on a non-coterminous basis with the Group's period end. Therefore the directors make an estimate of the revenue accrued to the Group at the period end. The directors seek the input of the Investment Manager in making these revenue accruals which are based on an analysis of each catalogue's revenue history and performance trends. This involves significant judgement and estimation uncertainty.</p>	<p><b>Tests of detail - Revenue:</b> For each catalogue of songs, we have assessed the contractual basis for recognising revenue by reading and understanding the catalogue agreement and the contracts in place with the Collection Agents.</p>
<p><b>Risk</b> There is a risk of error in that revenue may be incorrectly recognised in the accounting records of the Group. There is also a fraud risk attached to accrued revenue given that the significant judgements applied and estimation uncertainty inherent in determining the accrual are susceptible to management bias.</p>	<p>For a randomly chosen selection of Collection Agent statements, we have performed a reconciliation of those statements to the corresponding revenue recognised by the Group and traced those same amounts to cash receipts.</p> <p><b>Tests of detail - Revenue accrual:</b> We evaluated the methodology applied by the Investment Manager in calculating the period end revenue accrual against market practice and the requirements of applicable accounting standards.</p> <p>We evaluated the reasonableness of the underlying information used by the Investment Manager in the revenue accrual by comparing this to the historic financial information provided by management and assessing its relevance and reliability.</p> <p>We evaluated the reasonableness of the revenue accrual assumptions against supporting documentation.</p> <p>We tested the mathematical accuracy of the calculation.</p> <p>We compared royalty statements and cash receipts received subsequent to the period end to the amounts accrued for revenue at period end.</p> <p><b>Assessing disclosures:</b> We also considered the Group's disclosure (note 3) in relation to the use of Significant Accounting Judgements, Estimates and Assumptions and Royalty Income (note 9).</p>

	The risk	Our response
<p><b>Carrying value and fair value disclosure of intangible assets</b></p> <p>Carrying value \$ 303,386,321</p> <p>Fair value \$ 371,764,135</p> <p>Refer to the Audit Committee report (page 51), note 2 Accounting Policies, note 3 Significant Accounting Judgements, Estimates and Assumptions and note 4 Catalogues.</p>	<p><b>Basis:</b></p> <p>The Group's catalogues of songs are classified as intangible assets and are required to be held at cost less impairment and amortised over their useful life. As a result, the catalogues of songs are subject to an impairment assessment at the earlier of the end of each accounting period and when an indicator of impairment is identified. The determination of useful life of each catalogue requires the application of significant judgement by the directors with input from the Investment Manager.</p> <p>The Board engaged an Independent Valuer to value the Group's catalogues of songs.</p> <p>The valuation incorporates assumptions that are subject to significant judgement and estimation uncertainty including future catalogue revenue, aggregate catalogue maturity and the discount rate applied.</p> <p>The directors use the fair value as an input into their consideration of the impairment assessment of the catalogues of songs. The directors also use the fair value to calculate and voluntarily disclose the Group's Economic Net Asset Value.</p> <p><b>Risk:</b></p> <p>As the catalogues of songs are significant to the Net Asset Value of the Group and due to the inherent judgement required to determine the useful life, perform impairment assessments and determine the fair value of those catalogues of songs, these matters collectively give rise to a risk of error.</p>	<p><b>Our audit procedures included:</b></p> <p><b>Control evaluation:</b></p> <p>We tested the design and implementation of the control in place over the valuation of intangible assets, to support the impairment assessment performed by management.</p> <p><b>Assessing principles:</b></p> <p>We assessed the Group's intangible asset recognition and impairment accounting policies for compliance with International Financial Reporting Standards ("IFRS"), and in particular IAS 38 "Intangible Assets".</p> <p><b>Tests of detail - carrying value:</b></p> <p>For a selection of catalogues of songs, we obtained and read the purchase agreements entered into by the Group to evaluate whether they had been accounted for in accordance with IAS 38. We agreed the corresponding acquisition costs to cash payments made.</p> <p>We assessed the useful life assumption made by the directors by comparing this for reasonableness to available industry information.</p> <p>We independently recalculated the carrying value using the useful life determined by the directors to ensure mathematical accuracy of the calculation and adherence with the Group's accounting policies.</p> <p><b>Tests of detail - fair value:</b></p> <p>With the support of our own KPMG valuation specialist we:</p> <p>Obtained the valuation model from the Independent Valuer.</p> <p>Confirmed the independence of the Independent Valuer, and evaluated their experience, competence and objectivity. We assessed the methodology applied by the Independent Valuer against market practice and the requirements of applicable accounting standards.</p>

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

<b>The risk</b>	<b>Our response</b>
<p><b>Risk:</b> As the catalogues of songs are significant to the Net Asset Value of the Group and due to the inherent judgement required to determine the useful life, perform impairment assessments and determine the fair value of those catalogues of songs, these matters collectively give rise to a risk of error.</p>	<p>Evaluated the underlying information used by the Independent Valuer by comparing this to the historic financial information provided by management and available market data; and assessing its relevance and reliability.</p> <p>Tested the valuation model for integrity, logic and material formula errors.</p> <p>Evaluated the reasonableness of key assumptions applied by the Independent Valuer to available independent industry benchmarks.</p> <p><b>Assessing disclosures:</b> We also considered the Group's disclosure (note 3) in relation to the use of Significant Accounting Judgements, Estimates and Assumptions and Catalogues (note 4).</p>

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

Materiality for the consolidated financial statements as a whole was set at \$3.9m determined with reference to a benchmark of group net assets of \$397m, of which it represents approximately 1.0%.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality for the Group was set at 65% of materiality for the financial statements as a whole, which equates to \$2.6m. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding \$0.1m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

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

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

**Going concern**

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

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



financial resources or ability to continue operations over this period was the availability of capital to meet operating costs and other financial commitments.

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

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

Our conclusions based on this work:

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

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

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

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

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

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

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

We performed procedures including:

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

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

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

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

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

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

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

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

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

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

### **Other information**

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

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

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

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

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

## Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on pages 57 and 58, the directors are responsible for: the preparation of the consolidated financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

### Dermot Dempsey

#### For and on behalf of KPMG Channel Islands Limited

*Chartered Accountants and Recognised Auditors  
Guernsey*

**27 April 2022**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 US\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5	81,961,446
Accounts receivable and accrued income	6	19,048,866
<b>Total current assets</b>		<b>101,010,312</b>
<b>Non-current assets</b>		
Catalogues	4	303,386,321
Financial assets at fair value through profit or loss	15	63,570,487
<b>Total non-current assets</b>		<b>366,956,808</b>
<b>Total assets</b>		<b>467,967,120</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	7	11,126,894
<b>Total current liabilities</b>		<b>11,126,894</b>
<b>Non-current liabilities</b>		
Bank loan	18	59,921,393
<b>Total non-current liabilities</b>		<b>59,921,393</b>
<b>Total liabilities</b>		<b>71,048,287</b>
<b>Equity</b>		
Share capital	8	409,206,185
Retained earnings		(12,287,352)
<b>Total equity</b>		<b>396,918,833</b>
<b>Total liabilities and equity</b>		<b>467,967,120</b>
IFRS Net Asset Value per Ordinary Share (US Dollars)	11	0.95
Economic Net Asset Value per Ordinary Share (US Dollars) <sup>[1]</sup>	11	1.12
IFRS Net Asset Value per C Share (US Dollars)	11	0.97
Economic Net Asset Value per C Share (US Dollars) <sup>[1]</sup>	11	1.03

Approved and authorised for issue by the Board of Directors on 27 April 2022 and signed on their behalf by:

**Trevor Bowen**  
Director

**Francis Keeling**  
Director

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

[1] Refer to Note 11 for the reconciliation to the respective IFRS measure.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	5 August 2020 to 31 December 2021 US\$
<b>Income</b>		
Royalty income	9	29,863,023
Investment income	16	2,951,051
Royalty expenses		(8,290,160)
Investment expenses		(833,747)
Fair value gains on financial assets at fair value through profit or loss	15	3,527,283
<b>Net income</b>		<b>27,217,450</b>
<b>Expenses</b>		
Administration fees	13	309,188
Audit and interim review fees		276,755
Amortisation of Catalogues	4	17,933,023
Broker fees		76,699
Director fees	12	444,271
Legal and professional fees		1,715,739
Investment management fees	13	3,959,452
Portfolio administration fees	13	1,870,027
Other operating expenses	20	1,935,265
<b>Total operating expenses</b>		<b>28,520,419</b>
<b>Operating loss for the period before finance and tax expenses</b>		<b>(1,302,969)</b>
Finance Costs	18	(1,096,383)
<b>Net loss for the period before tax</b>		<b>(2,399,352)</b>
Taxation	19	-
<b>Net loss for the period</b>		<b>(2,399,352)</b>
<b>Total comprehensive loss for the period</b>		<b>(2,399,352)</b>
<b>Basic and diluted loss per Ordinary Share (US Dollars)</b>	14	<b>(0.00)</b>
<b>Basic and diluted loss per C Share (US Dollars)</b>	14	<b>(0.05)</b>

All activities derive from continuing operations.

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	5 August 2020 to 31 December 2021 US\$
<b>Cash flows generated from operating activities</b>		
Net loss for the period		(2,399,352)
<i>Adjustments:</i>		
Amortisation of Catalogues	4	17,933,023
Fair value gains on financial assets at fair value through profit or loss	15	(3,527,283)
Amortisation of capitalized borrowing costs	18	222,393
Interest on bank loan capital drawn	18	791,406
Facility charges on unutilised bank loan	18	82,584
Increase in accounts receivable and accrued income	6	(19,048,866)
Increase in accounts payable and accrued expenses	7	6,182,035
<b>Net cash flows from operating activities</b>		<b>235,940</b>
<b>Cash flows used in investing activities</b>		
Purchase of financial assets at fair value through profit or loss	15	(60,043,204)
Purchase of Catalogues		(316,374,485)
<b>Net cash flows from investing activities</b>		<b>(376,417,689)</b>
<b>Cash flows generated from financing activities</b>		
Proceeds from bank loan	18	60,000,000
Arrangement fees paid on bank loan facility	18	(301,000)
Interest paid on bank loan capital drawn	18	(791,406)
Facility charges paid on unutilised bank loan	18	(82,584)
Proceeds from shares issued	8	417,061,000
Share issue costs paid	8	(7,854,815)
Dividends paid	17	(9,888,000)
<b>Net cash flows generated from financing activities</b>		<b>458,143,195</b>
<b>Net movement in cash and cash equivalents</b>		<b>81,961,446</b>
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at end of the period</b>	<b>5</b>	<b>81,961,446</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the period 5 August 2020 to 31 December 2021

## 1. CORPORATE INFORMATION

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

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

The Company has appointed Round Hill Music LP (“**Round Hill Music**”) as its investment manager (the “**Investment Manager**”) to manage its assets on a discretionary basis. Round Hill Music, which is the sixth largest music publisher in the U.S. and is a fully integrated owner and operator of music copyright properties, focusing on sourcing iconic Copyrights that it believes have an established place in culture, a history of stable royalties and potential for future exploitation. Round Hill Music is also responsible for the administration of the Company’s assets including the collection of royalties.

On 11 November 2020, the Company completed an initial public offering and listed its Ordinary Shares on the Specialist Fund Segment of the London Stock Exchange on 13 November 2020, where it trades under the symbol “**RHM**”.

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

## 2. ACCOUNTING POLICIES

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

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

On incorporation, the Company adopted all of the IFRS standards and interpretations that were in effect at that date and are applicable to the Group.

#### Changes in significant accounting policies

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (“the Phase 2 amendments”) became effective on 1 January 2021. As a result of its decision to early adopt the Phase 2 amendments from incorporation, the Group’s accounting policies are already consistent with the new requirements.

The Group has no other transactions that are affected by newly effective standards.

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

- Classification of liabilities as current or non-current (Amendments to IAS 1), effective 1 January 2023
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective 1 January 2023
- Definition of Accounting Estimate (Amendments to IAS 8), effective 1 January 2023

Other accounting standards and interpretations have been published and will be mandatory for the Group’s accounting periods beginning on or after 1 January 2023 or later periods.

The impact of these standards is not expected to be material to the reported results and financial position of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.2 Group Information

As at 31 December 2021, the details of the Group's subsidiaries are as follows:

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

#### 2.3 Going Concern

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

Despite the Group making a loss in its first operating period, the Group has a significant cash balance as well as large positive net current assets and net assets at the period end.

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

#### 2.4 Basis of preparation

##### Consolidation

In accordance with section 244 of the Companies (Guernsey) Law, 2008 the Directors have elected to prepare consolidated financial statements from incorporation until 31 December 2021 for the Group. Therefore, there is no requirement to present individual financial statements for the Company within the Consolidated Financial Statements.

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2. ACCOUNTING POLICIES (CONTINUED)

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

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

#### 2.5 Segmental reporting

The chief operating decision maker is the Board of Directors. The Directors are of the opinion that the Group is engaged in a single segment of business, being the investment of the Group's capital in its portfolio of Catalogues to provide investors with an attractive level of regular and growing income, together with the potential for capital growth.

#### 2.6 Revenue Recognition

##### Revenue from operations and associated costs

The revenue earned by the Group is recognised in accordance with IFRS 15 and solely consists of royalty income, which is divided into three main revenue categories:

- Mechanical royalties – these are collected by Mechanical Rights Organisations (“**MROs**”) or Collective Management Organisations (“**CMOs**”) worldwide which represent songwriters and other copyright owners, except in territories where labels are licensed directly. Mechanical royalties are also collected by the portfolio administrators (e.g. a sub-publisher) with whom the Group contracts;
- Performance royalties – these are collected by various Performance Rights Organisations (“**PROs**”) worldwide which represent songwriters and other copyright owners; and
- Synchronisation fees – these are typically paid directly to the owner of the relevant copyright or its publisher, on the terms and in the amounts agreed with the relevant film or television production company, advertising agency or end customer.

These revenue categories are aggregated into two distinct revenue streams, Masters income and Publishing income, the allocations of which are disclosed within Note 9. Masters income includes mechanical and performance royalties earned on Master recordings (recorded performances which can be played back or reproduced) owned by the Group. Publishing income includes mechanical royalties, performance royalties and synchronisation fees earned on the rights to the underlying composition of recordings. The Group follows the same accounting policies in respect of all revenue streams, unless otherwise disclosed.

As royalty income is typically reported by the different royalty collection agents on an arrears basis via statement (3-6 months for mechanical royalties and 3-12 months for performance royalties and, where synchronisation fees are contracted upfront, in accordance with the terms of the contract after the performance obligation is met) and, where statements have not been received as at the end of the reporting period, the Group accrues for those reporting delays by assessing historic and forecasted earnings over the equivalent reporting period based on evidenced historic revenue reporting, seasonality and industry consumption and growth rates since the last statement date.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2. ACCOUNTING POLICIES (CONTINUED)

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

Non-recourse fixed fee arrangements are recognised at the point at which control of the licence passes to the collection agents. Variable consideration is recognised in the period when the usage of the Catalogues occurs.

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

#### 2.7 Expenses

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

#### 2.8 Dividends

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

#### 2.9 Catalogues

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

#### Impairment on Catalogues

Each time events or changes in the respective Catalogues or economic environment indicate a risk of impairment of intangible assets, the Group re-examines the value of these assets for indicators of impairment. When there are indicators of impairment, the impairment test is performed to compare the recoverable amount to the carrying value of the asset. The recoverable amount is determined as the higher of: (i) the value in use; or (ii) the fair value (less costs to sell) as described hereafter, for each catalogue.

## **2. ACCOUNTING POLICIES (CONTINUED)**

The value in use of each catalogue is determined by the Board and / or the Investment Manager at time of acquisition, which is the discounted value of future cash flows by using cash flow projections consistent with the expected portfolio cash flows and the most recent forecasts as at that time. Applied discount rates are determined by reference to an appropriate benchmark as determined by the Board and / or the Investment Manager and reflect the current assessment by the Group of the time value of money and risks specific to each catalogue. Growth rates used for the evaluation of individual catalogues are based on industry growth rates sourced from independent market reports and other third-party sources.

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

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

If the recoverable amount is still lower than the carrying value of a catalogue or group of catalogues and the qualitative and quantitative aspects do not support a recoverable amount higher than the carrying amount, an impairment loss equal to the difference is recognised in profit and loss. The impairment losses recognised in respect of intangible assets may be reversed in a later period if the recoverable amount becomes greater than the carrying value, within the limit of impairment losses previously recognised.

### **2.10 Accounts receivable and accrued income**

Accounts receivable and accrued income that have fixed or determinable payments that are not quoted in an active market are initially measured at fair value plus transaction costs directly attributable to the acquisition, and subsequently measured at amortised cost using the effective interest method, less allowance for Expected Credit Losses (Note 3). Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

### **Financial instruments**

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

### **2.11 Financial assets**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Classification

##### Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("SPPI") amount outstanding. The Group includes in this category short-term non-financing accounts receivable and accrued income.

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

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

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

#### Measurement

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

#### Derecognition

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

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

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

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

(b) the consideration received (including any new asset obtained less any new liability assumed)

shall be recognised in the Statement of Comprehensive Income.

#### Fair value estimate

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

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

## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.12 Financial liabilities**

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

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

This category includes all financial liabilities.

The Company includes in this category:

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

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

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

#### **(ii) Bank loans and interest**

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

### **Derecognition of financial liabilities**

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

### **2.13 Equity instruments**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 2.14 Cash and Cash equivalents

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

#### 2.15 Functional and Foreign currency

Items included in the Consolidated Financial Statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The Consolidated Financial Statements are presented in United States Dollar, which is also the functional currency of the Company and each of its Subsidiaries.

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

Transactions denominated in foreign currencies are recorded into US Dollars at the rate of exchange ruling at the date of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the closing rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit or loss in the period in which they arise.

#### 2.16 Investment income

Dividends, distribution income, and interest income are included in the Group's investment income and are recognised when the Group's right to receive the income is established. In the case of dividends, this is generally when shareholders approve the dividend.

#### 2.17 Interest expense

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

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

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



### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

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

#### **Functional currency (judgement)**

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

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

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

The Board has considered the period over which revenue is expected to be reliably generated by a Catalogue, based on the forecasted cash flow projections relating to each applicable revenue stream within that Catalogue. Based on the Board's consideration of the international music market and the sustained growth in streaming revenues within a Catalogue, the Board has assessed the useful life of each Catalogue to be 16 years. The Board notes this is in line with useful life estimates of other large music companies.

#### **Critical estimates in applying the Group's accounting policies - revenue recognition (estimate):**

Revenues received from CMOs are subject to a significant time lag in the industry. As such, an income accrual is estimated by the Investment Manager. In calculating accruals, the Investment Manager makes judgements around seasonality, over or under performance, and commercial factors based on historical performance, their knowledge of each Catalogue and their regular correspondence with the various administrators, record labels and international societies.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

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

Royalty income for accruals and receivables recognised in the period ended 31 December 2021 are paid to the Investment Manager as portfolio administrator by CMOs (e.g. ASCAP, MCPS, PRS), record companies, sub-publishers, synchronisation licensees and digital services.

The Investment Manager is constantly monitoring the marketplace at a national level (both directly and through its sub-publishers) to assess risks which may negatively affect the timely flow of royalty income. Aside from seasonal variances and general economic events (e.g. COVID-19), there are no signs of any CMOs or other licensees in the music industry showing any signs of defaulting on their payment obligations (with the majority having being established for up to 100 years, with a robust and stable track record). Therefore, any associated risk in this area is considered to be almost zero. Direct licensing activity (e.g. the issue of a synchronisation licence) is invoiced on a transactional basis so it is very easy to contain music usage and avoid debtors arising.

The Company has completed some high-level analysis to determine if the receivables are low credit risk. Based on this analysis the ECL on investment income receivable is not considered material and therefore no impairment adjustments were accounted for. As outlined in Note 6, US\$6.5 million of royalty income receivable from the Investment Manager has been already received and transferred to the Group and as outlined in Note 6 the US\$7.3 million of accrued royalty income is expected to be received within the next 12 months. For the period, there has been no default of debt for royalty payments by CMOs, record companies or sub-publishers.

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

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

As disclosed in Note 2.9, intangible assets are subject to annual impairment review which relies on assumptions made by the Catalogues' Independent Valuer. Assumptions are updated annually, specifically those relating to future cash flows and discount rates.

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

Valuations of music publishing rights typically adopt the Discounted Cash Flow ("DCF") valuation approach which measures the present value of anticipated future revenues from acquiring the Catalogues, which are discounted at a 'market cost of capital' of 8.5% and a terminal value in 16 years. This method is accepted as an objective way of measuring future benefits; taking into account income projections from various music industry sources across various revenue flows whilst also factoring in the associated cost of capital. It is the intention of the Board that the Catalogues 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
CONTINUED**

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

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

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

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

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

**Determining fair value of assets (estimate)**

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

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

**4. CATALOGUES**

	<b>Total US\$</b>
<b>Cost</b>	
Opening balance	-
Additions	321,319,344
<b>Closing balance</b>	<b>321,319,344</b>
<b>Amortisation and Impairment</b>	
Opening balance	-
Amortisation	(17,933,023)
Impairment	-
<b>Closing balance</b>	<b>(17,933,023)</b>
<b>Net book value</b>	<b>303,386,321</b>
At 31 December 2021	
<b>Fair value as at 31 December 2021</b>	<b>371,764,135</b>

The Group amortises each catalogue with a limited useful life using the straight-line method of 16 years (other than in exceptional circumstances for specific Catalogues).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 4. CATALOGUES (CONTINUED)

Useful life is separately considered for each Catalogue and is reviewed at the end of each reporting period. At 31 December 2021 accumulated amortisation for all of the Catalogues is US\$17,933,023 and the accumulated impairment to date is US\$nil.

The Board engaged the Independent Valuer, to value its Catalogues as at 31 December 2021. Each income type from individual Catalogues was analysed and forecast to derive the fair value of the Catalogues by adopting a DCF valuation methodology using a discount rate of 8.5%. 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. Citrin Cooperman (incorporating Massarsky Consulting, Inc.) has also taken into consideration macro factors including the growth of streaming revenue, the global growth of the recorded music industry and the short and medium term impact of COVID-19 in their analysis. The Board has approved and adopted the valuations prepared by the portfolio Independent Valuer. The reconciliation between the IFRS NAV and the Economic NAV is referred to in note 11.

The sensitivity to the discount rate used to determine the fair value of the Catalogues owned by the Group on the Economic NAV of the Group is as follows:

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

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

### 5. CASH AND CASH EQUIVALENTS

	31 December 2021 US\$
Bank accounts	81,961,446
	<b>81,961,446</b>

### 6. ACCOUNTS RECEIVABLE AND ACCRUED INCOME

	31 December 2021 US\$
Prepayments	113,735
Accrued royalty income	7,303,259
Royalty income receivable from the Investment Manager (see note 12)	6,549,577
Net recoupable advances to songwriters	4,071,365
Investment income receivable	1,010,930
	<b>19,048,866</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
CONTINUED**

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

	<b>31 December 2021 US\$</b>
Portfolio Administration fees (see note 13)	525,955
Management fee (see note 13)	1,094,404
Performance fee (see note 13)	–
Management chargeback fee (see note 13)	541,715
Administration fee (see note 13)	25,767
Sundry accruals	214,424
Investment costs payable	4,944,858
Amounts owing to songwriters	3,779,771
	<b>11,126,894</b>

**8. SHARE CAPITAL**

**Authorised**

The Company has the power to issue an unlimited number of shares. As at 31 December 2021, the issued shares of the Company consisted of Ordinary Shares of no par value and C Shares of no par value.

**Issued**

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

	<b>Number of Ordinary Shares</b>	<b>Number of C Shares</b>	<b>Total Number of Shares</b>	<b>Share Capital US\$</b>
<b>Share capital</b>				
Issued and fully paid shares during the period	<b>330,100,000</b>	<b>86,500,000</b>	<b>416,600,000</b>	<b>409,206,185</b>
Share capital at 31 December 2021	<b>330,100,000</b>	<b>86,500,000</b>	<b>416,600,000</b>	<b>409,206,185</b>

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

Pursuant to the Company's Prospectus dated 19 October 2020, as amended by the Supplementary Prospectus dated 3 November 2020 (together the "Prospectus"), the Company offered its Ordinary Shares for issue by means of a placing and offer for subscription, raising US\$282 million through the issue of Ordinary Shares at an issue price of US\$1.00 each ("Issue Price"). The Company's Ordinary Shares were admitted to trading on the Specialist Fund Segment ("SFS") of the London Stock Exchange on 13 November 2020.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 8. SHARE CAPITAL (CONTINUED)

On 16 December 2020, the Company announced it had raised a further US\$46.561 million from a placing of 46,100,000 Ordinary Shares, with the admission and trading of these shares to commence on 18 December 2020. The Company announced it had issued an additional 2,000,000 Ordinary Shares at an issue price of US\$1.00 per Ordinary Share, pursuant to a placing under the Placing Programme, on 3 June 2021. These additional Ordinary Shares were admitted to trading on the SFS on 7 June 2021. Holders of any class of Ordinary Shares are entitled to participate in any dividends and other distributions of the Company as the Directors may resolve to pay to holders of that class of Ordinary Shares.

Subsequent to the interim period ended 30 June 2021, the Company successfully raised gross proceeds of US\$86.5 million pursuant to the placing of 86,500,000 C Shares at an issue price of US\$1.00 per C Share under the Placing Programme. The C Shares were admitted to trading on the SFS on 20 July 2021.

The Company intends to convert the C Shares into Ordinary Shares, as per the terms of the Articles, once substantially all of the net proceeds raised through the C Share placing have been invested in accordance with the Company's investment policy. The basis on which the C Shares issued under the C Share Offer will convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of those C Shares will become entitled will reflect the relative net asset values per share of the assets attributable to the C Shares and the Ordinary Shares.

Holders of any class of C Shares are entitled to participate in any dividends and other distributions of the Company as the Directors may resolve to pay to holders of that class of C Shares out of the assets attributable to that class of C Shares. However, in relation to the 86,500,000 C Shares issued by the Company in July 2021, the Directors do not envisage paying a dividend. All income attributable to the C Shares will be accrued and form part of the C Share net asset value for purposes of the C Share conversion calculation

The Company's total issued share capital currently consists of 330,100,000 Ordinary Shares and 86,500,000 C Shares. Ordinary Shares and C Shares each hold equal voting rights per share, with each Ordinary Share or C Share entitling the holder to one vote. As such the total number of voting rights in the Company is 416,600,000.

### 9. ROYALTY INCOME

	31 December 2021 US\$
Publishing income	22,557,072
Masters income	7,305,951
<b>Royalty Income</b>	<b>29,863,023</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 10. FINANCIAL RISK MANAGEMENT

#### Financial Risk Management Objectives

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

#### Fair values

The Investment Manager assessed that the fair values of cash and cash equivalents, accounts receivables and accrued income, advances to songwriters and accounts payable and accrued expenses approximate their carrying amount largely due to the short-term maturities and high credit quality of these instruments.

See note 3 and note 15 for details with respect to the fair value of financial assets at fair value through profit or loss.

#### Capital Risk Management

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

In order to maintain or adjust the capital structure, the Company may buy back shares or issue new shares. There is a leverage threshold of 25% Economic NAV as determined by the Prospectus. There are no external capital requirements imposed on the Company.

The Company's investment policy is set out in the Investment Objective and Policy section of this Annual Report, on page 3.

#### Market Risk

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

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

#### Currency risk

Currency risk is the risk that the fair values of future cash flows will fluctuate because of changes in foreign exchange rates. The revenue earned from the Catalogues may be subject to foreign currency fluctuations. Royalties are earned globally and paid in a number of currencies, therefore, the Group may be impacted by adverse currency movements. The Group will convert the majority of overseas currency receipts into US Dollars by agreeing to currency exchange arrangements with collection agents, or otherwise itself undertaking foreign exchange conversions.

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

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

	Note	Amount U\$	Amount GBP
Accounts payable and accrued expenses*	7	169,521	125,170
		<b>169,521</b>	<b>125,170</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 10. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The Group may engage in full or partial foreign currency hedging and interest rate hedging. The Group will not enter into such arrangements for investment purposes.

#### Credit Risk

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

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

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

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

	Location	Rating	31 December 2021 US\$
Lloyds Bank plc	Guernsey	*A+	81,961,446

\*Rated by Standard & Poor's

#### Interest rate risk

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

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

#### Interest rate benchmark reform

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
CONTINUED**

**10. FINANCIAL RISK MANAGEMENT (CONTINUED)**

As at 31 December 2021, the IBOR reform in respect of currencies to which the Group has exposure has been largely completed. The table below sets out the IBOR rates that the Group had exposure to, the new benchmark rates to which these exposures have or are being transitioned and the status of the transition.

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

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

**Liquidity Risk**

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

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

The Group prepares an 18 month rolling cash flow forecast, which is reviewed by the Board and the Investment Manager at least on a quarterly basis. The cash flow forecast includes a sensitivity analysis with downside scenarios on income streams impacted specifically relating to COVID-19. Cash is delivered with royalty statements, and the majority are delivered quarterly or semi-annually. A small number of collections are delivered monthly. Cash is collected and processed throughout calendar quarters or half years by the administrators and paid out on either 60/90 day accounting.

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

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

\*excludes net recoupable advances to songwriters and prepayments

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

	31 December 2021
<b>Number of Ordinary Shares in issue</b>	<b>330,100,000</b>
<b>IFRS NAV per Ordinary Share (US Dollars)</b>	<b>0.95</b>
<b>Economic NAV per Ordinary Share (US Dollars)</b>	<b>1.12</b>

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

	31 December 2021
<b>Number of C Shares in issue</b>	<b>86,500,000</b>
<b>IFRS NAV per C Share (US Dollars)</b>	<b>0.97</b>
<b>Economic NAV per C Share (US Dollars)</b>	<b>1.03</b>

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

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

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

#### Reconciliation of IFRS NAV to Economic NAV

as at 31 December 2021

	31 December 2021 US\$
<b>IFRS NAV as at 31 December 2021</b>	<b>396,918,833</b>
Amortisation adjustment between Economic and IFRS NAV	17,933,023
Non-cash revenue accruals recognised in terms of IFRS	(5,582,350)
Recognition of Catalogue Fair Value in Economic NAV	50,444,792
<b>Economic NAV as at 31 December 2021</b>	<b>459,714,298</b>

### 12. RELATED PARTY TRANSACTIONS AND DIRECTORS' REMUNERATION

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

The Group has appointed Round Hill Music LP as its Investment Manager, for the purpose of implementing the investment strategy as laid out in the Prospectus. The Investment Manager earns a management fee, performance fee, portfolio administration fee and are also entitled to recoup certain expenses, incurred on behalf of the Group, through management chargeback fees. Please refer to note 13 for the full details of the fees. The Investment Manager, in the fulfilling of its specified duties, is therefore seen as part of the key management personnel within the operational structure of the Group, and designated as a related party in relation to the Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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

Royalty income receivable from the Investment Manager (see Note 6 for details) is a related party transaction. This balance relates to cash received by the Investment Manager, as portfolio administrator, from collection societies (i.e. from the customers) on behalf of the Group and which has not yet been transferred to the Group as at 31 December 2021.

Management chargeback fees relate to fund expense and dead deal expense chargebacks (Note 20) with the Investment Manager, as well as recoupment of advances (Note 6) and capital costs incurred (Note 13), due from the Investment Manager to the Group.

Josh Gruss (Founder and CEO of the Investment Manager – Round Hill Music LP) acquired 10 million Ordinary Shares at US\$1 per Ordinary Share as part of the Initial Offering.

On 7 June 2021, Josh Gruss acquired a further 2,000,000 Ordinary Shares at US\$1.00 per Ordinary Share, in line with terms set out in the Prospectus. Out of those Ordinary Shares, 931,272 Ordinary Shares were donated to the Berklee College of Music in Boston, USA to support a Round Hill scholarship for students, and 46,729 Ordinary Shares were donated to the National Museum of African American Music in Nashville, USA.

During the period, dividends paid to Josh Gruss on Ordinary Shares held equalled US\$322,995.

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

	<b>Number of Ordinary Shares held</b>
Trevor Bowen	75,000
Caroline Chan	50,000
Francis Keeling	20,000

During the period, the Directors earned the following dividends on shares held in the Company:

	<b>Dividends Earned</b>
Trevor Bowen	2,250
Caroline Chan	1,500
Francis Keeling	600

#### Compensation of Directors

Each Director receives a fee of GBP35,000 (US\$47,537) per annum with the Chairman receiving GBP45,000 (US\$61,119). The Chair of each of the Audit Committee, Remuneration Committee and the Management Engagement Committee receives an additional GBP5,000 (US\$6,791) per annum, although Caroline Chan received a pro rata amount of GBP1,378 (US\$1,886) from 21 September 2021 to year end. The Company Directors' fees for the period amounted to US\$444,271 whereby GBP154,800 (US\$210,250) of this related to ad hoc supplementary payments made during the period and GBP20,911 (US\$29,144) of the total related to Employer National Insurance contributions paid to Her Majesty's Revenue and Customs ("HMRC"). The ad hoc supplementary payments were issued to Directors over and above the normal fees payable to the Directors, as per the Articles of Incorporation.

Additionally, the Directors are entitled to be reimbursed by the Company for expenses incurred in the course of performing their duties as Directors of the Company. During the period, reimbursements paid to Directors amounted to GBP1,743 (US\$2,329).

The aggregate amount paid and to be paid to Directors does not exceed the maximum limit of equal to GBP300,000 (US\$407,461) per annum as per the Articles of Incorporation. At 31 December 2021, there were no unpaid director fees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 13. MATERIAL AGREEMENTS

#### Investment Management Agreement

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

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

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

The full terms and conditions of the calculation of the management fee and performance fees are disclosed in the Company's prospectus. However in summary:

#### Management Fee

The management fee is calculated at the rate of:

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

**Management fees for the period were US\$3,959,452 with US\$1,094,404 outstanding at 31 December 2021.**

#### Performance fee

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

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

### **13. MATERIAL AGREEMENTS (CONTINUED)**

For the purposes of calculating the Performance Fee:

'Performance Share Price' means on the Performance Fee Calculation Date, the average of the daily closing middle market prices for the Ordinary Shares for the 20 London Stock Exchange trading days ending immediately prior to the Performance Fee Calculation Date and which shall be adjusted as appropriate: (i) to include any dividend declared but not paid where the Ordinary Shares are quoted ex such dividend at any time during the relevant period; (ii) to exclude any dividend paid in respect of the Ordinary Shares during that period; and (iii) for the Performance Adjustments. During the period, the average of the daily closing middle market prices was US\$1.04; and

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

**Performance fees for the period were US\$nil with no balance outstanding at 31 December 2021.**

#### **Management Chargebacks**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 13. MATERIAL AGREEMENTS (CONTINUED)

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

**Management Chargebacks for the period amounted to US\$1,608,368 (including an amount of \$514,116 capitalised against the catalogues, as relating to costs directly attributable to the acquisition of catalogues) of which US\$541,715 was outstanding at 31 December 2021.**

#### Portfolio Administration Agreement

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

### 13. MATERIAL AGREEMENTS (CONTINUED)

**Portfolio administration fees for the period amounted to US\$1,870,027 of which US\$525,955 was outstanding at 31 December 2021.**

#### Administration Agreement

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

Under the terms of the Administration Agreement between the Administrator and the Company, the Administrator is entitled to an annual fee of GBP115,000 plus an ad valorem fee of 0.05% calculated on the Company's assets in excess of GBP300 million (plus fees for the subsidiaries) for services such as administration, accounting, corporate secretarial, corporate governance, regulatory compliance and stock exchange continuing obligations.

**Administration fees for the period amounted to US\$309,188 of which US\$25,767 was outstanding at 31 December 2021.**

#### Registrar Agreement

JTC Registrars Limited has been appointed as registrar to the Company pursuant to the Registrar Agreement. In such capacity, the Registrar will be responsible for the transfer and settlement of Shares held in certificated and uncertificated form. The Registrar is also entitled to reimbursement of all out-of-pocket costs, expenses and charges properly incurred on behalf of the Company, under the terms of the Registrar Agreement. The Registrar is entitled to an annual fee of the higher of GBP6,000 (US\$8,149), GBP2,500 (US\$3,396) per register and GBP2.00 per Shareholder, together with a UK transfer agent facility fee of GBP2,000 (US\$2,716) per annum.

**Registrar fees for the period amounted to US\$29,179 of which US\$1,636 was outstanding at 31 December 2021.**

### 14. BASIC AND DILUTED LOSS PER ORDINARY AND C SHARE

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

	31 December 2021 US\$
Weighted average of Ordinary Shares in issue	260,479,688
Net loss for the period attributable to the Ordinary Shareholders	(1,058,141)
Basic and diluted loss per Ordinary Share (US Dollars)	(0.00)
Weighted average of C Shares in issue	28,213,867
Net loss for the period attributable to the C Shares Shareholders	(1,341,211)
Basic and diluted loss per C Share (US Dollars)	(0.05)



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

#### Valuation process

The fair value of financial assets is determined as follows:

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

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

The fair value of investment is based on the NAV of the underlying entity, with changes in the fair value of the investment subject to the changes in the value of the underlying catalogue assets valued by an independent external valuer.

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

#### Fair Value Hierarchy

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

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

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

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

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

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

As at 31 December 2021 the fair value of financial assets at fair value through profit or loss is based on the 31 December 2021 NAV of the underlying entity, as adjusted for the fair value of its underlying assets.

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

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

## 15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

### Significant unobservable inputs and sensitivity analysis

	Total US\$
Opening balance	–
Acquisition at 30 April 2021	60,043,204
Fair value gains/(losses)	3,527,283
<b>Closing balance</b>	<b>63,570,487</b>

IFRS 13 requires that quantitative information be provided about significant unobservable inputs used in the fair value measurement for each class of Level 3 asset and liabilities. The following data as at 31 December 2021 summarises the valuation methods and information about fair value measurements and related significant unobservable inputs (Level 3) where, if changed, could significantly increase or decrease the valuation of an asset. The Group's valuation methodology applied to its investment in the Carlin entity has been consistently applied throughout the period, in-line with the IFRS requirements for financial instruments classified and measured in terms of the Level 3 hierarchy.

There were no transfers between Levels during the period.

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

-1% discount rate in the valuation of the Catalogues owned by Carlin will grow the fair value of the Company's 29.14% investment in Carlin by 26.36%, increasing the IFRS NAV and Economic NAV of the Company by US\$16,754,614, which represents an increase of 5.34% to the IFRS NAV per Ordinary Share of the Company and 4.53% to the Economic NAV per Ordinary Share of the Company.

+1% discount rate in the valuation of the Catalogues owned by Carlin will reduce the fair value of the Company's 29.14% investment in Carlin by 18.82%, reducing the IFRS NAV and Economic NAV of the Company by US\$11,961,062, which represents a decrease of 3.81% to the IFRS NAV per Ordinary Share of the Company and 3.24% to the Economic NAV per Ordinary Share of the Company.

## 16. INVESTMENT INCOME

### RH Carlin Holdings LLC ("Carlin")

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

The following is a summary of distributions received by the Company from Carlin for the period ended 31 December 2021:

	31 December 2021 US\$
Investment income	2,951,051

Investment income represents distributions received from Carlin.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 17. DIVIDENDS DECLARED

The below dividends were declared and paid to holders of fully paid Ordinary Shares in issue at the time of declaration, during the period ended 31 December 2021.

Date of declared dividend	US\$ per Ordinary Share	Total dividend US\$
21 May 2021	0.00750	2,460,750
20 August 2021	0.01125	3,713,625
18 November 2021	0.01125	3,713,625
<b>Total</b>		<b>9,888,000</b>

### 18. BANK LOAN

The following table provides a reconciliation of the movement in the bank loan to cash flows arising from financing activities during the period:

	31 December 2021 US\$
Opening balance	–
<b>Changes from financing activities</b>	
Capital drawn during the period	60,000,000
Arrangement fees paid on bank loan capital drawn	(301,000)
Interest paid on bank loan facility	(791,406)
Facility charges paid on unutilised bank loan	(82,584)
	<b>58,825,010</b>
<b>Other changes</b>	
Amortisation of borrowing costs	222,393
Accrued borrowing costs	873,990
	<b>59,921,393</b>

In April 2021, the Group entered into a US\$82 million revolving credit facility (the "RCF"), provided by Truist Securities, Inc. ("Truist"). Subsequently, the Group was able to tap into an additional US\$28 million from the RCF at the period end. The Prospectus allows the Group to borrow up to 25 per cent of Economic NAV, calculated at the point of draw down. The interest rate on the outstanding capital is levied at a fixed rate of 2.25% per annum plus a margin adjustment based on the applicable London interbank offered interest rate during the period. In addition, the RCF levies a commitment fee on the daily unused commitment balance of facility at a rate of 0.375% per annum. The full repayment of the loan is due on the 30 April 2026.

Finance costs of US\$1,096,383 have been recognised in the Consolidated Statement of Comprehensive Income, US\$791,406 of this amount relates to the interest expense on drawn capital, with US\$82,584 of the total relating to non-utilisation charges levied on the unutilised facility and with the remaining total of US\$222,393 relating to amortisation of loan arrangement fee.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 18. BANK LOAN (CONTINUED)

Loan arrangement fees of US\$1,982,326 were capitalised during the period, with US\$1,681,326 of the total cost being incurred on the initial entering into of the RCF with Truist in April 2021. An additional fee of US\$301,000 was incurred and paid in December 2021 on the granting of the additional US\$28 million facility limit.

Based on the current year interest expense incurred by the Group, a 1% increase / decrease in the average short-term rates would increase / decrease the Group's cost of borrowing, and accordingly have a negative / positive effect on the profit or loss for the year of \$234,214.

As at 31 December 2021, the fair value of borrowings approximated their carrying value at the date of the Consolidated Statement of Financial Position.

### 19. TAXATION

	31 December 2021 US\$ Period ended
(a) Tax on profit on ordinary activities	\$
Taxable loss for the period from continuing activities	(2,399,352)
Tax on loss for the period at standard UK rate of 19%	(455,877)
Effects of:	
Non-Taxable Income	(670,184)
Expenses not deductible	1,478,408
Amounts not recognised	(352,347)
Tax charge on loss on ordinary activities for the period	-

The Company is incorporated in Guernsey, with its subsidiaries being incorporated in the UK. As such, as well as due to the fact that the majority of income and expenses within the Group are incurred at a subsidiary level, it is deemed appropriate to utilise the standard UK tax rate for the year of 19%.

A current tax provision is recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. In line with IFRIC 23, depending on the circumstances, the provision is either the single most likely outcome, or a probability weighted average of all potential outcomes. Based on its analysis, including discussions with the Group's tax advisors, the Group has determined that it has not have a material present obligation relating to unrecognised tax benefits or expenses as of 31 December 2021 but continues to assess its tax position. The Group does not expect that its assessment regarding unrecognised tax benefits or expenses will materially change over the next twelve months. However, the Group's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, compliance with relevant tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

### 20. OTHER OPERATING EXPENSES

	31 December 2021 US\$
Bank charges	11,384
D&O insurance	21,823
Prospectus liability insurance	9,080
LSE fees	105,627
Licensing and subscription fees	3,548
Registrar fees	29,179
PR fees	100,423
RNS fees	7,542
Regulatory fees	42,616
Fund expenses	190,743
ECL provision on advances to songwriters *	1,061,990
Deal expenses	342,389
Sundry expenses	8,921
<b>Total other operating expenses</b>	<b>1,935,265</b>

\*The provision for advances to songwriters are made against unrecovered advance balances as at year end (see Note 6), where the Group has determined that the recoupment rates may not lead to full recoupment of the initial advance payment(s) made.

### 21. EVENTS AFTER THE REPORTING PERIOD

In January 2022, the Company entered into an agreement to acquire the music publishing, master rights and master rights royalties for, and entered into a long-term administration agreement for the neighbouring rights income from, the catalogue of Whitesnake frontman and Deep Purple lead singer from 1973 to 1976, David Coverdale. Completion of the deal was announced on 14 January 2022.

In February 2022, the Company announced it had entered into an agreement to acquire a significant majority of the publishing, masters and neighbouring rights of the American rock band, Alice in Chains. Completion of the deal was announced on 8 February 2022.

During January 2022, the Company drew an additional US\$30 million from its bank loan facility.

On 9 March 2022, the Company announced it had declared a quarterly dividend of US\$0.015 per Ordinary Share to all the holders of the Ordinary Shares. The ex-dividend date was Thursday, 17 March 2022 and the dividend was paid on Friday, 25 March 2022.

Following the escalation of the conflict between Ukraine and Russia in February 2022 and the related economic sanctions imposed by various governments, the Board of Directors of the Company are actively monitoring the situation and will assess any impact as it is deemed to arise. The impact of the war in Ukraine and subsequent humanitarian, economic and foreign policy developments continue to be reviewed by the Board and consideration is being given to how these combined events could impact current risks or create new risks.

## **21. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)**

The Board recognises that the overall impact of the conflict may not yet be apparent and does not under estimate the inevitable effect it will have on global financial markets, including recent geopolitical concerns are causing additional global market volatility.

Round Hill Music Royalty Fund Limited, through its Investment Manager, Round Hill Music LP, is represented in both Russia and Ukraine through Warner Chappell Music. In line with other major international music companies, Warner Music Group ("**WMG**") suspended its operations in Russia amidst the invasion of Ukraine. Round Hill Music is in close contact with WMG and the collection society network regarding actions and sanctions in the region at this difficult time. Round Hill Music's income from Russia, Ukraine and other CIS territories does not represent material proportion of total revenues. Therefore, as at the date of approval of these financial statements, based on its assessment of the current situation and information available, the Board does not envisage that this will have a material impact on the Company. However, it will continue to monitor the situation carefully.



# ALTERNATIVE PERFORMANCE MEASURES (UNAUDITED)

## Alternative Performance Measure

Alternative Performance Measure	Definition	Reason for use
Adjusted Operating Expenses	Total operating expenses (US\$28,520,419) less Amortisation of Catalogues (US\$17,933,023) less ECL provision for advances written down (US\$1,061,990)	Ongoing Charges are a good indicator of expenses likely to recur in the foreseeable future
Average Economic NAV	Average of the Economic NAV as at 31 December 2021 (US\$459,714,298), 30 September 2021 (US\$442,057,502), 30 June 2021 (US\$352,649,409), 31 March 2021 (US\$344,739,528) and 31 December 2020 (US\$321,513,956)	The average was taken given that share issuance has grown rapidly over the year
EBITDA	Net loss for the period before tax (US\$2,399,352), Amortisation of Catalogues (US\$17,933,023) and loan interest and facility charges (US\$1,096,383).	Indicator of performance and profitability of the entity, after removal of accounting adjustments
EPS excluding total amortisation	Net loss for the period after tax attributable to Ordinary Shares (US\$1,058,141) excluding Amortisation of Catalogues (US\$17,933,023) divided by the Weighted Average number of Ordinary Shares in issue (260,479,688)	The Operating profit adjusted for Amortisation aligns with the Operative NAV which reflects that the values of Catalogues of Songs are based on fair values produced by the Portfolio Independent Valuer
Leveraged Free Cash Flow	Net Cash from Operating Activities (US\$235,940) less the purchase of other assets (US\$60,043,204)	A good indicator of the cash position of the Company and the availability of cash flows to fund interest and dividend payments
NAV Return	Latest published Economic NAV per Ordinary Share (US\$1.12) increase as a percentage of the initial published Economic NAV per Ordinary Share (US\$1.08) equals a 2.78% increase.	To show how the assets have performed over time
NAV Total Return	A measure showing how the NAV per Ordinary Share or C Share (as the case may be) has performed over a period of time, taking into account the reinvestment of any dividends or capital gain distributions paid to holders of Ordinary Shares or C Shares as the case may be. Economic NAV per Ordinary Share as at 31 December 2021 (US\$1.12) plus cumulative dividends paid up to 31 December 2021 (US\$0.03), divided by the Economic NAV per Ordinary Share as at 13 November 2020 (US\$1).	To show how the assets have performed since IPO to Shareholders
Net Debt	Loan facility amount utilised (US\$59,921,393) less cash held at bank (US\$81,961,446)	Liquidity metric used to determine how well a company can pay all of its debts if they were due immediately
Share price total return	A measure showing how the Ordinary Share price or the C Share price (as the case may be) has performed over a period of time, taking into account the appreciation in the relevant share price.	To show how the share price per Ordinary Share has performed since IPO and how the share price per C Share has performed since the C Share Admission

# DIRECTORS AND KEY ADVISERS

## DIRECTORS

(all non-executive)

### Trevor Bowen (Chairman)

appointed on 2 October 2020

### Caroline Chan

appointed on 5 August 2020

### Francis Keeling

appointed on 2 October 2020

## INVESTMENT MANAGER AND PORTFOLIO ADMINISTRATOR

### Round Hill Music LP

650 Fifth Avenue  
Suite 1420  
New York, 10019, USA

## REGISTRAR

### JTC Registrars Limited

Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
GY1 2HT

## FINANCIAL ADVISER AND CORPORATE BROKER

### Cenkos Securities PLC

6-8 Tokenhouse Yard  
London  
EC2R 7AS

## SOLICITORS TO THE COMPANY (AS TO ENGLISH LAW)

### Gowling WLG (UK) LLP

4 More London Riverside  
London  
SE1 2AU

## REGISTERED OFFICE

Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
GY1 2HT

## PRINCIPAL BANKERS

Lloyds Bank PLC  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey  
GY1 4EN

## ADMINISTRATOR AND COMPANY SECRETARY

### JTC Fund Solutions (Guernsey) Limited

Ground Floor  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
GY1 2HT

## INDEPENDENT AUDITOR

### KPMG Channel Islands Limited

Glategny Court  
Glategny Esplanade  
St Peter Port  
Guernsey  
GY1 1WR

## ADVOCATES TO THE COMPANY (AS TO GUERNSEY LAW)

### Carey Olsen (Guernsey) LLP

Carey House  
Les Banques  
St Peter Port  
Guernsey  
GY1 4BZ

# GLOSSARY

The following definitions apply throughout this Annual Report unless the context requires otherwise:

<b>Administration Agreement</b>	the administration agreement between the Company and the Administrator (or the separate administration between each UK Subsidiary and the Administrator, as the case may be)
<b>Administrator</b>	JTC Fund Solutions (Guernsey) Limited
<b>AIC</b>	the Association of Investment Companies
<b>AIC Code</b>	the AIC Code of Corporate Governance published by the AIC from time to time
<b>AIFM Directive</b>	Directive 2011/61/EU of the European Parliament and of the Council on Alternative Investment Fund Managers as amended from time to time
<b>Annual Report</b>	the Company's annual report for the period from incorporation on 5 August 2020 to 31 December 2021
<b>Articles</b>	the articles of incorporation of the Company as amended from time to time
<b>ASCAP</b>	the American Society of Composers, Authors and Publishers
<b>Audit Committee</b>	the audit committee of the Board
<b>Auditor or KPMG</b>	KPMG Channel Islands Limited
<b>BMI</b>	Broadcast Music, Inc.
<b>Board</b>	the board of Directors of the Company or any duly constituted committee thereof
<b>BPI</b>	British Phonographic Industry
<b>Carlin</b>	RH Carlin Holdings LLC
<b>Catalogue</b>	one or more Copyrights acquired from a single songwriter or recording artist
<b>Cenkos</b>	Cenkos Securities plc
<b>certificated</b>	not in uncertificated form
<b>CISAC</b>	the Confederation of Societies of Authors and Composers
<b>Code</b>	the GFSC's Finance Sector Code of Corporate Governance
<b>Companies Law</b>	the Companies (Guernsey) Law, 2008 as amended
<b>Company</b>	Round Hill Music Royalty Fund Limited
<b>Collective Management Organisations or CMOs</b>	entities that manage rights on behalf of multiple rights owners and have the ability to issue a single licence to licensees on behalf of those right owners. Examples include BMI, MCPS, PPL and PRS
<b>Copyright</b>	a songwriter's copyright interest (which comprises their writer's share, their publisher's share and their performance rights) together with the rights in the recording of the musical composition or song (known as the master recording rights) to include, where the context so requires, any one or more of such interests or rights or any part of such interests or rights

## GLOSSARY CONTINUED

<b>Corporate Broker</b>	Cenkos, the Company's sole corporate broker
<b>Corporation Tax Act 2010</b>	Corporation Tax Act 2010 and any statutory modification or re-enactment thereof for the time being in force
<b>CREST</b>	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
<b>CREST Regulations</b>	the Uncertificated Securities (Guernsey) Regulations 2009 (SI 2009 No. 48) as amended from time to time
<b>C Shares</b>	C shares of no par value each in the capital of the Company and "C Share" shall be construed accordingly
<b>Data Protection (Bailiwick of Guernsey) Law, 2017</b>	the Data Protection (Bailiwick of Guernsey) Law, 2017 and any other legislation in Guernsey concerning data protection
<b>DCF</b>	Discounted Cash Flow, a valuation approach
<b>DEI</b>	Diversity, Equity and Inclusion
<b>Digital Music Platforms or DMPs</b>	Digital service providers or platforms such as Spotify or Apple Music
<b>Directors</b>	the directors from time to time of the Company and "Director" is to be construed accordingly
<b>Disclosure Guidance and Transparency Rules</b>	the disclosure guidance published by the FCA and the transparency rules made by the Financial Conduct Authority under section 73 of FSMA as amended from time to time
<b>Economic NAV</b>	at any date, the Gross Asset Value less the amount which (to the extent not otherwise deducted in the calculation of Gross Asset Value), in accordance with the Company's latest published valuation methodology, fairly reflects the amount of the liabilities and expenses of the Company
<b>Economic Net Asset Value per C Share</b>	at any time the Economic NAV attributable to a particular class of C Shares divided by the number of C Shares of such class in issue at the date of calculation
<b>Economic Net Asset Value per Ordinary Share</b>	at any time the Economic NAV attributable to the Ordinary Shares divided by the number of Ordinary Shares in issue (other than Ordinary Shares held in treasury) at the date of the calculation
<b>ESG</b>	Environmental, Social and Governance
<b>Euro or €</b>	the lawful currency of the EU
<b>Excess Return</b>	as described in paragraph 4 of Part 3 of the Prospectus
<b>FCA</b>	the Financial Conduct Authority or any successor authority
<b>Financial Adviser</b>	Cenkos, the Company's sole financial adviser
<b>First Investment</b>	the Company's acquisition of the assets of Round Hill Fund One (excluding its holding in Carlin)
<b>FVTOCI</b>	fair value through other comprehensive income

## GLOSSARY CONTINUED

<b>FVTPL</b>	fair value through profit and loss
<b>GFSC</b>	the Guernsey Financial Services Commission
<b>Gross Asset Value</b>	at any date, the aggregate of: <ul style="list-style-type: none"> <li>(i) the value of all the investments of the Company as determined by the Directors and calculated in the case of Copyrights by reference to an independent valuer's determination of the appropriate current value for such Copyrights, which is to be calculated in accordance with the Company's latest published valuation methodology, among other things, as regards the fair market value of the Copyrights; and</li> <li>(ii) the amount which, in accordance with the Company's latest published valuation methodology, fairly reflects the value of all other assets of the Company</li> </ul>
<b>Group</b>	the Company and its UK Subsidiaries and any other subsidiaries from time to time
<b>High Watermark</b>	as described in paragraph 4 of Part 3 of the Prospectus
<b>IFPI</b>	the International Federation of the Phonographic Industry, an organisation that represents the interests of the recording industry worldwide
<b>IFRS</b>	International Financial Reporting Standards
<b>IFRS NAV</b>	the value, as at any date, of the assets of the Company after deduction of all liabilities determined in accordance with IFRS
<b>Independent Valuer</b>	Citrin Cooperman (incorporating Massarsky Consulting, Inc.)
<b>Initial Admission</b>	admission of the Ordinary Shares, issued pursuant to the IPO, to trading on the Specialist Fund Segment
<b>Investment Management Agreement</b>	the investment management agreement between the Company and the Investment Manager, as amended from time to time
<b>Investment Manager</b> or <b>Round Hill</b> or <b>Round Hill Music</b>	Round Hill Music LP, the Company's investment manager
<b>Investment Objective</b>	the Company's investment objective as set out in Part 1 of the Prospectus
<b>Investment Policy</b>	the Company's investment policy as set out in Part 1 of the Prospectus
<b>IPO</b>	the Company's initial public offering
<b>Issue Price</b>	US\$1.00 per Ordinary Share
<b>Listing Rules</b>	the listing rules made by the FCA under section 73A of FSMA as amended from time to time
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Luminate</b>	a data and analytics provider to the music business and consumers formerly known as MRC Data

## GLOSSARY CONTINUED

<b>Main Market</b>	the London Stock Exchange's main market for listed securities
<b>Management Engagement Committee</b>	the management engagement committee established by the Board
<b>Management Fee</b>	the management fee payable to the Investment Manager as described in paragraph 4 of Part 3 of the Prospectus
<b>Mechanical Copyright Protection Society or MCPS</b>	UK's CMO for handling mechanical rights on behalf of publishers and writers owned by the UK's Music Publishers' Association
<b>MRO</b>	a Mechanical Rights Organisation which collects mechanical royalties
<b>neighbouring rights</b>	royalties paid to performers (both featured and non-featured artists) and rights owners for the use of their phonographic recordings worldwide
<b>net income</b>	the aggregate of royalty income, royalty expenses, investment income and related expenses and gains on financial assets at fair value through profit and loss
<b>net proceeds</b>	the proceeds of the Initial Issue or a Subsequent Placing (as the case may be) after deduction of costs and expenses
<b>NPS</b>	Net Publisher's Share being the amount received by the music publisher after deduction of all fees, commissions and all royalties and other shares of income payable to third parties
<b>offer for subscription</b>	the offer for subscription of Ordinary Shares at the Issue Price on the terms set out in the Prospectus
<b>Ordinary Shares</b>	ordinary shares of no par value each in the capital of the Company and "Ordinary Share" shall be construed accordingly
<b>Performance Fee</b>	the performance fee payable to the Investment Manager as described in paragraph 4 of Part 3 of the Prospectus
<b>Performance Fee Average Market Capitalisation</b>	as described in paragraph 4 of Part 3 of the Prospectus
<b>Performance Fee Calculation Date</b>	as described in paragraph 4 of Part 3 of the Prospectus
<b>Performance Hurdle Price</b>	has the meaning set out in paragraph 4 of Part 3 of the Prospectus
<b>Performance Rights Organisations or PROs</b>	Performance Rights Organisations such as ASCAP and PRS for Music which collect royalties on behalf of the owners of Copyrights
<b>Performance Share Price</b>	as described in paragraph 4 of Part 3 of the Prospectus
<b>Period or period</b>	the financial period from incorporation of the Company to 31 December 2022, as the case may be
<b>Pipeline Investments</b>	the assets acquired by the Company via the First Investment and the Second Investment following Initial Admission
<b>Placing Programme</b>	the placing programme of Shares incorporating any Subsequent Placing as described in the Prospectus



## GLOSSARY CONTINUED

<b>POI Law</b>	the Protection of Investors (Bailiwick of Guernsey) Law, 2020, as amended
<b>Portfolio</b>	the Group's total portfolio of investments from time to time
<b>Portfolio Administration Agreement</b>	the portfolio administration agreement between, inter alios, the Company and the Investment Manager, as amended from time to time
<b>PPL</b>	Phonographic Performance Limited, a UK based music licensing company
<b>PRO</b>	a performance rights organisation
<b>Prospectus</b>	the Company's prospectus dated 19 October 2020, as amended by its supplementary prospectus dated 3 November 2020
<b>PRS</b>	PRS for Music Limited, a UK PRO
<b>RCF</b>	the Revolving Credit Facility provided to the Group by Truist Securities, Inc.
<b>RCIS Rules</b>	the Registered Collective Investment Scheme Rules 2021
<b>Registrar</b>	JTC Registrars Limited
<b>Registrar Agreement</b>	the registrar agreement between the Company and the Registrar
<b>Regulatory Information Service or RIS</b>	a service authorised by the FCA to release regulatory announcements to the London Stock Exchange
<b>RHMRF 1 Limited, RHMRF 2 Limited and RHMRF3 Limited</b>	each a wholly owned UK Subsidiary of the Company
<b>RIAA</b>	the Recording Industry Association of America
<b>Round Hill Fund One</b>	Round Hill Music Royalty Fund LP, a Delaware limited partnership of which Round Hill is the investment manager
<b>Second Investment</b>	the Company's acquisition of a 29.14% interest in Carlin from Round Hill Fund One
<b>Secretary</b>	JTC Fund Solutions (Guernsey) Limited
<b>Shareholder</b>	a holder of Shares
<b>Shares</b>	the Ordinary Shares and/or the C Shares, as the context may require
<b>Specialist Fund Segment or SFS</b>	the Specialist Fund Segment of the Main Market
<b>SPPI</b>	solely payments of principal and interest on the principal
<b>Sterling or GBP or £ or pence</b>	the lawful currency of the United Kingdom
<b>subsequent placing or Subsequent Placing</b>	any placing of Shares pursuant to the Placing Programme
<b>Truist</b>	Truist Securities, Inc.
<b>UK Code</b>	the UK Corporate Governance Code as published by the Financial Reporting Council from time-to-time

## GLOSSARY CONTINUED

<b>UK Subsidiaries</b>	UK subsidiaries of the Company incorporated from time to time to hold assets of the Company, currently RHMRF 1 Limited, RHMRF 2 Limited and RHMRF3 Limited
<b>uncertificated or in uncertificated form</b>	a share recorded on the Company's Share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>United States of America, United States, USA or U.S.</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>US Dollar or USD or US\$ or cent</b>	the lawful currency of the United States of America
<b>US GAAP</b>	US Generally Accepted Accounting Principles
<b>YoY</b>	year over year



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