HIPGNOSIS

Kennedy Publishing & Productions Limited
Annual Report and Audited Financial Statements
For the year ended 31 March 2022

Registered Company Number: 09805420

Kennedy Publishing & Productions Limited

Contents

Kennedy Publishing & Productions Limited

Annual report and audited financial statements for the year ended 31 March 2022

Report of the Directors

The Directors present their report, together with the financial statements of Kennedy Publishing & Productions Limited (the "Company") for the year ended 31 March 2022, a private company limited by shares.

Directors

The Directors who served during the year, are disclosed on page 27.

Directors' indemnity

Directors' and Officers' insurance is in place in respect of the Directors. The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors in respect of costs which they may incur relating to the defence of any proceedings brought against them arising out of their positions as Directors, in which they are acquitted or judgement is given in their favour by the Court.

Except for such indemnity provisions in the Company's Articles of Association there are no qualifying third party indemnity provisions in force.

Dividends

Dividend payments made during the year amounted to £nil (2021: £nil). The Directors do not recommend the payment of any dividends for the year ended 31 March 2022.

Going concern

As at 31 March 2022, the Company had net current assets of £761,507 (2021: £648,621) and cash balances of £nil (2021: £21,682). Hipgnosis SFH XX Limited has confirmed that adequate financial assistance will be provided to enable the Company to continue as a going concern for the foreseeable future. The Directors therefore do not consider there to be a material uncertainty over the Company's ability to continue as a going concern.

The Directors have also reviewed Company forecasts and projections which cover a period of no less than 12 months from the date of these financial statements, taking into account foreseeable changes in investment and trading performance, which show that the Company has sufficient financial resources.

On the basis of this support, and after making due enquiries, the Directors have a reasonable expectation that the Company will continue in operational existence for a period of no less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Risks and risk management

The Company's activity is to hold and manage its Catalogue of Songs in accordance with the objectives and policies set by the board of the Company's ultimate parent, Hipgnosis Songs Fund Limited ("the PLC") and it is passive in using financial instruments to generate wealth and manage risk, as this is performed by the board of the PLC. Further information on risks and risk management can be found in the financial statements of the PLC which are available to the public at www.hipgnosissongs.com.

Auditor

The board of Kennedy Publishing & Productions Limited have appointed PricewaterhouseCoopers CI LLP as the Company's external auditor. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and PricewaterhouseCoopers CI LLP will therefore continue in office.

Report of the Directors (continued)

Likely future developments
The Board is of the opinion that the long-term outlook for music publishing and recorded music remains very positive. The Board do not consider the effects of COVID-19 to have had a material impact on their assessment of the Company as a going concern or the prospects of the Company.

Small companies exemption
In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

In addition, a Strategic report has not been prepared pursuant to the exemption of s414B of the Companies Act 2006.

Post Balance Sheet events
Events after the Balance Sheet date are disclosed in note 13.

On behalf of the Board

Ian Brundrett
Director
15 December 2022

Directors' Responsibility Statement

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate 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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names are set out on page 27 of this report, confirm that, to the best of their knowledge and belief:

- the financial statements, prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 249 of the Companies Law.

Pursuant to s418 of the Companies Act 2006, in the case of each of the persons who are directors at the time the report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and

Directors' Responsibility Statement (continued)

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the Board

Ian Brundrett
Director
15 December 2022

Independent auditor's report to the members of Kennedy Publishing & Productions Limited

Report on the audit of the financial statements

OPINION

In our opinion, Kennedy Publishing & Productions Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 March 2022; the Profit and Loss Account and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Kennedy Publishing & Productions Limited

Report on the audit of the financial statements (continued)

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Enquiries with management, including consideration of known or suspected non-compliance with laws and regulations and fraud;
- Selecting a sample of revenue transactions recognised by the company and agreeing these to supporting documentation;
- Evaluating the reasonableness of the revenue accrual assumptions made by the directors against supporting information;
- Identifying and testing journal entries, in particular with a focus on period end adjustments;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Assessment of the company's compliance with laws and regulations; and
- Reviewing relevant board meeting minutes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on the audit of the financial statements (continued)

Other required reporting

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

ENTITLEMENT TO EXEMPTIONS

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Jonathan Mauger

Jonathan Mauger ACA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Statutory Auditors
Guernsey
15 December 2022

Kennedy Publishing & Productions Limited

Profit and Loss Account

For the year ended 1 April 2021 to 31 March 2022

	Notes	1 April 2021 to 31 March 2022 £	30 October 2019 to 31 March 2021 £
Revenue	3	115,900	915,575
Cost of Sales		-	(6,904)
Gross profit		**115,900**	**908,671**
Amortisation of catalogue	6	(85,000)	(113,333)
Re-estimation of intangible asset		-	(212,334)
Operating expenses	4	(21,083)	(136,291)
Foreign exchange gain		46,994	-
Cost recharge expense		(9,647)	(40,000)
Profit on ordinary activities before tax		**47,164**	**406,713**
Taxation	5	(19,278)	(97,481)
Profit for the year		**27,886**	**309,232**

The accompanying notes on pages 13 to 24 form an integral part of the financial statements.

Kennedy Publishing & Productions Limited

Balance Sheet

As at 31 March 2022

	Notes	31 March 2022	31 March 2021
		£	£
Non-current Assets			
Intangible Assets	6	1,269,333	1,354,333
		1,269,333	**1,354,333**
Current Assets			
Trade and other receivables	7	966,753	808,639
Cash and cash equivalents		-	21,682
		966,753	**830,321**
Creditors: amounts falling due within one year			
Trade and other payables	8	(205,246)	(181,700)
Net current assets		**761,507**	**648,621**
Creditors: amounts falling due after one year			
Loans and borrowings	9	(12,461)	(12,461)
Net assets		**2,018,379**	**1,990,493**
Capital and reserves			
Called up share capital	10	495	495
Share premium		399,960	399,960
Capital contribution		991,742	991,742
Retained earnings		626,182	598,296
Equity		**2,018,379**	**1,990,493**

The accounts have been prepared in accordance with the special provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of Directors and authorised for issue on 15 December 2022 and signed on its behalf by:

Ian Brundrett
Director

The accompanying notes on pages 13 to 24 form an integral part of the financial statements.

Kennedy Publishing & Productions Limited

Statement of Changes in Equity

For the year ended 31 March 2022

1 April 2021 to 31 March 2022	Share capital	Share Premium	Capital Contribution	Retained earnings	Total
	£	£	£	£	£
Balance as at 1 April 2021	**495**	**399,960**	**991,742**	**598,296**	**1,990,493**
Profit for the year	-	-	-	27,886	**27,886**
Balance as at 31 March 2022	**495**	**399,960**	**991,742**	**626,182**	**2,018,379**

For the period from 30 October 2019 to 31 March 2021

30 October 2019 to 31 March 2021	Share capital	Share Premium	Capital Contribution	Retained earnings	Total
	£	£	£	£	£
Balance as at 1 April 2020	**495**	**399,960**	-	**289,064**	**689,519**
Profit for the period	-	-	-	309,232	**309,232**
Capital contribution	-	-	991,742	-	**991,742**
Balance as at 31 March 2021	**495**	**399,960**	**991,742**	**598,296**	**1,990,493**

The accompanying notes on pages 13 to 24 form an integral part of the financial statements.

Kennedy Publishing & Productions Limited

Notes to the Financial Statements

For the period ended 31 March 2022

1. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 *Application of Financial Reporting Requirements* issued by the Financial Reporting Council as it is a member of a group where the parent, Hipgnosis Songs Fund Limited ("the PLC"), prepares publicly available consolidated financial statements, where the Company and the other subsidiaries are included in the consolidation, together as the "Group". Therefore, these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") as issued by the Financial Reporting Council.

FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS ("IFRS").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of IFRS, but makes amendments where necessary in order to comply with the Companies Act 2006. Exemptions have been taken from the disclosure of intra-group related party transactions with wholly owned subsidiaries, the effects of new but not yet effective IFRSs and the presentation of a cash flow statement and related notes.

The Company does not meet the definition of a Financial Institution as defined in FRS 101 because its activity is to hold and manage its investments in accordance with the objectives and policies set by the board of the PLC and it is passive in using financial instruments to generate wealth and manage risk as this is performed by the board of the PLC. As the consolidated financial statements of the PLC include the equivalent disclosures, the Company has therefore taken a number of exemptions. The following exemptions from the requirements of IFRS have been applied in the preparation of these *financial statements, in accordance with FRS 101:*

- IFRS 7, 'Financial instruments: Disclosures',
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities),
- IAS 7, 'Statement of cash flows'.
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group

The financial statements of the PLC are available to the public at www.hipgnosissongs.com.

The financial statements have been prepared on the historical cost basis, are presented in Pounds Sterling which is the currency of the primary economic environment in which the Company operates, unless otherwise stated. The principal accounting policies are set out below.

1. Significant accounting policies (continued)

Going concern
As at 31 March 2022, the Company had net current assets of £761,507 (2021: £648,621) and cash balances of £nil (2021: £21,682), which are sufficient to meet current obligations as they fall due. Hipgnosis SFH XX Limited has confirmed that adequate financial assistance will be provided to enable the Company to continue as a going concern for the foreseeable future. The Directors therefore do not consider there to be a material uncertainty over the Company's ability to continue as a going concern.

Share capital
Financial instruments issued by the Company are treated as equity if the holder has only a residual interest in the assets of the Company after the deduction of all liabilities. The Company's ordinary shares are classified as equity instruments.

Revenue Recognition
Revenue from operations and associated costs
Revenues from operations are recorded when it is probable that future economic benefits will be obtained by the Company and when they can be reliably measured.

The Company enters into licence arrangements in respect of Catalogues of Songs with third-party collection agents. Licences granted to collection agents are deemed to constitute usage based, right of use licences as per IFRS 15. Revenue arising from licences entered into with collection agents is therefore recognised in the period. Payment is received once the royalty statement is delivered, the royalty statement includes amounts covered by both the usage and processing accrual. This revenue, which is net of the administration fee retained by the collection agent, is disaggregated to be reviewed by song usage period, source of income, work title, reporting period and any third party royalty entitlements where necessary.

The contractual basis of the licence arrangements are such that the agents are deemed as 'principals' for tax purposes, therefore the Company recognises its revenue net of administration fees.

Where available at the end of each month or at an earlier interval to which the revenue relates, revenue is recorded on the basis of royalty statements received from collection agents.

Where notification has not yet been received from collection agents, an estimate is made of the revenue due to the Company at the end of the month to which the usage of the music copyright relates. Estimates are made on the basis of the historical track record of music Catalogues, ad hoc data provided by collection agents, industry forecasts and expected seasonal variations.

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

Expenses
Expenses are accounted for on an accruals basis. Expenses are charged through the Profit and Loss Account.

1. Significant accounting policies (continued)

Cost Recharge Expense
Operating expenditure for the Group is largely incurred by Hipgnosis Songs Fund Limited. In order to allocate the expenses which Hipgnosis Songs Fund Limited has incurred specifically for the Group, a cost recharge expense is incurred by each UK subsidiary of the Group. The cost recharge expense is based on the percentage of revenue that each subsidiary generates.

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

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

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

The fair value is determined by the Portfolio Independent Valuer, which is also the discounted value of future cash flows by using cash flow projections consistent with the expected Portfolio cash flows and the most recent forecasts as at that time cross referenced, where appropriate, against market multiples for recent transactions for similar assets. The Portfolio Independent Valuer use their own proprietary analysis to project out income streams, which is based on independent market reports and third-party sources. The discount rate used by the Portfolio Independent Valuer is 8.5% and unchanged since the interim results of 30 September 2021 (31 March 2021: 8.5%).

Whilst the Board regularly assess other indicators of impairment (such as a songwriter's or key performance artist's reputation etc.), the Board typically use the fair value of the assets, being the Catalogues of Songs, as an initial indicator of impairment. For assets that are currently valued below their fair value, the Board will review the prevailing qualitative and quantitative factors that determine the value in use in assessing whether the indication of impairment holds true.

1. Significant accounting policies (continued)

Assets (continued)

Asset impairment (continued)

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

Loans and receivables

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

Derecognition of assets

The Company derecognises an asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of an asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the Profit and Loss Account.

Other Receivables

Other receivables do not carry interest and are short-term in nature and are accordingly recognised at fair value.

Cash and Cash Equivalents

Cash and cash equivalents 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.

1. Significant accounting policies (continued)

Liabilities

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

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

Derecognition of financial liabilities

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

Functional and Foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

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

Taxation

Under the current system of taxation in the UK, the Company is liable to taxation on its operations in the UK.

Payment received or receivable from the Company for losses surrendered has been recognised in the financial statements and form part of the tax. In some situations, it might not be appropriate to recognise the tax until the Company's tax affairs have been finalised and the losses elections have been made.

Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted or substantively enacted at the date of the Balance Sheet.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary

1. Significant accounting policies (continued)

Taxation (continued)
differences arising on investments, except where the Company is able to control the timing of the reversal of the difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Profit and Loss Account except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and liabilities are not discounted.

Adoption of new and revised standards
The Company adopted all of the standards and interpretations that were in effect at that date of adoption of IFRS and are applicable. The board have considered standards effective for future accounting periods and consider that these will not have a material impact on the results of the Company.

2. Critical accounting judgements, estimates and assumptions

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 Company based its assumptions and made estimates based on the information available when the financial statements were prepared. However, these assumptions and estimates may change based on market changes or circumstances beyond the control of the Company.

Critical estimates in applying the Company's accounting policies – revenue recognition:
In calculating accruals, the Investment Adviser makes judgments around seasonality, over or under performance, and commercial factors based on historical performance, and its knowledge of each Catalogue through its regular correspondence with the various administrators, record labels and international societies.

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

2. Critical accounting judgements, estimates and assumptions (continued)

Critical estimates in applying the Company's accounting policies – revenue recognition (continued):

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

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

Expected Credit Loss (ECL) in relation to revenue receivables

Royalty earnings for accruals and receivables recognised in the year ending 31 March 2022 are distributed by PROs, Publishers and Record Labels who collect royalties at the source of usage and distribute those earnings directly to Hipgnosis.

The probability of future default has been deemed close to nil, due to the long-standing history of PROs, Publishers and Record Labels within the music industry and the existing framework of cash collection amongst the Company's stakeholders. Whilst there are smaller/newer organisations that have relatively unproven credit resilience these account for a small minority of our receivables. The Company's current risk assessment includes analysis of the exposure to commercial risk by PROs, Publishers and Record Labels, and the likely impact of their credit risk on Hipgnosis' revenue streams.

Assessment of useful life of intangible asset

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

Assessment of impairment

As disclosed in note 1 above, each time events or changes in the respective Catalogues of Songs or economic environment indicate a risk of impairment of intangible assets, the Company re-examines the value of these assets for indicators of impairment which relies on assumptions made by the Company's board. Assumptions are updated annually, specifically those relating to future cash flows and discount rates.

Kennedy Publishing & Productions Limited

Notes to the Financial Statements

For the year ended 31 March 2022 (continued)

3. Revenue

	1 April 2021 to 31 March 2022	30 October 2019 to 31 March 2021
	£	£
Other Income	10,944	49,279
Mechanical Income	10,675	44,381
Performance Income	44,665	186,390
Digital Downloads Income	4,682	13,504
Streaming Income	49,692	116,046
Synchronization Income	27,992	161,252
Writer Share Income	(32,750)	344,723
	115,900	**915,575**

4. Operating expenses

	1 April 2021 to 31 March 2022	30 October 2019 to 31 March 2021
	£	£
Administration fees	7,813	34,758
Legal and professional fees	1,500	7,469
Audit fees	11,500	10,000
Other expenses	270	84,064
	21,083	**136,291**

Kennedy Publishing & Productions Limited

Notes to the Financial Statements

For the year ended 31 March 2022 (continued)

5. Tax

The major components of income tax expense for the period ended 31 March 2022 are:

Current Income tax

	1 April 2021 to 31 March 2022 £	30 October 2019 to 31 March 2021 £
Current tax charge on profit for the period	8,961	77,275
Adjustments in respect of prior years	8,784	11,422
Expenses not deductible	-	8,784
Non-reclaimable withholding tax on royalty payments received	1,533	-
Total current tax charge	**19,278**	**97,481**

The actual tax charge for the current period is calculated as per the below:

	1 April 2021 to 31 March 2022 £	30 October 2019 to 31 March 2021 £
Profit on the Company's ordinary activities before tax	47,164	406,713
Tax on the profit on the Company's ordinary activity at the standard UK Corporation Tax rate of 19%	8,961	77,275
Effects of:		
Adjustments in respect of prior years	8,784	11,422
Expenses not deductible	-	8,784
Non-reclaimable withholding tax on royalty payments received	1,533	-
Total tax charge per Profit and Loss Account	**19,278**	**97,481**

Kennedy Publishing & Productions Limited

Notes to the Financial Statements

For the year ended 31 March 2022 (continued)

6. Intangible assets

	1 April 2021 to 31 March 2022 £
Cost	
At 1 April 2021	1,700,000
Additions	-
At 31 March 2022	**1,700,000**
Amortisation and impairment	
At 1 April 2021	345,667
Amortisation	85,000
At 31 March 2022	**430,667**
Net book value	
At 31 March 2021	1,354,333
At 31 March 2022	**1,269,333**

	30 October 2019 to 31 March 2021 £
Cost at 30 October 2019	
At 30 October 2019	2,000,000
Re-estimate of opening cost	(300,000)
At 31 March 2021	**1,700,000**
Amortisation and impairment	
At 30 October 2019	320,000
Re-estimate of opening amortisation	(87,666)
Amortisation	113,333
At 31 March 2021	**345,667**
Net book value	
At 30 October 2019	1,680,000
At 31 March 2021	**1,354,333**

7. Trade and other receivables

	31 March 2022	31 March 2021
	£	£
Trade receivables	12,623	87,241
Amounts owed by parent undertaking	845,447	507,458
Accrued income	108,683	213,940
	966,753	**808,639**

8. Trade and other payables

	31 March 2022	31 March 2021
	£	£
Trade payables	25,417	3,696
Accruals	11,500	10,000
VAT payable	60,820	38,790
Other taxation and social security	-	6,764
Corporation tax payable	107,509	122,450
	205,246	**181,700**

9. Creditors falling due more than one year

	31 March 2022	31 March 2021
	£	£
Intercompany payable	12,461	12,461
Total	**12,461**	**12,461**

10. Called up share capital – ordinary shares of £1

Issued and fully paid	Number of shares issued	Share capital	Share premium	Total
		£	£	£
Opening and closing balance - Ordinary shares	495	495	399,960	**400,455**

11. Auditor's remuneration

Fees payable to PricewaterhouseCoopers CI LLP for the audit of the Company's annual financial statements were £11,500 (2021: £10,000). This amount is paid by the PLC.

Kennedy Publishing & Productions Limited

Notes to the Financial Statements
For the year ended 31 March 2022 (continued)

12. Ultimate controlling party

The Company's ultimate parent company and ultimate controlling party is Hipgnosis Songs Fund Limited, a company incorporated in Guernsey. Copies of the consolidated financial statements of Hipgnosis Songs Fund Limited are available at www.hipgnosissongs.com.

13. Events after the Balance Sheet date

There were no significant events after the Balance Sheet date.

Kennedy Publishing & Productions Limited

Defined terms

Administrator means Ocorian Administration (UK) Limited

ASCAP means the American Society of Composers, Authors and Publishers

Board or **Directors** means the Directors of the Company

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

CD means compact disc

CISAC means the International Confederation of Societies of Authors and Composers

Company means Kennedy Publishing & Productions Limited

Companies Act 2006 means the main piece of legislation which governs company law in the UK

Companies Law means the Companies Act 2006

Company Secretary means Ocorian Administration (UK) Limited

Copyright Royalty Board means the U.S. Copyright Royalty Board

COVID-19 means the global coronavirus pandemic

DCF means discounted cash flows

Digital Downloads means royalties for the permanent digital mechanical transfer of music

ECL means expected credit losses

Group means Hipgnosis Songs Fund Limited and its subsidiaries

Hipgnosis SFH XX Limited means the immediate parent entity

IFPI means International Federation of the Phonographic Industry

IFRS means International Financial Reporting Standards

Investment Adviser means Hipgnosis Song Management Limited

MAU means monthly active users

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

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

Kennedy Publishing & Productions Limited

Defined terms (continued)

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

Performance Rights Organisation means a performance rights organisation, which represents and collects performance royalties for and on behalf of each of its members

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

PLC means Public Limited Company, being Hipgnosis Songs Fund Limited

PricewaterhouseCoopers CI LLP means the Company's Auditor as at the reporting date

PRS means performing right society

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

SPVs means special purpose vehicles

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

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

TV means television

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

UK GAAP means Generally Accepted Accounting Practice in the UK

U.S. means the United States of America, its territories and possessions, any state of the United States and the District of Columbia

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

£ or **Pounds Sterling** or **Sterling** means British pound sterling

Kennedy Publishing & Productions Limited

Directors and General Information

Directors
Chris Helm (*appointed 16 July 2020*)
Roger Howl (*appointed 16 July 2020; resigned 1 December 2021*)
Bjorn Lindvall (*appointed 1 December 2021 resigned 29 April 2022*)
Ian Brundrett (*appointed 29 April 2022*)

Registered Office
Eastcastle House
27-28 Eastcastle Street
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Hipgnosis Song Management Limited
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Administrator and Company Secretary
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(*appointed 16 July 2020*)
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