Hipgnosis Songs Fund Limited

Annual Report and Audited Consolidated Financial Statements

For the period from 8 June 2018 (Date of Incorporation) to 31 March 2019

Registered number: 65158

HIPGNOSIS SONGS FUND

The investment community's enthusiasm for SONGs is very gratifying. The Board and I would like to thank you for your support and are delighted to present you with our first Annual Report.

Founder

Merck Mercuriadis

Contents

Capitalised terms are defined in the Glossary of Defined Terms on pages 63 to 66 unless separately defined.

Corporate Summary

Investment Objective

The Company's investment objective is to provide Shareholders with an attractive and growing level of income, together with the potential for capital growth, from investment in a portfolio of Songs and their associated musical intellectual property rights. The Portfolio has been created by investing in Catalogues of proven established Songs from well-known songwriters and recording artists. However, each Song will be considered to be a separate asset.

Structure

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

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

Investment Process

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

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

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

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

AIC

The Company is a member of the Association of Investment Companies and complies with the AIC Code. The Company's page on the AIC's website is at https://www.theaic.co.uk/companydata/ceag2.

Website

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

Chairman's Statement

Introduction

I am pleased to present your Company's first Annual Report since we commenced trading on the London Stock Exchange on 11 July 2018.

At that date we also acquired our first Catalogue of Songs, The-Dream Catalogue, and during the financial period ended 31 March 2019, the Portfolio grew to a total of twelve Catalogues, with approximately £120 million invested. As at 21 June 2019, the latest practicable date prior to publication of this report, the Portfolio had grown to 22 Catalogues with a total of £241 million invested.

The total capital raised by your Company since launch now stands at £343.7 million, comprising £202.2 million raised at our IPO and a further £141.5 million raised on 12 April 2019 through a placing programme issuance which was largely the product of significant demand from our existing institutional investors.

Performance of your Company over the course of this maiden financial period under review has progressed well and is presented by Merck Mercuriadis, the Company's founder, in the Investment Adviser's Report.

Performance

I am pleased to report that recognised net revenues from the Portfolio from incorporation on 8 June 2018 to the financial period end on 31 March 2019 were £7.2 million, equivalent to 6.1 percent gross yield on the invested component of our Portfolio as at 31 March 2019, which is in line with our projections at launch.

The Company's NAV is calculated semi-annually on an 'Operative NAV' basis (which reflects the fair value of the Company's Catalogues as valued by an Independent Valuer). The Operative NAV as at 31 March 2019 was 103.27p per Ordinary Share.

As at 31 March 2019 the Ordinary Share price was 107.5p, an increase of 7.5 percent on the IPO issue price of 100p.

Dividend

The Company has met its objective at launch of declaring dividends of 3.5p per Ordinary Share (in aggregate) in relation to the first 12 months following Admission. During the period the Company has paid dividends of 2.25p per Ordinary Share to date, with a first interim dividend for the current financial period of 1.25p approved by the Board on 21 June 2019 and payable in August 2019.

The Company's future target dividend yield is 5 percent per annum (based on the IPO issue price of 100p) on the Ordinary Shares and the Company expects to grow its dividend yield over time. The Company intends to continue to pay four interim quarterly dividends in November, February, May and August of each year.

Working Capital Facility

The Directors consider it a priority that the Company's level of gearing should be established at appropriate levels with sufficient flexibility to enable the Board to adapt at short notice to take advantage of changes in market conditions. The Board will review the Company's level of gearing, if any, on a regular basis. The maximum level of gearing under the Company's investment restrictions is 20 percent of the Company's net assets.

Performance fee

During the period ended to 31 March 2019 a performance fee of £429,054, equal to 0.21 percent of the Company's Operative NAV, was earned by the Investment Adviser as a result of the Company's outperformance of its 10% per annum total return hurdle. Full details of how this performance fee was calculated are set out in Note 16 on page 59 of this Annual Report. It should be noted that these fees are subject to the higher of a 'high watermark' (meaning that a performance fee can only be paid if the average share price at the end of the year is higher than the price over the last month of the year in respect of which a performance fee was last paid) and the hurdle of outperforming the 10% total return target. There is also a cap on the aggregate fees that may be paid to the Investment Adviser in any one financial year of 5% of the lower of net assets and the market capitalisations at the end of the relevant period in which the performance fee was calculated.

Annual General Meeting

The Company's Annual General Meeting will be held on 10 September 2019 at 10:30 a.m. at The Tapestry Room, The NED, 27 Poultry, London. Notice of the Annual General Meeting, containing full details of the business to be conducted at the meeting, is set out in the AGM Notice and Form of Proxy located at the back of the report.

Chairman's Statement continued

Annual General Meeting continued

In addition to the formal business, Merck Mercuriadis will provide a short presentation to Shareholders on the performance of the Company over the past financial period as well as an outlook for the future. The Board would welcome your attendance at the Annual General Meeting as it provides Shareholders with an opportunity to ask questions of both the Board and the Investment Adviser.

Outlook

Conditions for Catalogue acquisition in the music industry are currently favourable. In 2018 the overall global recorded music market grew by 9.7 percent in value, according to the International Federation of the Phonographic Industry ('IFPI'). This marks the fourth consecutive year of global growth and the highest rate of growth since IFPI started tracking the market in 1997.

The main driver for growth in the global recorded music market is the growth of streaming, which according to the IFPI increased by 34 percent in 2018.

The Investment Adviser has identified a strong pipeline of opportunities and the Board are confident that our strategy of building a balanced Portfolio will deliver solid returns over the coming months and years. The pipeline of attractive investment opportunities now exceeds, in value, the Company's remaining cash reserves and accordingly the Board will look to grow the Company through further equity issuances as and when appropriate.

Andrew Sutch
Chairman

21 June 2019

Financial and Operational Highlights

The Company completed its IPO and was admitted to trading on the SFS of the Main Market of the London Stock Exchange on 11 July 2018.

Catalogue Acquisitions during the period

As at 31 March 2019, the Company had deployed approximately £120 million of the IPO proceeds to Catalogue acquisitions, as follows:

Catalogue	Acquisition Date	Interest Ownership	Total Songs
The-Dream	11 July 2018	75%	302
Poo Bear	16 November 2018	100%	214
Bernard Edwards	28 November 2018	37.5%	290
TMS	7 December 2018	100%	121
Tricky Stewart	17 December 2018	100%	121
Giorgio Tuinfort	3 January 2019	100%	182
Itaal Shur	30 January 2019	100%	209
Johnta Austin	21 March 2019	100%	249
Sean Garrett	21 March 2019	100%	588
Rico Love	21 March 2019	100%	245
Ari Levine	31 March 2019	100%	76
Sam Hollander	31 March 2019	100%	499
Total			**3,096**

Subsequent Events

On 12 April 2019 the Company announced a placing of approximately £141.5 million at a price of 102 pence per Ordinary Share. Accordingly 138,750,000 new Ordinary Shares were admitted to trading on the SFS of the main market of the London Stock Exchange on 17 April 2019.

Catalogue Acquisitions subsequent to the period end

Catalogue	Acquisition Date	Interest Ownership	Total Songs
Teddy Geiger	9 April 2019	100%	6
Starrah	23 April 2019	100%	73
David A. Stewart	10 May 2019	100%	1,068
Jamie Scott	21 May 2019	100%	144
Al Jackson Jr.	30 May 2019	100%	185
Michael Knox	10 June 2019	100%	110
Lyric Catalogue	12 June 2019	100%	571
Brian Kennedy	12 June 2019	100%	101
Jon Bellion	12 June 2019	100%	180
Neal Schon	21 June 2019	100%	357
Total			**2,795**

Following these acquisitions, as at 21 June 2019, the Company had invested a total of £241 million and is in further advanced stage discussions, with exclusivity over, Catalogues with a value of £146 million.

Financial and Operational Highlights continued

Catalogue Acquisitions subsequent to the period end continued

Revenue streams across the Portfolio have broadly developed within expectations set as part of the acquisition due diligence. Revenue has been recognised by the Group in accordance with the recognition principles set out in IFRS 15. Due to the revenue contracts in place with the royalty collection agents and the natural lag in reporting of revenue in the music industry, the Group has seen a strong performance for many of the Catalogues during the period.

Dividends

On 25 October 2018, the Company announced its first interim dividend for the period from Admission to 30 September 2018 of 0.50 pence per share. The dividend was paid to Shareholders, on the register at the close of business on 2 November 2018, on 29 November 2018.

On 23 January 2019, the Company announced its second interim dividend for the period from 1 October to 31 December 2018 of 0.50 pence per share. The dividend was paid to Shareholders, on the register at the close of business on 1 February 2019, on 28 February 2019.

On 25 April 2019, the Company announced its third interim dividend for the period from 1 January to 31 March 2019 of 1.25 pence per share. The dividend was paid to Shareholders, on the register at the close of business on 3 May 2019, on 31 May 2019.

On 21 June 2019, the Board approved its first interim dividend for the new financial year, for the period from 1 April to 30 June 2019, of 1.25 pence per share. The dividend will be paid to Shareholders, on the register at the close of business on 2 August 2019, on 30 August 2019. This completes the Company's dividend target of 3.5 pence per share for the first 12 months following Admission.

The Company intends to continue to pay interim quarterly dividends in November, February, May and August of each year.

Key Metrics

	31 March 2019 £	30 September 2018 £
IFRS NAV[1]	**198,558,826**	**197,484,818**
Adjustments for revaluation of Catalogues of Songs to fair value	8,743,795	1,945,636
Reversal of IFRS amortisation	1,491,922	202,243
Operative NAV[2]	**208,794,543**	**199,632,697**
Operative NAV[2] per share	**103.27p**	**98.74p**
Middle market share price	**107.50p**	**107.62p**
Premium to Operative NAV	**4.10%**	**8.99%**
Ongoing charges figure (%)[3]	**1.70%**	**1.72%**
Total dividends declared in respect of the period	**2.25p**	**0.5p**

(1) Catalogues of Songs are classified as intangible assets and measured at amortised cost or cost less impairment in accordance with IFRS.

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

(3) Alternative performance measure: annualised ongoing charges (£3,467,007) divided by average Operative NAV £204,213,620. Ongoing charges are those expenses of a type which are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as a collective fund, excluding the costs of acquisition/disposal of investments, performance fees, financing charges and gains/losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs.

Investment Adviser's Report

Introduction

I am delighted to report on our first financial period as your Company's Investment Adviser. I am very proud to have founded the Company, which I believe is unique in its scope and opportunity. I would like to thank our Shareholders for all of their support to date.

Hipgnosis was established to offer investors a pure-play exposure to the predictable and reliable income streams delivered from proven hit songs and associated musical intellectual property rights. The Company is the only closed ended fund listed on the London Stock Exchange dedicated exclusively to investing in songs.

On 11 July 2018, your Company successfully completed its IPO through the issue of 202.1 million Ordinary Shares at 100p each which were admitted to the SFS of the London Stock Exchange's main market. Since the period end, the Company has raised a further £141.5 million through the placing of new Ordinary Shares pursuant to its ongoing placing programme.

The Family (Music) Limited

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

We have overseen the appointment of the Non Executive Board for the Company comprising Andrew Sutch, Paul Burger, Andrew Wilkinson and Simon Holden.

We also are continuing to build out an informal advisory board of highly successful music industry experts, including award winning members of the artist, songwriter, publishing, legal, financial, recorded music and music management communities, all with in-depth knowledge of music publishing. Members of The Family (Music) Limited's advisory board currently include Nile Rodgers, The-Dream, Giorgio Tuinfort, Starrah, Nick Jarjour, David A. Stewart, Bill Leibowitz, Ian Montone, and Jason Flom. Certain advisory board members have been appointed following the purchase of their respective Catalogues.

Since launch, we have continued to grow our executive team within our sales and finance functions to support and enable our active management strategy and acquisition review processes.

Investment Strategy and Active Management

Proven hit songs are a permanent part of our culture and the fabric of our society. As such they produce predictable and reliable income and are therefore highly investable.

I created Hipgnosis Songs Fund Limited in order to give the financial community access to this new asset class at a point in time when non-correlated opportunities are not only desired, but required.

Fifteen years of technological disruption via illegal downloading have left these highly prized assets available at attractive prices at a point in time when revenues are growing significantly as streaming has made it more convenient for the consumer to pay for music.

Our thesis is simple, logical and takes advantage of the systemic change in which music is being consumed:

1. **We have access** – This has been demonstrated by the deployment of just over £241 million on some of music's most famous Songs and important assets. Have a listen via the QR code provided on page 13!
2. **Streaming will grow revenues significantly** – Paid subscribers to music streaming services have grown from 50 million to over 200 million worldwide in the last two years and JP Morgan are projecting 2 billion paid subscribers by 2030. JP Morgan have stated, "our assumption of a 27 percent per annum subscription growth results in a threefold increase in publishing streaming royalties over the next four years."
3. **The Copyright Royalty Board have increased the "song" share of revenues by 44 percent incrementally over the next 4 years** – This was passed into law in the United States in 2018 and these dramatic increases in revenue do not form part of the data on which we buy catalogues. It's important to qualify this point by stating that both Spotify and Amazon have appealed this ruling while Apple has not. JP Morgan have stated, "We believe there is a very low probability of the new rates being overturned."
4. **Active Song Management** – We add value by placing the Songs in movies, TV commercials and shows, video games, streaming playlists as well as having the Songs covered by new artists and made into hits all over again. Examples are given further below, however in general the Songs we acquire come from administration houses that rely solely on passive income (which forms the basis of the data upon which

Investment Adviser's Report continued

Investment Strategy and Active Management continued

we appraise and acquire Songs) where they have as many as 20,000 Songs for each creative manager. Even when fully invested we have less than 500 Songs for each executive in the Portfolio management team, and therefore have the bandwidth to manage the Songs to even greater levels of success.

5. **Emerging Markets** – China, India and Africa, amongst others, are all becoming legitimate markets thanks to streaming and for the first time ever are contributing revenue to our Songs and copyrights. There is no revenue from these growing emerging markets in the data on which songs are appraised and acquired. We are also seeing that emerging markets are becoming a source of undervalued domestic Catalogues.

6. **Strategy** – We have focussed predominantly on pop music originating from the African American community as this music has been the most successful internationally since the days of The Beatles covering Chuck Berry and Little Richard songs. Also in a Donald Trump environment the community is undervalued and we feel it is important to the future of music to champion, respect and recognise it. As a result, we have created tremendous loyalty and are in turn being championed.

7. **Ethos/Ulterior Motive** – Our plan is to recognise that songs are the currency on which this business trades and to put the songwriters and creators first. We will use the critical mass of our assets to change the place in the economic equation that the songwriter currently occupies. We want to take them from last to first and, while this is a long-term goal that will take several years to achieve, it is in total alignment with what is in the best interest of our Shareholders. It once again positions us in the songwriters, producers and artists community as the company of the future to be aligned with.

As Investment Adviser we are responsible for identifying catalogues for potential investment by the Company. Ahead of any Catalogue acquisition we perform detailed financial due diligence on at least three years of revenue history for each Song and co-ordinate all aspects of legal due diligence and independent external valuations. All recommended potential acquisitions are then presented to the Portfolio Committee and the Company's Board of Directors for their approval.

We, under the Board's supervision, also seek to maximise the earnings from the Portfolio by improving the placement and usage of Songs, and regularly supervise portfolio administrators and royalty collection agents.

In addition, we are continually supplementing the information we receive with the development of in-house tools to monitor the post-investment performance of the Company's Catalogues through data-trend analysis. This will allow us to track and analyse publisher and Performance Rights Organisations (PRO) statements effectively, enabling us to evaluate, and where necessary, challenge them as to the efficiency and accuracy of their reporting and the levels of revenue collected and paid to the Company.

Our active management strategy has already identified an entire album that was registered incorrectly for one of our Catalogues. We have already successfully secured synchronisation licences for a wide range of Songs within the Portfolio. On the Bernard Edwards Catalogue, for example, we achieved over $512,000 in gross placements in April. In relation to The-Dream's Catalogue we have taken a single Song from $7,000 in total earnings in 2018 to $125,000, from synchronisation alone, in calendar year 2019 to date.

We focus on acquiring Catalogues that are built around proven hit songs. As previously mentioned these provide predictable and reliable income that is highly investable. My 35 years of experience managing some of the greatest artists and assets in the world have allowed me to form many opinions, but in this endeavour what I bring to the enterprise is access to some of the most talented and important songwriters globally. The key consideration from our due diligence is whether historical performance demonstrates that the Songs' earnings are predictable and reliable. These characteristics reduce risk and improve performance as they have long dated income streams that can be analysed and forecasted. In addition, we are focused on helping the Company to build a Portfolio which produces a high proportion of copyright income derived from streaming to take advantage of the rapidly increasing popularity of streaming and paid subscription music services.

Investment Adviser's Report continued

Investment Strategy and Active Management continued

Key to reducing and diversifying risk is our strategy of constructing a Portfolio across a broad range of genres and income streams.

We believe that the Company has a competitive advantage over the major publishers due to our combined music industry and financial experience in combination with our advisory board, a carefully assembled panel of leading music industry figures and writers.

We also have a lower ratio of Songs to each individual executive in the Portfolio management team at The Family (Music) Limited when compared to the major publishers, thereby allowing us to target synchronisation opportunities more effectively, generating enhanced returns.

Current Portfolio

As at 31 March 2019, the Company had acquired twelve Catalogues of Songs; The-Dream, Poo Bear, TMS, Tricky Stewart, Giorgio Tuinfort, Bernard Edwards, Itaal Shur, Rico Love, Sean Garrett, Johnta Austin, Ari Levine and Sam Hollander for a total of approximately £120 million, representing a blended acquisition multiple of 12.75x historical annual net income. In total the Portfolio comprised 3,096 Songs. The fair value of the Portfolio as at 31 March 2019 was £128 million, reflecting an increase in the fair value of the Portfolio as determined by the Independent Valuer of £8.7 million.

The Portfolio generated 64 percent of its income from the U.S., 15 percent from the UK and 4 percent from Australia with income also being received from a diverse range of countries, including Germany, Japan, Canada and Brazil. We anticipate an increase in revenues from other developed and emerging market countries as streaming services expand in those markets.

Top 5 Songs by Hipgnosis' performance income (Radio, TV) in the financial period to 31 March 2019:

	Catalogue	Song Title	Artist
1	Ari Levine	Locked Out of Heaven	Bruno Mars
2	The-Dream & Tricky Stewart	Single Ladies (Put A Ring on It)	Beyoncé
3	Itaal Shur	Smooth	Santana, Rob Thomas
4	Ari Levine	When I Was Your Man	Bruno Mars
5	Ari Levine	Treasure	Bruno Mars

Top 5 Songs by Hipgnosis' streaming income (Digital Service Providers including Spotify, Apple Music) in the financial period to 31 March 2019:

	Catalogue	Song Title	Artist
1	The-Dream & Tricky Stewart	Single Ladies (Put A Ring on It)	Beyoncé
2	TMS	Me, Myself & I	G-Eazy, Bebe Rexha
3	The-Dream & Tricky Stewart	Baby	Justin Bieber
4	The-Dream & Tricky Stewart	Umbrella	Rhianna, Jay Z
5	Sam Hollander	Handclap	Fitz and The Tantrums

Investment Adviser's Report continued

Current Portfolio continued

As at 31 March 2019, the Portfolio contained 664 Songs that have held Number 1 and/or Number 2 positions in the global charts, 704 Songs that have held Top 10 chart positions and 10 Grammy award winning Songs.

The new Catalogues acquired post period end are Teddy Geiger, Starrah, David A. Stewart, Jamie Scott, Michael Knox, Jon Bellion, Lyric Financial, Brian Kennedy, Al Jackson and Neal Schon. These Catalogues comprise a further 2,795 Songs and have achieved 247 Number 1 and 801 Top 10 chart positions globally. The vintage of these Songs range from the 1960s through to 2019, and have been performed by globally successful artists including Journey, Eurythmics, Shawn Mendes, Camilla Cabello, Maroon 5, Al Green, Booker T & The MG's, Rudimental, Jess Glynne and One Direction.

The Songs in the Portfolio as at 21 June 2019 continue to experience commercial success and receive critical acclaim, including:

- Sam Hollander's Songs have been streamed over four billion times and recently 'High Hopes' became the all-time longest-running Number 1 Song on Billboard's Hot Rock Songs chart having just completed its 32nd week at Number 1;
- 'These Days', by Rudimental featuring Jess Glynne, which was co-written by Jamie Scott, recently won the 'PRS for Music Most Performed Work' at the 2019 Ivor Novello awards;
- Shakespears Sister announced their reformation by performing their Number 1 single 'Stay', from the recently acquired David A. Stewart Catalogue, live on the Graham Norton Show. They will be performing a World Tour this autumn which will generate significant performance royalties for the Song;
- Celine Dion gave a World Premiere of her forthcoming new single 'Lying Down', which was co-written by Giorgio Tuinfort and is a newly released Song within our Catalogue, on Carpool Karaoke with James Corden which was broadcast on CBS primetime on 20 May. This video has already been viewed 15 million times on YouTube;
- Camila Cabello and Young Thug's 'Havana', co-written by Starrah, is nine times Platinum in the U.S. and has been named the IFPI's biggest selling Song of 2018 on a global basis;
- 'Would You Ever' by Skrillex & Poo Bear was certified as a gold selling single on 21 February 2019;
- Michael Knox achieved the number 1 country single of the year to date with 'Girl Like You' by Jason Aldean who has been named the Academy of Country Music's 'Artist of the Decade';
- 'Girls Like You' by Maroon 5 featuring Cardi B co-written by Starrah spent 33 weeks in the Hot 100's top 10, tying Ed Sheeran's 'Shape of You' for the longest reign on the Billboard 'Adult Contemporary Chart';
- 'Homecoming' is a 2019 American concert film about Beyoncé and her performance at the 2018 Coachella Valley Music and Arts Festival, written, directed and executive produced by Beyoncé herself. The album and the film contain 11 Songs from our Portfolio which are co-written by The-Dream, Tricky Stewart and Sean Garrett, with writing credits on 'Single Ladies (Put a Ring On It)', 'Love On Top', 'Flawless/Feeling Myself', 'Diva' and many others;
- Notable synchronisation deals were delivered across our Portfolio, particularly from the Bernard Edwards Catalogue as highlighted above and The-Dream Catalogue including The Beyoncé Song 'XO' which was licensed to Louis Vuitton, 'Hard' by Rhianna and the J. Holiday Song 'Bed' which were both licensed to Universal Pictures;
- The Bernard Edwards Catalogue is our most synchronised Catalogue and is on track to earn synchronisation revenues of more than $1 million this year;
- The Eurythmics 'Sweet Dreams (Are Made Of This)' which was co-written, co-performed and produced by David A. Stewart, and on which we receive song, artist and producer royalties, was recently named as the most streamed Song of 1983 by the British Phonographic Institute (BPI); and
- Nile Rodgers & CHIC have completed more than 35 shows in the U.S. with Cher this year performing more than 12 Songs from our Bernard Edwards Catalogue generating significant songwriter's share of performance royalties. They are now set to perform 20 headline and festival shows in the UK and Europe this summer.

Investment Adviser's Report continued

Financial Review

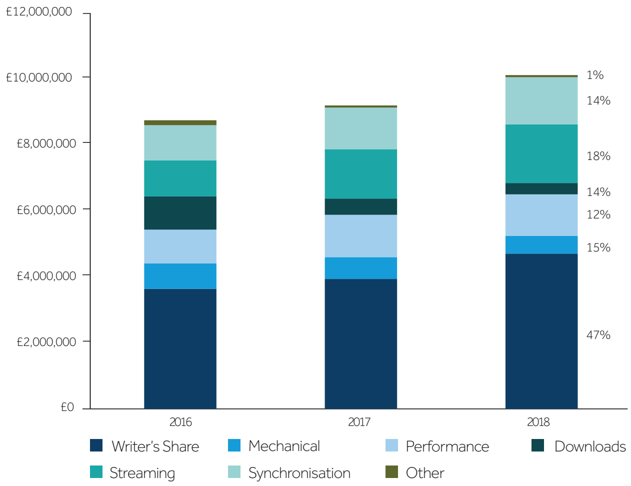
The Company receives income from semi-annual publisher distributions, which includes synchronisation income, which are licensed and collected by the publisher for each Catalogue. The Company receives statements on a monthly basis from PROs (performers' rights organisations) who collect and distribute the songwriter's share of performance income. In the financial period under review, the Company received its first publisher distributions on 31 March 2019 for income processed in the second half of the 2018 calendar year, in respect of the majority of the Catalogues held during the period.

Net revenues recognised for the financial period ended 31 March 2019 were £7.2 million. Publishing income had increased by 9 percent when compared to the Portfolio's performance in the year prior to acquisition (based on data obtained during the respective Catalogue due diligence processes), driven mainly by an increase in synchronisation and streaming income.

Net revenues include an accrual of £1.9 million for performance income, to account for the songwriter'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. This time lag relates to the collection and processing of income from radio as well as the collection and subsequent processing of the songwriter's share of performance royalties from overseas PROs to the local PRO, that ultimately pays through the royalties to the Company. In recommending our estimate of this accrual to the Board and the auditors, we used our analysis of each Catalogue's revenue history as well our knowledge of the respective Catalogue performance trends.

Revenues during the period under review were broadly spread across the twelve Catalogues, with 78 percent of income being delivered from 50 percent of the Catalogues. It should be noted that the Catalogues were acquired sequentially throughout the period under review and there was therefore an element of 'cash drag' on revenues from uninvested cash on the Company's balance sheet during this initial financial period.

The breakdown of net revenues by income stream for the prior three calendar year periods, on a like for like basis for the Portfolio as at 31 March 2019, is shown below:



After administration expenses (which include the fees payable to the Investment Adviser, acquisition costs and administration costs), distributable revenues for the period were £3.5 million. It is anticipated that this figure will increase now that the Company's investment Portfolio is more fully invested.

The Company's NAV is calculated both under IFRS (which principally requires the cost of purchased Catalogues to be amortised downwards to reflect the reducing copyright life of each Catalogue) and on an Operative NAV basis (which reflects the fair value of the Company's Catalogues as valued by an Independent Valuer). The Operative NAV as at 31 March 2019 was £208.8 million or 103.27p per Ordinary Share, reflecting an increase of £8.7 million in the fair value of the Portfolio. The derivation of the Operative NAV from the IFRS NAV is described further in Note 10 on page 54.

Market Conditions

The financial period to 31 March 2019 has been another positive period for the music industry, with increasing take up of paid subscription services driving streaming revenues. Streaming became the majority of global recorded music income in 2018 (56 percent) and industry experts continue to forecast further strong growth.

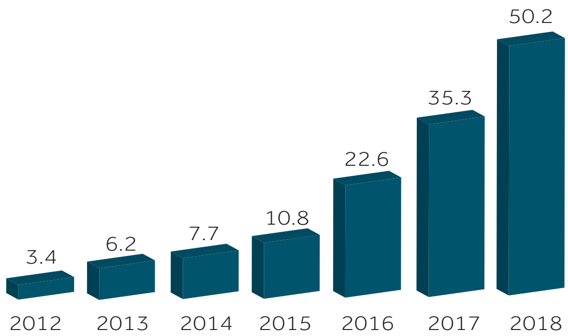
Investment Adviser's Report continued

Streaming

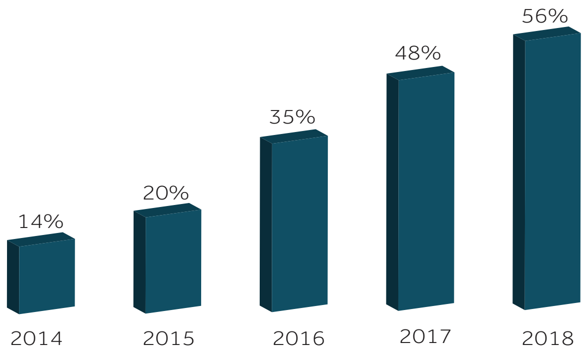
At the end of the first quarter of 2019, Spotify confirmed that it had 100 million premium (paying) subscribers, which was up 32 percent (+25 million) year-on-year. Spotify's total MAU (including paying and advertisement funded customers) in Q1 grew 26 percent year-on-year to 217 million and the company confirmed that it now has more than 2 million users in India. Spotify's main competitor, Apple Music, passed 50 million paying subscribers in Q1 2019, up from 40 million in April 2018.

Streaming made up 56 percent of total U.S. music revenues in 2018 compared to 9 percent in 2011. In the U.S. – the largest music market – paid streaming subscriptions grew 42 percent in 2018:

Paid Subscriptions in the U.S. (Annual Average – $ millions)



Proportion of Total U.S. Music Revenues from Streaming



Source: Recording Industry Association of America (RIAA) 2018 Annual Report

In 2019, JP Morgan forecast that U.S. music subscription revenues are expected to grow at a compound annual growth rate of 27 percent from 2017 to 2022 and that royalty revenues will triple in that time. JP Morgan are predicting that there will be 2 billion paid subscribers to subscriptions services worldwide by 2030.

Apple recently announced the closure of iTunes, reflecting the migration of consumers from download to streaming services. iTunes will be rolled into the new Apple Music app where consumers will be able to choose whether to download or stream music under one roof.

The International Federation of the Phonographic Industry ('IFPI') also recently announced that global recorded music revenues grew by nearly 10 percent last year to $17.3 billion, with nearly half of income now coming from streamed music, reversing an industry decline since 2001 that hit a trough in 2014.

The most recent global publishing data from the International Confederation of Societies of Authors and Composers ('CISAC') (relating to 2017) shows global growth of 6 percent, with Germany (+7.2 percent), Netherlands (+5.1 percent), Australia (+18 percent) and Brazil (+36 percent) performing strongly. More recently, the American Society of Composers, Authors and Publishers ('ASCAP') reported 7 percent revenue growth in 2018, and UK society PRS for Music (2018 financials, reported April 2019) showed 4.4 percent income growth.

When looking at music publishing holistically (including revenues that do not come from these collecting societies, such as synchronisation), Will Page, Chief Economist at Spotify estimated that publishing had grown 6 percent year-on-year, for the most recent available data (2017 value, published in 2019). Goldman Sachs predict that, on average, publishing revenue will grow at a compound 4 percent per annum to 2030.

Synchronisation

Global market data on synchronisation is difficult to collate, since private transactions are completed on a deal by deal basis. IFPI publish a global figure for record labels, which grew 5 percent year-on-year to 2018 and gives an indication of trend. However, the relational nature of these deals presents a significant opportunity for us to claim a larger share of these revenues through pursuing the right kinds of transactions.

Outlook

All of these positive market indicators and the impact that they will have on the value of our assets are best illustrated by the increased valuation of the Universal Music Group, where its corporate owners, Vivendi SA, and subsequently the market have valued Universal at something approaching $50 billion. This is a company that was valued at $6 billion less than 3 years ago.

Investment Adviser's Report continued

Outlook continued

We are continuing to see increased interest from songwriters who want to sell their Catalogue to a company such as ours that understands the cultural importance of their work and which will hold their professional legacy in the highest regard. We therefore remain confident that there are increasing opportunities for us to continue to make excellent acquisitions.

We are currently in exclusivity and performing due diligence on a significant number of new Catalogue acquisitions. The Company has entered into exclusivity agreements to acquire Catalogues with a value of £146 million and therefore we expect to fully invest our remaining capital, excluding any leverage, by the end of July 2019. We now have a pipeline of Catalogues with an aggregate value in excess of £1 billion. The Board and the Investment Adviser are pleased to announce that, since IPO, the Company has acquired, or entered into exclusivity agreements to acquire, Catalogues with a total value of £387 million, which represents an aggregate multiple of 12.56x historic annual net income.

Revenues from these Catalogues, and from those that have been acquired since listing, will be in full evidence in the next 6 to 12 months and we believe that our next full year's accounts to 31 March 2020 will be the first to paint a picture of our true potential and illustrate our thesis fully realised.

The music industry is performing well, with experts forecasting continued growth in paid subscription services. We believe that our revenues will continue to increase and overall, we remain positive about the outlook for the Company.

The Company has assembled a Portfolio of some of the finest assets in music, each Catalogue proven and hand-picked from the finest songwriters, and we decline far more catalogues than we buy. Our aim is to become the beneficiaries of what we refer to as "the portfolio effect" where a premium is placed on a set of assets that have been carefully curated and assembled and the overall value is significantly greater than the sum of its parts.

We would like to thank all of our Shareholders for their support to date and we will continue to do our utmost to deliver against the Company's objectives.

Our Catalogues

For those Shareholders who would like to listen to the Songs that the Company has acquired to date, the following QR code will link your mobile device to a Spotify playlist of thirty of our most successful Songs. Other playlists may be found on the Company's website, www.hipgnosissongs.com.

Scan me

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

21 June 2019

Investment Objective and Policy

Investment Objective

The Company's investment objective is to provide Shareholders with an attractive and growing level of income, together with the potential for capital growth, from investment in a portfolio of Songs and their associated musical intellectual property rights. The Portfolio has been created by investing in Catalogues of proven established Songs from well-known songwriters and recording artists. However, each Song will be considered to be a separate asset.

Investment Policy

The Company's investment policy is to diversify risk through investment in a Catalogue of Songs and associated musical intellectual property rights. The Company will seek, but is not required, to acquire 100 percent of a songwriter's copyright interest in each Song, which would comprise their songwriter's share, their publisher's share and their performance rights. In appropriate cases, however, the Company may not acquire all three elements of the songwriter's interest and may also acquire peripheral interests such as producer royalties on a songwriter's copyright interest. The Company will acquire interests in Songs which are sole authored or co-authored. The Company may also acquire interests in Songs jointly with another purchaser.

The Company will, directly or indirectly via collection agents, enter into licensing agreements, under which the Company will receive payments attributable to the copyright interests in the Songs which it owns. Such payments may take the form of royalties and/or licence fees, including:

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

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

The Company may acquire Songs for consideration consisting of cash, Shares or a combination of cash and Shares, and payment of part of the consideration may be on deferred terms.

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

Investment restrictions

The Company will at all times invest and manage its assets, mindful of spreading risk and in accordance with its published investment policy.

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

a) the Company will hold interests in a minimum of 300 Songs once fully invested;

b) the value of any single Song will not represent more than 10 percent of the Company's Gross Assets, calculated at the date of the acquisition of such Song (and re-calculated in the aggregate upon the acquisition of any additional interest in a Song). In the event this limit is breached at any point after the relevant investment has been made or added to (for example due to a change in valuation of any Song), there will be no requirement to sell any Song, in whole or in part; and

c) the Company will not invest in closed-ended investment companies or other investment funds.

The Company is fully compliant with these investment restrictions.

Investment Objective and Policy continued

Cash management

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

Hedging and derivatives

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

Leverage

The Company may incur indebtedness of up to a maximum of 20 percent of its Net Asset Value, calculated at the time of drawdown.

Amendments to and compliance with the Investment Objective and Policy

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

In the event of a material breach of any of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company through an announcement issued via London Stock Exchange's Regulatory News Service.

Board of Directors

Andrew Sutch, Chairman, Non-executive Independent Director and chair of the Asset Management Committee

Experience: Mr Sutch is a corporate lawyer and a consultant to Stephenson Harwood LLP. He was a partner of that firm for over 30 years and its senior partner for 10 years. He has extensive experience in advising investment funds and investment managers. He is chairman of JPMorgan Claverhouse Investment Trust Plc and Jupiter European Opportunities Trust Plc, and a council member of the Royal Academy of Dramatic Art.

Paul Burger, Non-executive Independent Director and chair of the Portfolio Committee

Experience: Mr Burger's career spans more than 40 years working with music artists of very diverse backgrounds in a variety of locations. Having previously served as President, Europe, Middle East, and Africa for Sony Music Europe, his last corporate posting after having worked for 27 years in senior management positions within Sony Music (including chairman & chief executive officer of Sony Music UK & Ireland; president Sony Music Canada; VP Marketing Sony Music Europe), Paul founded SohoArtists in 2003, a boutique artist management company focused largely on new and developing talent. In addition to artist management, SohoArtists runs a consultancy arm for artists, labels and entertainment companies.

From 2012-2018 Paul served as chair of the board of governors of England's BRIT School for Performing Arts & Technology, a state-funded school sponsored by the British music industry focussed on providing training for careers in the creative industries, and he continues to serve as a governor of the school. Some of the school's famous graduates include Adele, Jessie J, Rizzle Kicks, Leona Lewis, Rex Orange County, and Katie Melua. Furthermore, Paul is also a board member of the Music Managers Forum (UK), is a long-time director of The Brit Trust Ltd and continues to serve as a trustee of the University of Pennsylvania Foundation (UK) Ltd.

Andrew Wilkinson, Non-executive Independent Director and chair of the Audit and Risk Management Committee

Experience: Mr Wilkinson is a chartered accountant who has worked at Peat Marwick Mitchell and merchant bankers Leopold Joseph. Mr Wilkinson was a founder of the Promo Group, which managed the business affairs of the Rolling Stones. In 1981, he became a partner of Prince Rupert Loewenstein, providing business management services to clients in the entertainment and sports sectors.

Mr Wilkinson is co-founder and CEO of Music Plus Sport Ltd. and its subsidiary Live at the Races Limited. The group specialises in large-scale concerts at sporting events. Further, Mr Wilkinson was founder and chief executive of Kingstreet Tours Limited, a company that was in the forefront of concert tour production for over 30 years and delivered worldwide concert tours for artists including The Rolling Stones, Pink Floyd, Elton John, Robbie Williams and Shakira. Mr Wilkinson is a member of the fundraising committee and former treasurer of Nordoff Robbins, a charity that uses music therapy in the treatment and care of autistic children.

Board of Directors continued

Simon Holden, Non-executive Independent Director

Experience: Mr Holden, a Guernsey resident, brings board experience from both private equity and portfolio company operations roles at Candover Investments and then Terra Firma Capital Partners. Since 2015, Simon has become an independent director to listed alternative investment companies (HICL Infrastructure Company Limited, Hipgnosis Songs Fund Limited, Trian Investors 1, Limited and Merian Chrysalis Investment Company Limited), private equity funds and trading company boards which include a trading asset owned by the States of Guernsey.

Simon holds the DipIoD in Company Direction from the Institute of Directors, graduated from the University of Cambridge with an MEng and MA in Manufacturing Engineering and is an active member of Guernsey's GIFA, NED Forum and IP Commercial Group.

Founder

Merck Mercuriadis, Founder of Hipgnosis Songs Fund Limited and its Investment Adviser, The Family (Music) Ltd.

Mr Mercuriadis is also the CEO and managing partner of Hipgnosis Songs Ltd, an artist management firm label based in London and Los Angeles.

Experience: Mr Mercuriadis is the manager of music legend Nile Rodgers and the former manager of several notable award winning artists and songwriters including Sir Elton John, Guns'N'Roses, Iron Maiden, Morrissey, Pet Shop Boys, Mary J. Blige, Jane's Addiction, Diane Warren and Justin Tranter to name a few. Additionally, Mercuriadis is notable for serving from 1986-2007 as Director and CEO of The Sanctuary Group PLC, a major management company, an independent record label, a merchandise company (Bravado) and a booking agency (Helter Skelter now CAA UK) based in London, New York and Los Angeles.

Report of the Directors

The Directors hereby present the Annual Report and Audited Consolidated Financial Statements for the Group for the period from incorporation on 8 June 2018 to 31 March 2019. This Report of the Directors should be read together with the Corporate Governance Report on pages 23 to 31.

General Information

The Company is a company limited by shares incorporated on 8 June 2018 under the Companies Law. The Company's registration number is 65158, and it has been registered with the GFSC as a registered collective investment scheme. The Company's Ordinary Shares were admitted to trading on the SFS of the London Stock Exchange on 11 July 2018. With effect from 29 April 2019, the registered office address is Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

Principal Activities

The principal activity of the Group is to invest in a diverse Portfolio of Catalogues. The investment objective of the Group is to provide Shareholders with an attractive and growing level of income, together with the potential for capital growth, from investment in a portfolio of Songs and their associated musical intellectual property rights.

Business Review

A review of the Group's business and its likely future development is provided in the Chairman's Statement on pages 3 to 4 and in the Investment Adviser's Report on pages 7 to 13.

Listing Requirements

As it is admitted to trading on the SFS, an EU regulated market, the Company is subject to the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and the London Stock Exchange's Admission and Disclosure Standards.

Since being admitted on 11 July 2018 to the SFS the Company has also complied with the applicable Listing Rules that it has chosen to comply voluntarily with, as further set out in the IPO prospectus.

Results and Dividends

The results for the period are set out in the Consolidated Financial Statements on pages 41 to 62.

During the period, and since the period end, the Directors declared the following dividends:

Dividend	Quarter Ended	Date of Declaration	Payment Date	Amount per Ordinary Share (pence)
Interim dividend	30 September 2018	25 October 2018	29 November 2018	0.50
Interim dividend	31 December 2018	23 January 2019	28 February 2019	0.50
Interim dividend	31 March 2019	25 April 2019	31 May 2019	1.25
Interim dividend	30 June 2019	24 June 2019	30 August 2019	1.25

Share Capital

On 11 July 2018 the Company issued 202,176,800 Ordinary Shares of no par value at £1 per Ordinary Share in an IPO. Subsequently on 12 April 2019, the Company issued a further 138,750,000 Ordinary Shares of no par value at 102 pence per Ordinary Share.

The Company has two classes of share capital: (i) Ordinary Shares; and (ii) C Shares. The issued Ordinary Shares currently represents 100% of the total issued share capital, as no C Shares have been issued. C Shares constitute a temporary and separate class of shares which can be issued at a fixed price determined by the Company. These are subsequently converted into Ordinary Shares, at NAV, once the proceeds of each C Share issue have been invested or substantially invested in accordance with the Company's investment policies.

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

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

Report of the Directors continued

Shareholdings of the Directors

The Directors with beneficial interests in the Ordinary Shares of the Company as at 31 March 2019 are detailed below:

Director	Ordinary Shares held 31 March 2019	% holding at 31 March 2019
Andrew Sutch	10,090	0.005
Paul Burger	15,000	0.007
Andrew Wilkinson	15,000	0.007
Simon Holden	15,000	0.007

In addition, the Company also provides the same information as at 21 June 2019, being the most current information available:

Director	Ordinary Shares held 21 June 2019	% holding at 21 June 2019
Andrew Sutch	10,090	0.005
Paul Burger	22,500	0.011
Andrew Wilkinson	25,000	0.012
Simon Holden	35,000	0.017

Directors' Authority to Buy Back Shares

The Directors will consider repurchasing Ordinary Shares in the market if they believe it to be in the Shareholders' interests as a whole and as a means of correcting any imbalance between supply and demand for the Ordinary Shares.

The timing, price and volume of any buy back of Ordinary Shares will be at the absolute discretion of the Directors and is subject to the Company having sufficient working capital for its requirements and surplus cash resources available. Ordinary Shares acquired pursuant to this authority are subject to compliance with the solvency test and any other relevant provisions of the Companies Law.

The Directors have been granted general authority to purchase in the market up to 14.99 percent of the number of Ordinary Shares in issue immediately following initial Admission with such authority expiring at the conclusion of the Company's first AGM. The Directors intend to seek annual renewal of this authority from the Shareholders at the Company's AGM.

In the event that the Board decides to repurchase Ordinary Shares, purchases will only be made through the market for cash at prices not exceeding the last reported IFRS NAV per Share and such purchases will only be made in accordance with: (a) the Listing Rules, which the Company is voluntarily complying with, which currently provide that the maximum price to be paid per Ordinary Share must not be more than the higher of: (i) five percent above the average of the mid-market values of the relevant Ordinary Shares for the five business days before the purchase is made; or (ii) the higher of: (1) the price of the last independent trade; and (2) the highest current independent bid for an Ordinary Share on the trading venues where the market purchases by the Company pursuant to the authority conferred by that resolution will be carried out; and (b) the Companies Law, which provides among other things that any such purchase is subject to the Company passing the solvency test contained in the Companies Law at the relevant time.

The Directors will not buy back any Shares from any class of C Shares in issue prior to Conversion. Therefore, the Company will not assist any class of C Shares in limiting discount volatility or provide an additional source of liquidity.

Directors' and Officers' Liability Insurance

The Group maintains insurance in respect of Directors' and Officers' liability in relation to their activities on behalf of the Group.

Substantial Shareholdings

As at 31 March 2019, the Company had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following substantial voting rights as Shareholders of the Company.

Shareholder	Shareholding	% holding
CCLA Investment Mgt (London)	24,541,098	12.14
Investec Asset Mgt (London)	20,284,015	10.03
Invesco Perpetual Asset Mgt (Henley-on-Thames)	20,000,000	9.89
JO Hambro Capital Mgt (London)	18,000,000	8.90
Newton Investment Mgt (London)	14,408,749	7.13
Miton Asset Mgt (London)	12,486,558	6.18
Ruffer (London)	11,732,728	5.80
Schroder Investment Mgt (London)	11,181,257	5.53

Report of the Directors continued

Substantial Shareholdings continued

In addition, the Company also provides the same information as at 24 May 2019, being the most current information available.

Shareholder	Shareholding	% holding
Invesco Perpetual Asset Mgt (Henley-on-Thames)	40,588,235	11.91
CCLA Investment Mgt (London)	35,927,748	10.54
Investec Asset Mgt (London)	33,623,409	9.86
Newton Investment Mgt (London)	31,975,064	9.38
JO Hambro Capital Mgt (London)	30,964,706	9.08
Schroder Investment Mgt (London)	20,116,206	5.90

The Directors confirm that there are no securities in issue that carry special rights with regard to the control of the Company.

Independent External Auditor

PricewaterhouseCoopers CI LLP has been the Company's external auditor since the Company's incorporation. The Audit and Risk Management Committee reviews the appointment of the external auditor, its effectiveness and its relationship with the Company, which includes monitoring the use of the external auditor for non-audit services and the balance of audit and non-audit fees paid, as included in Note 18. Following a review of the independence and effectiveness of the external auditor, a resolution will be proposed at the 2019 Annual General Meeting to re-appoint PricewaterhouseCoopers CI LLP. Each Director believes that there is no relevant information of which the external auditor is unaware. Each had taken all steps necessary, as a Director, to be aware of any relevant audit information and to establish that PricewaterhouseCoopers CI LLP is made aware of any pertinent information. This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of the Companies Law. Further information on the work of the external auditor is set out in the Report of the Audit and Risk Management Committee on pages 32 to 34.

Articles of Incorporation

The Company's Articles of Incorporation may only be amended by special resolution of the Shareholders.

AEOI Rules

Under AEOI Rules the Company continues to comply with both FATCA and CRS requirements to the extent relevant to the Company.

Going Concern

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

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.

Viability Statement

As required by the AIC Code, the Directors have assessed the future prospects of the Company.

The Board have conducted a Portfolio review for a period of four years to 31 March 2023 which is deemed appropriate given:

(i) The remaining copyright term of the Company's Portfolio as at 31 March 2019; and

(ii) The accuracy of external forecasts to support the income projections.

Based on past performance the returns generated within the investment Portfolio are expected to be stable and predictable in both the medium and longer term.

The Investment Adviser has prepared, and the Board has reviewed, the Portfolio projections which forecast the Group's revenue, cashflow and working capital projections over the next four years and considered the impact of some of the principal risks of the Company.

Report of the Directors continued

Viability Statement continued

On a rolling basis, the Directors evaluate the outcome of the Catalogue investments and the Company's financial position as a whole.

In support of this statement, the Directors have taken into account all of the principal risks and their mitigation as identified in the risk register that is periodically reviewed by the Board. The most relevant potential impacts of the identified principal risks and uncertainties on viability were determined to be:

- Royalties are earned globally and paid in global currencies. The Ordinary Shares are denominated in Sterling and therefore adverse currency movements in revenues held in currencies other than Sterling may impact the Company's ability to meet its dividend targets as these will only be paid in Sterling;
- Risk of delays in deployment of capital, resulting in an adverse impact on dividend yield from cash drag;
- The due diligence process that the Investment Adviser undertakes in evaluating Catalogues for the Company may not reveal all facts that may be relevant in connection with such investment opportunities and any mismanagement, fraud or accounting irregularities on the part of any seller of Catalogues, or their advisers, may materially affect the integrity of the Investment Adviser's due diligence on investment opportunities;
- Risk of decreasing royalty rates being paid to rights holders, such risks not being detected or analysed resulting in underperformance or a higher risk profile than investors expect; and
- The ability of the Company to achieve its investment objective depends heavily on the experience of Merck Mercuriadis as the Investment Adviser. As a result, the success of the Company will depend largely upon the continuing availability of Merck Mercuriadis. The death, incapacity or loss of service of this key individual at the Investment Adviser could have a material adverse impact on the business of the Company and the investments made.

Having conducted a robust analysis of the above scenarios and the stresses applied to each, the Directors are satisfied that the Company can meet its liabilities as they fall due and that it remains viable over the period under consideration (to March 2023). Notwithstanding this assessment, forecasting for individual Catalogues can deliver variances versus the actual revenues received, but these variances are considered immaterial in the context of the whole diversified Portfolio. Any risk is thus mitigated, and the overall forecast assumptions adopted are considered to be reasonable and sustainable at the present time.

The Investment Adviser and the Board have also considered the possible impact of Brexit on the performance of the Portfolio. Given the strength of the current acquisition pipeline and the fact that the majority of investments are made in the U.S. the Board is satisfied that Brexit does not pose a significant operational risk to the business.

Financial Risk Management Policies and Objectives

Financial risk management policies and objectives are disclosed in Note 14 on pages 56 to 57.

Principal Risks and Uncertainties

Principal risks and uncertainties are discussed in the Corporate Governance Report on pages 28 to 31.

Subsequent Events

Significant subsequent events have been disclosed in Note 19 on pages 61 to 62.

By order of the Board

Andrew Sutch
Chairman

21 June 2019

Directors' Responsibility Statement

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

The Companies Law requires the Directors to prepare Consolidated Financial Statements for each financial year. 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 Group and of the profit or loss of the Group 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 and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the Consolidated Financial Statements; and
- prepare the Consolidated Financial Statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Consolidated Financial Statements.

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

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

Legislation in Guernsey governing the preparation and dissemination of the Consolidated Financial Statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report under the Disclosure and Transparency Rules

Each of the Directors confirms to the best of their knowledge and belief that:

- the Consolidated Financial Statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries, together with a description of the principal risks and uncertainties faced; and
- the Annual Report and Consolidated Financial Statements include information required by the FCA and ensuring that the Company complies with the provisions of the Listing Rules, Disclosure Guidelines and Transparency Rules of the FCA. With regard to corporate governance, the Company is required to disclose how it has applied the principles and complied with the provisions of the Corporate Governance Code applicable to the Company with which it has voluntarily agreed to comply. In addition, there is no information that is required to be disclosed under Listing Rules 9.8.4.

Responsibility Statement of the Directors in Respect of the Annual Report under the Corporate Governance Code

The Directors are responsible for preparing the Annual Report and Consolidated Financial Statements in accordance with applicable law and regulations. Having taken advice from the Audit and Risk Management Committee, the Directors consider the Annual Report and Consolidated Financial Statements, taken as a whole, as fair, balanced and understandable and that they provide the information necessary for Shareholders to assess the Group's performance, business model and strategy.

On behalf of the Board

Andrew Sutch
Chairman

21 June 2019

Corporate Governance Report

The Company's governance policies and procedures are based on the principles of the Corporate Governance Code applying to UK listed companies. The Corporate Governance Code is available on the Financial Reporting Council's website, www.frc.org.uk.

The Company became a member of the AIC on 22 August 2018. It has put in place arrangements to comply with the AIC Code and, in accordance with the AIC Code, voluntarily complies with the Corporate Governance Code. The Directors recognise the importance of sound corporate governance, particularly the requirements of the AIC Code. The AIC Code and the AIC Guide are available on the AIC's website, www.theaic.co.uk. We are supportive of the continued enhancement of governance standards that have recently been published for accounting periods beginning on or after 1 January 2019.

The Company is also subject to the GFSC Code, which applies to all companies registered as collective investment schemes in Guernsey. The GFSC has also confirmed that companies that report against the Corporate Governance Code or AIC Code are deemed to meet the GFSC Code.

The Board monitors developments in corporate governance to ensure the Board remains aligned with best practice especially with respect to the increased focus on diversity. The Board acknowledges the importance of diversity, for the effective functioning of the Board, and commits to supporting diversity in the boardroom. It is the Board's ongoing aspiration to have a well diversified representation. The Board also values diversity of business skills and experience because Directors with diverse skills sets, capabilities and experience gained from different geographical and business backgrounds enhance the Board by bringing a wide range of perspectives to the Company.

The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies such as the Company. The Board considers that reporting against the principles and recommendations of the AIC Code, by reference to the AIC Guide, provides better information to Shareholders.

Throughout the financial period ended 31 March 2019, the Company has complied with the recommendations of the AIC Code and the relevant provisions of Section 1 of the Corporate Governance Code, except as set out below.

The Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

For the reasons set out in the AIC Guide, and as explained in the Corporate Governance Code, the Board considers that the above provisions are not currently relevant to the position of the Company, being an internally managed investment company, which delegates most day-to-day functions to third parties.

As an investment company the Company has no employees, all Directors are non-executive and independent of the Investment Adviser and therefore the Directors consider the Company has no requirement for a chief executive or senior independent director and the Board is satisfied that any relevant issues can be properly considered by the Board. The absence of an internal audit function is discussed in the Report of the Audit and Risk Management Committee on page 33.

The Board

The Company is led and controlled by a Board of Directors, which is collectively responsible for the long-term success of the Company. It does so by acting in the interests of the Company, creating and preserving value and has as its foremost principle acting in the interests of Shareholders.

We believe that the composition of the Board is a fundamental driver of its success as the Board must provide strong and effective leadership of the Company. The current Board was selected, as their biographies illustrate, to bring a breadth of knowledge, skills and business experience to the Company. The Directors details are listed on pages 16 to 17 which set out their range of investment, financial and business skills and experience represented.

The Chairman of the Board must be independent and is appointed in accordance with the Company's Articles of Incorporation. Mr Sutch is considered to be independent because he:

- has no current or historical employment with the Investment Adviser;
- has no current directorships in any other investment funds managed by the Investment Adviser; and
- is not an executive of a self-managed company or an ex-employee who has left the executive team of a self-managed company within the last five years.

Corporate Governance Report continued

The Board continued

The Board meets at least four times a year and, in addition, there is regular contact between the Board, the Investment Adviser and the Administrator. Board Portfolio and/or Asset Management Committee meetings (comprising all four non-executive Directors) have been held at least fortnightly since the Company's launch. Further, the Board is supplied in a timely manner with information by the Investment Adviser, the Company Secretary and other advisers in a form and of a quality appropriate to enable it to discharge its duties.

Board Tenure and Re-election

No member of the Board has served for longer than eight years as the Company was incorporated on 8 June 2018. As such no issue has arisen to be considered by the Board with respect to long tenure. In accordance with the AIC Code, when and if any Director shall have been in office (or on re-election would at the end of that term have been in office) for more than nine years the Company will consider further whether there is a risk that such a Director might reasonably be deemed to have lost independence through such long service. Following the recent publication of the 2019 AIC Code, the Board recognises that Directors serving nine years or more may appear to have their independence impaired. However, the Board may nonetheless consider Directors to remain independent and will provide a clear explanation with future Annual Report and Consolidated Financial Statements as to their reasoning.

Directors are appointed under letters of appointment, copies of which are available at the registered office of the Company. The Board considers its composition and succession planning on an on-going basis. The Company's Articles of Incorporation specify that each of the Directors shall retire and may offer themselves for re-election at each Annual General Meeting of the Company.

The Board welcomes the 2019 AIC Code and is confident that its succession plan respects both the letter and the spirit of the Code regarding Board composition, diversity and how effectively members work together to achieve the Company's objectives.

Directors' Remuneration

The level of remuneration of the Directors reflects the time commitment and responsibilities of their roles. The Chairman is entitled to annual remuneration of £45,000. The Chairmen of the Audit and Risk Management Committee and the Portfolio Committee are entitled to annual remuneration of £40,000. The other Directors are entitled to annual remuneration of £35,000.

During the period ended 31 March 2019 the Directors' remuneration was as follows:

	31 March 2019 £
Andrew Sutch	36,586
Paul Burger (appointed 30 July 2018)	24,374
Andrew Wilkinson	32,521
Simon Holden	28,455

The Company Directors' fees for the period amounted to £121,936 with outstanding fees of £nil due to the Directors at 31 March 2019.

The Directors have resolved that, with effect from 1 July 2019, the annual remuneration for each Director will be increased to £50,000, with an additional £7,500 per annum for the Chairman and an additional £5,000 per annum for each of the Chairmen of the Audit and Risk Management Committee and the Portfolio Committee. These increases recognise the considerable commitment and involvement of the Directors, outside the regular quarterly board meetings, in attending committee and ad hoc board meetings largely related to the review of new Catalogue acquisition, as well as oversight of the development of the Investment Adviser's operational infrastructure. This level of commitment can be seen in the number of meetings shown in the table overleaf and is expected to be maintained as the Company continues to grow and to acquire new Catalogues.

The Directors intend to confirm their commitment to their roles by increasing over time their investment in Ordinary Shares, in accordance with their personal circumstances and individual investment arrangements.

All of the Directors are non-executive and are each considered independent for the purposes of Chapter 15 of the Listing Rules.

Corporate Governance Report continued

Duties and Responsibilities

The Board is responsible for the determination of the Company's Investment Objective and Policy and has overall responsibility for maximising the Company's success by directing and supervising the affairs of the business and meeting the appropriate interests of Shareholders and relevant stakeholders, while enhancing the value of the Company and also ensuring the protection of investors. A summary of the Board's responsibilities is as follows:

- strategic matters;
- risk assessment and management including reporting, compliance, governance, monitoring and control and financial reporting;
- statutory obligations and public disclosure;
- declaring Company dividends;
- managing the Company's advisers; and
- other matters having a material effect on the Company.

The Directors have access to the advice and services of the Administrator, which is responsible to the Board for ensuring that Board procedures are followed and that it complies with the Companies Law and applicable rules and regulations of the GFSC and the London Stock Exchange. Where necessary, in carrying out their duties, the Directors may seek independent professional advice and services at the expense of the Company. The Company maintains appropriate Directors' and Officers' liability insurance in respect of legal action against its Directors on an on-going basis.

The Board's responsibilities for the Annual Report are set out in the Directors' Responsibility Statement on page 22. The Board is also responsible for issuing appropriate Interim Reports and other price-sensitive public reports.

One of the key criteria the Company uses when selecting non-executive Directors is their confirmation prior to their appointment that they will be able to allocate sufficient time to the Company to discharge their responsibilities in a timely and effective manner.

The Board formally met three times during the period and the ad-hoc Board meetings were called in relation to specific events or to issue approvals, often at short notice, and did not necessarily require full attendance. Each Board member receives a comprehensive Board pack at least five days prior to each meeting which incorporates a formal agenda together with supporting papers for items to be discussed at the meeting. Directors who have been unable to attend a meeting have, without exception, given the Chairman their views and comments on matters to be discussed, in advance. In addition to their meeting commitments, the Directors also liaise with the Investment Adviser whenever required and there is regular contact outside the Board meeting schedule.

Attendance is further set out below:

Director	Scheduled Board Meetings	Ad-hoc Board Meetings	Committee of the Board	Audit and Risk Management Committee Meetings	Portfolio Committee Meetings	Tenure as at 31 March 2019
Andrew Sutch	3 of 3	11 of 11	4 of 5	2 of 2	9 of 9	10 months
Paul Burger	2 of 2	9 of 9	2 of 2	2 of 2	9 of 9	9 months
Andrew Wilkinson	3 of 3	9 of 11	3 of 5	2 of 2	7 of 9	10 months
Simon Holden	3 of 3	10 of 11	5 of 5	2 of 2	7 of 9	10 months

Committees of the Board

The Board believes that it and its committees have an appropriate composition and blend of backgrounds, skills and experience to discharge their duties effectively. The Board is of the view that no one individual or small group dominates decision-making. The Board keeps its membership, and that of its committees, under review to ensure that an acceptable balance is maintained, and that the collective skills and experience of its members continue to be refreshed. It is satisfied that all Directors have sufficient time to devote to their roles and that undue reliance is not placed on any individual.

Each committee of the Board has written terms of reference, approved by the Board, summarising its objectives, remit and powers, which are available on the Company's website (www.hipgnosissongs.com) and are reviewed on an annual basis. Each Committee has access to such external advice as it may consider appropriate.

Corporate Governance Report continued

Committees of the Board continued

All committee members are provided with an appropriate induction on joining their respective committees, as well as on-going access to training. Minutes of all meetings of the committees are made available to all Directors and feedback from each of the committees is provided to the Board by the respective committee Chairmen at the next Board meeting. The Chairman of each committee attends the AGM to answer any questions on their committee's activities.

The Board and its committees are supplied with regular, comprehensive and timely information in a form and of a quality that enables them to discharge their duties effectively. All Directors are able to make further enquiries of the Investment Adviser or Administrator whenever necessary, and have access to the services of the Company Secretary.

Audit and Risk Management Committee

The Audit and Risk Management Committee is chaired by Mr Wilkinson and also comprises Mr Sutch and Mr Holden who held office throughout the period, and Mr Burger who joined on 30 July 2018. The Chairman of the Audit and Risk Management Committee, the Investment Adviser and the external auditor, PricewaterhouseCoopers CI LLP, have held discussions regarding the audit approach and identified risks. The external auditors attend Audit and Risk Management Committee meetings and a private meeting is routinely held with the external auditors to afford them the opportunity of discussions without the presence of the Investment Adviser or Administrator. The Audit and Risk Management Committee activities are contained in the Report of the Audit and Risk Management Committee on pages 32 to 34.

Portfolio Committee

The Portfolio Committee is chaired by Mr Burger, who joined on 30 July 2018, and also comprises Mr Sutch, Mr Wilkinson and Mr Holden, all of whom held office throughout the period. The principal duties of the Portfolio Committee are to undertake the following functions:

- making the final decision as to the acquisition of Catalogues of Songs;
- determining, in collaboration with the Company's legal, tax or corporate finance advisers, the most appropriate means for acquiring the Catalogues of Songs in the event that such Catalogues of Songs are not directly transferable, but are available in an intermediated form (such as a special purpose company, or similar) including determining any adjustments to the price if necessary or appropriate;
- making enquiries, at any stage, of the Investment Adviser with regards to the pipeline opportunities identified by the Investment Adviser from time to time;
- making the final decision as to the disposal of any Catalogue of Songs; and
- determining, in collaboration with its legal, tax or corporate finance advisers, the most appropriate means for disposal of the Catalogues of Songs in the event that such Catalogues of Songs are not directly transferable, but are held in an intermediated form (such as a special purpose company, or similar).

The Portfolio Committee meets on an ad hoc basis when requested on reasonable prior notice from the Investment Adviser. The quorum for any meeting of the Portfolio Committee shall be at least one Director. All Board members shall use reasonable endeavours to attend each meeting of the Portfolio Committee.

Asset Management Committee

The Asset Management Committee is chaired by Mr Sutch and also comprises Mr Wilkinson and Mr Holden who held office throughout the period, and Mr Burger who joined on 30 July 2018. The principal duties of the Asset Management Committee are to consider the ongoing management and revenue maximisation of the Catalogues of Songs acquired by the Company, which includes performing the following functions:

- making any final decision required to be made as to the allocation of assets that might arise under the arrangements with portfolio administrators;
- making any final decision required to be made as to whether or not to enter into or terminate any contract with a portfolio administrator or other royalty collection agent;
- reviewing and, if considered appropriate, approving any updates to the strategies to maximise revenue collection from the Portfolio; and
- making any final decision required to be made as to whether or not to pursue any recommended revenue maximisation opportunity which exceeds £500,000 in revenues, provided that such decisions will be made in a timely manner and the Asset Management Committee shall use all reasonable endeavours to effect such decisions within the timetables proposed by the Investment Adviser.

Corporate Governance Report continued

Asset Management Committee continued

The Asset Management Committee meets on an ad hoc basis when requested on reasonable prior notice from the Investment Adviser. The quorum for any meeting of the Asset Management Committee shall be at least one Director. All Board members shall use reasonable endeavours to attend each meeting of the Asset Management Committee.

Other Committees

Although the AIC Code recommends that companies appoint a nomination committee and a remuneration committee, the Board has not deemed these necessary, as being wholly comprised of non-executive Directors the full Board considers these matters. The Board will review the actions and judgments of those parties undertaking management, advisory and administration services to the Company in relation to the interim and annual financial statements and the Company's compliance with the UK Corporate Governance Code, the Listing Rules, the Disclosure Guidance and Transparency Rules, MAR and the AIC Code. It will review the terms of the Investment Advisory Agreement and the performance of the Investment Adviser, the Administrator, the Registrar and other major service providers such as royalty collection agents and PROs.

Board performance and evaluation

In accordance with Principle 7 of the AIC Code which requires a formal and rigorous annual evaluation of its performance, the Board will formally review its performance annually through an internal process.

The assessment will cover the effectiveness and performance of the Board as a whole, an evaluation of individual Directors and the effectiveness of the Board Committees. Internal evaluation of the Board, the Audit and Risk Management Committee, the Portfolio Committee, the Asset Management Committee and individual Directors will take the form of self-appraisal questionnaires and discussion to determine effectiveness and performance as well as the Directors' continued independence. The responses will be consolidated and anonymised and common themes identified in order for the Board to determine key actions and next steps for improving Board and Committee effectiveness and performance.

The Board believes that annual evaluations are helpful and provide a valuable opportunity for continuous improvement. The Board believes that the current mix of skills, experience, knowledge and age of the Directors is appropriate to the requirements of the Company.

Directors regularly meet with the senior management employed by the Investment Adviser both formally and informally to ensure that the Board remains regularly updated on all issues. All members of the Board are members of professional bodies and serve on other Boards, which ensures they are kept abreast of the latest technical developments in their areas of expertise. The Board arranges for presentations from the Investment Adviser, the Company's brokers and other advisers on matters relevant to the Company's business. The Board assesses the training needs of Directors on an annual basis.

Internal Control and Financial Reporting

The Directors acknowledge that they are responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. Internal control systems are designed to manage rather than eliminate the failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatements or loss. The Directors can confirm they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The key procedures which have been established to provide internal control are:

- the Board has delegated the day to day operations of the Group to the Administrator, Investment Adviser and Preferred Portfolio Administrator; however, it remains accountable for all functions it delegates.
- the Board clearly defines the duties and responsibilities of the Company's agents and advisers and appointments are made by the Board after due and careful consideration. The Board monitors the on-going performance of such agents and advisers and will continue to do so through the management engagement committee;
- the Board monitors the actions of the Investment Adviser at regular Board meetings and is also given frequent updates on developments arising from the operations and strategic direction of the underlying borrowers; and
- the Administrator provides administration and company secretarial services to the Company. The Administrator maintains a system of internal control on which it reports to the Board.

Corporate Governance Report continued

Internal Control and Financial Reporting continued

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Adviser, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards Shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary, as explained on page 33.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. The Administrator operates risk controlled frameworks on a continual ongoing basis within a regulated environment. The Administrator undertakes an ISAE 3402: Assurance Reports on Controls at a Service Organisation audit annually which is provided to the Board when finalised. The Administrator also formally reports to the Board quarterly through a compliance report. The Investment Adviser formally reports to the Board quarterly including updates within the Group and also engages with the Board on an ad-hoc basis as required.

The systems of control referred to above are designed to ensure effectiveness and efficient operation, internal control and compliance with laws and regulations. In establishing the systems of internal control, regard is paid to the materiality of relevant risks, the likelihood of costs being incurred and costs of control. It follows, therefore, that the systems of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss. This process has been in place for the year under review and up to the date of approval of this Annual Report and Consolidated Financial Statements. It is reviewed by the Board and is in accordance with the FRC's internal control publication: Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Investment Advisory Agreement

The Board is responsible for the determination of the Company's Investment Objective and Policy and has overall responsibility for its activities. The Company has, however, entered into an Investment Advisory Agreement dated 27 June 2018 with the Investment Adviser under which the Investment Adviser will advise the Group in relation to the acquisition, holding, disposal and management of Songs, whether organised into Catalogues or otherwise, and provide the subsidiaries with certain assets related and other ongoing services.

The Group is responsible for paying an advisory fee to the Investment Adviser in return for their services, and, subject to the fulfilment of certain conditions, an additional performance fee.

In accordance with Listing Rule 15.6.2(2)R and having formally appraised the performance and resources of the Investment Adviser, in the opinion of the Directors the continuing appointment of the Investment Adviser on the terms agreed is in the interests of the Shareholders as a whole.

Relations with Shareholders

The Board welcomes the views of Shareholders and understands the importance of providing information to them. The Board is provided with information on all relevant market commentary by the Company's Investment Adviser and Corporate Broker.

All Shareholders can address any concerns to the Company in writing at its registered address. The Annual General Meeting also provides an opportunity to meet and discuss issues with the Board and Investment Adviser. The Company maintains a website (www.hipgnosissongs.com) which contains information on company notifications, share information, financial reports, investor contacts and other information likely to be useful to Shareholders.

Whistleblowing

The Board has considered the AIC Code recommendations in respect of arrangements by which staff of the Investment Adviser or Administrator may, in confidence, raise concerns within their respective organisations about possible improprieties in matters of financial reporting or other matters.

It has concluded that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where necessary, for appropriate follow-up action to be taken within their organisation.

Principal Risks and Uncertainties

Each Director is fully aware of the risks inherent in the Company's business and understands the importance of identifying, evaluating and monitoring these risks. The Board has adopted procedures and controls that enable it to carry out a robust assessment of the risks facing the Company, manage these risks within acceptable limits and to meet all of its legal and regulatory obligations.

Corporate Governance Report continued

Principal Risks and Uncertainties continued

The significant risk factors are fully disclosed in the Company's prospectus which is available on the Company's website www.hipgnosissongs.com and should be reviewed by Shareholders.

The Group's assets consist mainly of intangible assets representing copyright interests in musical compositions and associated intellectual property rights. The primary focus is on what the Investment Adviser considers to be proven songs from well-known songwriters with a sufficient proven track record of producing royalty income to enable them to be viewed as evergreen.

The Company's principal risks are related to market conditions in the music business in general, but also the particular circumstances of the Catalogues of Songs in which it is invested. The Board and the Investment Adviser seek to mitigate these risks through active asset management initiatives and carrying out due diligence work on potential targets before entering into any investments.

The principal risks and uncertainties of the Company will be continuously monitored by the Board, with input from the Investment Adviser and its advisory board. There have been no changes to the Company's principal risks and uncertainties since the Initial Public Offering on 11 July 2018. As detailed below the principal risks facing the Company are concentration risk from investing only in the global music copyright sector and inherent risks associated with the fast-changing landscape within the music industry.

Exchange rate risks

The Company has issued share capital denominated in Pounds Sterling and aims to pay regular dividends in that currency. However, much of the Group's revenue is received in other currencies, particularly U.S. Dollars, and exchange rate fluctuations may significantly affect the NAV and the ability to pay the targeted dividends. Any disruption relating to the UK's exit from the European Union could cause significant volatility in exchange rates.

The Company's initial target dividend, target annual dividend rate and target total NAV return were based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies. The actual dividend yield and total NAV return may be materially different to those targeted and payment of dividends from capital reduces the amount of cash that can be deployed for investment purposes

The Company's initial target dividend, target annual dividend rate and target total NAV return are targets only and are based on financial projections that are themselves based on estimates and assumptions which depend on a variety of factors including, without limitation, availability of investment opportunities, the price and performance of the Company's investments, the ability to earn royalty income, the mix of investments in the Portfolio, the availability of sale and purchase opportunities in respect of Songs and the Catalogues of which they form part, changes in current market conditions, government regulations or other policies, the worldwide economic environment, changes in law and taxation, failures in technology, terrorism, social unrest and civil disturbances or the occurrence of risks described elsewhere in the Prospectus. These factors involve a significant element of subjective judgment which may be proved incorrect and are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its targets. The Company's targets are based on current market conditions and economic environment and the assumption that the Company will be able to implement its investment objective and policy and strategy successfully, and are therefore subject to change.

The Directors may determine, in order to maintain the payment of dividends in accordance with the Company's dividend policy, to pay dividends from the Company's share premium account. Any payment of dividend from the Company's share premium account will only be made in compliance with the Companies Law, which requires the Company to pass a solvency test before paying such dividend. However, where the Company does pay a dividend from its share premium account, such payment reduces the amount of cash that can be deployed for investment purposes. The resulting lower investment level, or the replenishing of the investment level through the use of borrowing, could result in the actual returns on investments being materially lower than the targets.

There is no guarantee or assurance that the initial target dividend, target dividend and target total NAV return can be achieved and the actual rates of return achieved may be materially lower than the targets, or may result in a loss. A failure to achieve the initial target dividend, target dividend or target total NAV return may have a material adverse effect on the Company's financial condition, business, prospects and results of operations and, consequently, the Company's NAV and/or the market price of the Ordinary Shares, and the Company's ability to deliver the target total NAV return to Shareholders.

Corporate Governance Report continued

Principal Risks and Uncertainties continued

The due diligence process that the Investment Adviser undertakes in evaluating Catalogues for the Company may not reveal all facts that may be relevant in connection with such investment opportunities and any mismanagement, fraud or accounting irregularities on the part of any seller of Catalogues, or their advisers, may materially affect the integrity of the Investment Adviser's due diligence on investment opportunities

When conducting due diligence and making an assessment regarding an investment, the Investment Adviser and the Company's legal and financial advisers are required to rely on resources available to them, including internal sources of information as well as information provided by existing and potential sellers of songs. The due diligence process may at times be required to rely on limited or incomplete information.

The Investment Adviser will select investment opportunities to be tabled to the Directors for their consideration in part on the basis of information and data relating to potential investments that has been made directly available to the Investment Adviser by the sellers. Although the Investment Adviser will evaluate all such information and data, and seek independent corroboration when it considers it appropriate and reasonably available, the Investment Adviser will not be in a position to confirm the completeness and accuracy of such information and data. The Investment Adviser is dependent upon the integrity of the management of the sellers as regards such information and of such third parties.

Further, investment analysis and decisions by the Investment Adviser may be undertaken on an expedited basis in order to make it possible for the Company to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Investment Adviser may not have sufficient time to evaluate fully such information even if it is available.

The value of the investments made by the Company may be affected by fraud, misrepresentation or omission on the part of the sellers of the Songs, by parties related to the sellers or by other parties. Such fraud, misrepresentation or omission may increase the likelihood of an intellectual property rights dispute relating to such Songs or may adversely affect the valuation of the Songs in question or may adversely affect the Company's ability to enforce its contractual rights in relation to the investment.

Accordingly, due to a number of factors, the Company cannot guarantee that the due diligence investigation carried out by the Investment Adviser and the Company's legal and financial advisers with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful to the Directors in evaluating such investment opportunity. Any failure by the Investment Adviser to identify relevant facts through its due diligence process may cause it to recommend inappropriate investments for purchase, or recommend the purchase at a price which is not appropriate, and therefore lead the Directors to decide to acquire Songs which subsequently fail to perform in line with expectations, which may have a material adverse effect on the Company's financial condition, business, prospects and results of operations and, consequently, the Company's NAV and/or the market price of the Ordinary Shares, and the Company's ability to deliver the target total NAV return to Shareholders.

Changes in the distribution policies and royalty splits set by the PROs could affect the future revenues received by the Company

PROs represent the rights and interests of publishers and songwriters. They collect royalties, create collection policies and set royalty rates for the use of music copyrights. There are over 120 PROs around the world and most of them have agreements and frameworks in place with each other. Should PROs alter the way that they collect royalties, or set lower royalty rates, the Company may receive significantly reduced revenues compared to the level it had forecast at the time of acquiring the relevant Catalogues or Songs.

Risks associated with the lack of commercial success of individual Songs

The commercial success of a Song is dependent upon the public's response to it, which may not always be predictable, the existence and success of competing entertainment offerings and general economic circumstances. Consequently, a Song may not prove to be as popular, or as commercially successful, as had been forecast at the time of acquisition. Whilst the Company intends primarily to acquire Catalogues containing evergreen Songs from established recording artists and will carry out substantial due diligence on each Catalogue (including on the historic revenues of each Song), there can be no guarantee that the historic performance of a Song will continue in the future.

Corporate Governance Report continued

Principal Risks and Uncertainties continued

The music industry is highly innovative and new technology may be introduced

The Company is heavily reliant on streaming, or an equivalent technology which generates high volumes and rates of royalty revenues for songwriters, continuing to be popular with consumers. Historically the music industry has been shown to be especially innovative, with new technology causing changes in consumer demand and experience. Whilst it is possible that new technology may reduce non-synchronisation related royalty revenues, it is also possible that technological advances would lead to a growth in royalties as consumers' access to music continues to improve.

The streaming business model is yet to be proven in the long term and the streaming market is vulnerable to online domination by one DSP

The Company will be heavily reliant on the continuing presence and popularity of DSPs in order to maximise access to the consumer market. However, the business models of DSPs are yet to be proven in the long term.

Operational reliance on service providers

The Company does not have any employees of its own and relies on service providers for its routine operations. In particular, although the ultimate responsibility for the investment strategy lies with the Board, the Investment Adviser is responsible for sourcing potential opportunities and advising the Board on acquisitions, active management and disposals of Catalogues. The Investment Adviser is a newly-formed company with no operating history. The performance of the Group is dependent on the diligence, skill and judgment of the personnel of the Investment Adviser, and in particular on the key executive, Merck Mercuriadis.

The Group also depends heavily on the specialist administrative services of the Investment Adviser, the Preferred Portfolio Administrator and other collection agents. In the event that these service providers experience business disruption or cyber security breaches, the ability of the Group to collect revenues due may be limited.

Concentration in the market for online streaming and online music stores

A limited number of online streaming and online music stores have achieved a large market share, giving them market power to alter the prices or selection of music offered to consumers and therefore the royalty revenue received by the Group. Any further market concentration could increase this risk.

Other risks

The ability of the Company to achieve its investment objective depends heavily on the experience of Merck Mercuriadis as the Investment Adviser. As a result, the success of the Company will depend largely upon the continuing availability of Merck Mercuriadis. The death, incapacity or loss of service of this key individual at the Investment Adviser could have a material adverse impact on the business of the Company and the investments made.

The Company (as with all companies) continues to be exposed to external cyber-security threats. The Company recognises the increased incidence of cyber-security threats and has recently reviewed its policies, procedures and defences to mitigate associated risks, as well as those of the Investment Adviser, Administrator and key service providers; engaging market-leading specialists where appropriate.

Emerging risks are regularly considered to assess any potential impact on the Group and to determine whether any actions are required. Emerging risks include those related to regulatory/legislative change and macroeconomic and political change, which in the current period have included the ongoing developments in respect of the UK's decision to leave the European Union.

In summary, the above risks are mitigated and managed by the Board through continual review, policy setting and updating of the Company's risk matrix at each quarterly meeting to ensure that procedures are in place with the intention of minimising the impact of the above mentioned risks. The Board relies on periodic reports provided by the Investment Adviser and Administrator regarding risks that the Group faces. When required, experts will be employed to gather information, including tax advisers and legal advisers.

Andrew Sutch
Chairman

21 June 2019

Report of the Audit and Risk Management Committee

The Audit and Risk Management Committee (the Audit Committee), chaired by Mr Wilkinson, operates within clearly defined terms of reference (which are available from the Company's website) and includes all matters indicated by Disclosure and Transparency Rule 7.1, the AIC Code and the UK Code. Its other members are Mr Sutch, Mr Burger and Mr Holden. Given the size of the Board, and the fact that all of the Directors are independent, it is considered that establishing a separate audit committee would be unnecessarily burdensome.

The Audit Committee members have considerable financial and business experience and the Board has determined that the membership as a whole has sufficient recent and relevant sector and financial experience to discharge its responsibilities. The Board is satisfied that the Audit Committee has recent and relevant financial experience given that the Chairman is a chartered accountant and other members have significant business experience, both within the music industry and in the asset management industry.

The duties of the Audit Committee in discharging its responsibilities include reviewing the Annual Report and Consolidated Financial Statements and the Interim Report, the system of internal controls, and the terms of appointment of the Company's independent auditor together with their remuneration. It is also the formal forum through which the auditor will report to the Board of Directors. The objectivity of the auditor is reviewed by the Audit Committee which will also review the terms under which the external auditor is appointed to perform non-audit services and the fees paid to them or their affiliated firms overseas.

Responsibilities

The main duties of the Audit Committee are:

- reviewing and monitoring the integrity of the Financial Statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- reporting to the Board on the appropriateness of our accounting policies and practices including critical judgement areas;
- reviewing the valuations of the Group's investments prepared by the Independent Valuer, and making a recommendation to the Board on value of the Group's investments;
- meeting regularly with the external auditor to review their proposed audit plan and the subsequent audit report and assess the effectiveness of the audit process and the levels of fees paid in respect of both audit and non-audit work;
- making recommendations to the Board in relation to the appointment, re-appointment or removal of the external auditor and approving their remuneration and the terms of their engagement;
- monitoring and reviewing annually the auditor's independence, objectivity, expertise, resources, qualification and non-audit work;
- considering annually whether there is a need for the Group to have its own internal audit function;
- monitoring the internal financial control and risk management systems on which the Group is reliant;
- reviewing and considering the UK Code, the AIC Code, the FRC Guidance on audit committees; and
- reviewing the risks facing the Group and monitoring the risk matrix.

The Audit Committee is required to report formally its findings to the Board, identifying any matters on which it considers that action or improvement is needed, and make recommendations on the steps to be taken.

The external auditor is invited to attend the Audit Committee meetings as the Directors deem appropriate and at which they have the opportunity to meet with the Audit Committee without representatives of the Investment Adviser or the Administrator being present at least once per year.

Financial Reporting

The primary role of the Audit Committee in relation to financial reporting is to review with the Administrator, the Investment Adviser and the external auditor the appropriateness of Interim Reports and Annual Reports, concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with both any external consultant as appointed by the Investment Adviser and the external auditor;

Report of the Audit and Risk Management Committee continued

Financial Reporting continued

- whether the Annual Report, 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; and
- any correspondence from regulators in relation to the Group's financial reporting.

To aid its review, the Audit Committee considers reports from the Investment Adviser and also reports from the external auditor on the outcomes of their annual audit. The Audit Committee supports PricewaterhouseCoopers CI LLP in displaying the necessary professional scepticism their role requires.

Meetings

During the period ended 31 March 2019, the Audit Committee met formally on two occasions. The matters discussed at those meetings include:

- review of the terms of reference of the Audit Committee for approval by the Board;
- review of the accounting policies and format of the Interim Financial Statements;
- detailed review of the Interim Report and recommendation for approval by the Board including the going concern basis and the viability statement;
- review of the Group's risk matrix;
- review and approval of the audit plan and final Audit Committee report of the auditor;
- discussion and approval of the fee for the external audit;
- assessment of the independence of the external auditor;
- assessment of the effectiveness of the external audit process as described below; and
- review of the Group's key risks and internal controls.

Primary Areas of Judgement and Estimation

The Company has issued share capital denominated in Pounds Sterling and aims to pay regular dividends in that currency. However, much of the Group's revenue is received in other currencies, particularly U.S. Dollars, and exchange rate fluctuations may affect the NAV and the ability to pay the targeted dividends. Any disruption relating to the UK's exit from the European Union could cause significant volatility in exchange rates.

The Company, alongside the Investment Adviser, is involved in various judgements, as noted below:

- Forecasting income for each Catalogue that is acquired in order to appraise investment opportunities. These judgements are based on historical earnings as well as industry projections, published by verified third parties. For the income that is driven by 'active management', judgements are made based on a Song by Song assessment by the Investment Adviser;
- Accruals booked in the financial period are based on historical analysis and a prudent calculation is derived;
- Amortisation booked per annum is based on 20 years which is the Company's judgement of the useful life of the asset; and
- Impairment is considered on a timely basis and a judgement would be made as to whether a Catalogue should be written down.

Risk Management

The Board is accountable for carrying out a robust assessment of the principal risks facing the Group, including those threatening its business model, future performance, solvency and liquidity. On behalf of the Board, the Audit Committee reviews the effectiveness of the Group's risk management processes. The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit Committee. The work of the Audit Committee was driven primarily by the Company's assessment of its principal risks and uncertainties as set out in the Corporate Governance Report. The Audit Committee receives reports from the Investment Adviser and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified.

Internal Audit

The Audit Committee continues to review the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and the Investment Adviser, including their own internal controls and procedures, provide sufficient assurance that an appropriate level of risk management and internal control, which safeguards Shareholders' investment and the Group's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

Report of the Audit and Risk Management Committee continued

External Audit

PricewaterhouseCoopers CI LLP has been appointed as the Company's external auditor with Roland Mills as the lead audit partner. Roland Mills can serve as the lead audit partner until the year ended 31 March 2024 in accordance with normal audit partner rotation arrangements. The Companies Law requires the reappointment of the external auditor to be subject to Shareholders' approval at the Annual General Meeting.

External Audit continued

The objectivity of the external auditor is reviewed by the Audit Committee which also reviews the terms under which the external auditor may be appointed to perform non-audit services. In order to safeguard external auditor independence and objectivity, the Audit Committee ensures that any other advisory and/or consulting services provided by the external auditor does not conflict with its statutory audit responsibilities. Advisory and/or consulting services will generally only cover reviews of interim financial statements, tax compliance and capital raising work. Any non-audit services conducted by the external auditor outside of these areas require the consent of the Audit Committee before being initiated.

The external auditor may not undertake any work for the Company in respect of preparation of the financial statements, preparation of valuations used in financial statements, provision of investment advice, taking management decisions or advocacy work in adversarial situations.

The Audit Committee reviews the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor, with particular regard to the level of non-audit fees.

The Audit Committee regularly monitors non audit services being provided by PricewaterhouseCoopers CI LLP to ensure there is no impairment to their independence or objectivity. The only non-audit service provided by PricewaterhouseCoopers CI LLP related to the role as reporting accountant on the listing of the Company.

Notwithstanding such services, the Audit Committee considers PricewaterhouseCoopers CI LLP to be independent of the Company and that the provision of such non-audit services is not a threat to the objectivity and independence of the conduct of the audit as appropriate safeguards are in place.

To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee considered:

- the audit personnel in the audit plan for the current period;
- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

To assess the effectiveness of the external auditor, the Audit Committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit; and
- feedback from the Investment Adviser and Administrator evaluating the performance of the audit team.

The Audit Committee is satisfied with PricewaterhouseCoopers CI LLP's effectiveness and independence as external auditor having considered the degree of diligence and professional scepticism demonstrated by them. As such, the Audit Committee has not considered it necessary this year to conduct a tender process for the appointment of its external auditor. Having carried out the review described above and having satisfied itself that the external auditor remains independent and effective, the Audit Committee has recommended to the Board that PricewaterhouseCoopers CI LLP be reappointed as external auditor for the year ending 31 March 2020.

A resolution to reappoint PricewaterhouseCoopers CI LLP as independent external auditor to the Company will be proposed at the forthcoming Annual General Meeting.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Audit Committee.

On behalf of the Audit Committee,

Andrew Wilkinson
Chairman of the Audit and Risk Management Committee

21 June 2019

Independent Auditor's Report

To the members of Hipgnosis Songs Fund Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Hipgnosis Songs Fund Limited (the "Company") and its subsidiaries (together "the Group") as at 31 March 2019, and of their consolidated financial performance and their consolidated cash flows for the period from 8 June 2018 to 31 March 2019 (the "period") in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

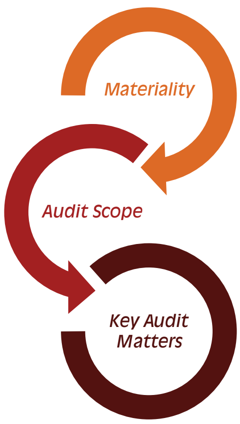
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of the Group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Materiality

- Overall group materiality was £2 million which represents 1% of the Group's Adjusted Net Asset Value.
- The Group's Adjusted Net Asset Value is calculated as £200 million, being the Net Asset Value of the Group calculated in accordance with International Financial Reporting Standards, adjusted for by adding back the cumulative amortisation of intangible assets and deducting any cumulative impairment of intangible assets.

Audit scope

- The Company is incorporated in Guernsey and has underlying subsidiaries incorporated in the United Kingdom ("UK"). The consolidated financial statements are a consolidation of the Company and all of the underlying subsidiaries.
- We conducted our audit of the consolidated financial statements based on information provided by Estera International Fund Managers (Guernsey) Limited (the 'Administrator') and The Family (Music) Limited (the 'Investment Adviser'), to whom the board of directors has delegated the provision of certain functions.
- We conducted our audit work in Guernsey and we tailored the scope of our audit taking into account the types of investments within the Group, the involvement of the third parties referred to above, and the industry in which the Group operates.
- We performed an audit of the complete financial information of the Guernsey and UK components of the Group.
- The components of the Group where we performed full scope audit procedures accounted for 100% of the net assets and total comprehensive income.

Independent Auditor's Report continued

Key audit matters

- Risk of fraud and error in revenue recognition
- Impairment and fair value disclosure of intangible assets

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Company is based in Guernsey with its subsidiaries located in the UK. The consolidated financial statements are a consolidation of the Company and all of the underlying subsidiaries.

Scoping was performed at the Group level, irrespective of whether the underlying transactions took place within the Company or within the subsidiaries. The Group audit was led, directed and controlled by PricewaterhouseCoopers CI LLP and all audit work for material items within the consolidated financial statements was performed in Guernsey by PricewaterhouseCoopers CI LLP.

The transactions relating to the Company and the subsidiaries are maintained by the Administrator and therefore we were not required to engage with component auditors from another PwC global network firm operating under our instruction. Our testing was therefore performed on a consolidated basis using thresholds which are determined with reference to the overall Group materiality and the risks of material misstatement identified.

As noted in the overview, the components of the Group for which we performed full scope audit procedures accounted for 100% of net assets and total comprehensive income.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	£2 million
How we determined it	1% of Adjusted Net Asset Value
Rationale for the materiality benchmark	We believe that Adjusted Net Asset Value represents the most appropriate materiality benchmark given the nature and activities of the Group, and that this is a key consideration for investors when assessing the financial performance. The Group's Adjusted Net Asset Value is calculated as £200 million, being the Net Asset Value of the Group calculated in accordance with International Financial Reporting Standards, adjusted for by adding back the cumulative amortisation of intangible assets and deducting any cumulative impairment of intangible assets

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £100,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditor's Report continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Key audit matter	How our audit addressed the Key audit matter
Risk of fraud and error in revenue recognition Please refer to Notes 3 and 11 to the consolidated financial statements. The Group earns revenue from the catalogues of songs in which it owns interests. Such revenue takes the form of royalties, licence fees and/or other payments including mechanical royalties, performance royalties, and synchronisation fees. Revenue is collected by the portfolio administrators/royalty collection agents, reported on a quarterly or semi-annual basis and paid based on pre-determined revenue payments dates thereafter. These contractual revenue arrangements entered into by the Group with the portfolio administrators/royalty collection agents may be complex in nature and there is therefore a risk of error in that revenue may be incorrectly recognised in the accounting records of the Group, or subject to manipulation. In addition, because of the contractual reporting and revenue payment dates with the various portfolio administrators/royalty collection agents, the directors make an estimate of the revenue accrued to the Group at the period end, but for which revenue reports from the portfolio administrators/royalty collection agents may be unavailable. The directors seek the input of the Investment Adviser in making these estimates and accrual, which involves significant judgement (see Note 3). The period end accrual is based on the catalogues of songs' historic performance for previous periods, adjusted for the Investment Adviser's and directors' assessment of the expected performance of the various catalogues of songs, based on the latest available music consumption information. Revenue is also one of the key performance indicators for the Group and changes to the contractual arrangements with the portfolio administrators/royalty collection agents, which may report on a basis that is not coterminous with the period end, and the associated accrual determined by the directors, can have a significant impact on the recognition of revenue by the Group. As a result, there is a heightened risk of material misstatement and hence this is considered a significant risk for audit purposes.	We met with the directors and Investment Adviser and understood and evaluated the Group's processes, internal controls and revenue recognition policies as a result of the various music royalty, license fee and other payments earned from the catalogues of songs owned by the Group. We also assessed the Group's revenue recognition accounting policies for compliance with International Financial Reporting Standards, and in particular IFRS 15 – Revenue from Contracts with Customers, which has been applied by the Group since its inception on 8 June 2018. Our procedures included: • We reviewed the contractual basis for recognising revenue from each catalogue of songs by reading and understanding the contracts in place with each portfolio administrator/royalty collection agent; • We selected a sample of portfolio administrator/royalty collection agent statements, which we obtained through download from the respective portfolio administrator/royalty collection agent websites, and reconciled these to the revenue recognised by the Group for each of these respective catalogues of songs. In addition, we traced these amounts to the subsequent cash receipts (where applicable); • We identified, evaluated and verified journal entries that impacted revenue; and • We incorporated an element of unpredictability and obtained an independent written confirmation of the revenue received from one of the portfolio administrators/royalty collection agents for the period over which the Group held that respective catalogue We also performed the following procedures in assessing the period end revenue accrual determined by the directors with the input of the Investment Adviser: • We evaluated the methodology applied by the Investment Adviser in developing the period end revenue accrual recommended to the directors; • We evaluated the underlying information used by the Investment Adviser in the revenue accrual model by comparing this to the revenue information already audited (as discussed above); • We evaluated the reasonableness of the revenue accrual assumptions made by the directors and Investment Adviser against supporting information, such as the fair value models provided by the Independent Valuer; and • We reconciled the details of the last royalty statements received by the Group to those included in the revenue accrual model and checked the arithmetic accuracy of the revenue accrual calculation. We did not identify any material issues from our procedures.

Independent Auditor's Report continued

Key audit matter	How our audit addressed the Key audit matter
Impairment and fair value disclosure of intangible assets Please refer to Notes 3 and 5 to the consolidated financial statements. The primary activity of the Group is to acquire and hold catalogues of songs and earn the music royalty, license fee and other revenue associated with its ownership. The Group's portfolio of songs are classified as intangible assets under IAS 38. The various catalogues of songs are held at cost and amortised over their useful life (which is determined at acquisition of each of the catalogue of songs) less impairment. 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 the useful life of each catalogue requires the application of significant judgement by the directors (see Note 3). The directors have also chosen to voluntarily disclose the fair value of the catalogues of songs (see Note 5). The directors also present an 'Operative Net Asset Value', which takes into account the catalogue of songs at this fair value rather than at the IFRS amortised cost value, as included in consolidated financial statements and reflected in the IFRS Net Asset Value. The directors have, in consultation with the Investment Adviser, engaged the Independent Valuer to assess the fair value of each catalogue. In general, the fair value of each catalogue is determined using a discounted cash flow model and incorporate assumptions that are subject to significant judgement by the Independent Valuer, Investment Adviser and directors. These estimates and assumptions include future catalogue revenue and cash flow projections; aggregate catalogue maturity; music industry growth rates by revenue type (e.g. physical sales, downloads, streaming etc.); and the determination of an appropriate discount rate. The fair value of the catalogues of songs as disclosed in Note 5 reflects the fair value as calculated by the Independent Valuer, recommended by the Investment Adviser and adopted by the board of directors. The directors have also used the fair value determined by the Independent Valuer as an initial point of consideration in their impairment assessment of the catalogues of songs held at amortised cost, based on a comparison of the fair value of each catalogue to the carrying value calculated under International Financial Reporting Standards. As the catalogues of songs are significant to the net asset value of the Group and because of the level of judgement applied in determining the useful life, the need for impairment and in determining the fair value of each catalogue, there is a heightened risk of misstatement. As a result, both the carrying value at which the catalogues of songs are measured in the consolidated financial statements and the fair value as disclosed in the notes to the consolidated financial statements (and used in determining the Operative Net Asset Value by the directors) are considered significant risks from an audit perspective.	With regard to the catalogues of songs recognised as intangibles and carried at amortised cost, we evaluated management's processes and assumptions used to initially recognise and measure the catalogues of songs at amortised cost and used to assess the need for impairment (if any) of the respective catalogues of songs. Our procedures included: • We obtained and read the purchase agreements for each catalogue of songs held by the Group to ensure they have been accounted for correctly, and agreed to the cash payments made; • We also discussed with management any deferred compensation terms within the purchase contracts and assessed whether these have been appropriately recognised and/or disclosed within the consolidated financial statements; • We discussed the useful life of each catalogue with the Investment Adviser and in light of industry benchmarks; • We recalculated the carrying value in accordance with the useful life determined by the directors and the purchase agreements for each catalogue of songs; and • We obtained and discussed with the directors and Investment Adviser the impairment assessment undertaken with respect to the each catalogue of songs. Based on our work performed, we did not identify any material differences. With regard to the fair value of the catalogues of songs disclosed in Note 5 to the financial statements and used in determining the Operative Net Asset Value of the Group by the directors, we performed the following procedures: • We discussed with the directors and Investment Adviser the process of appointment of the Independent Valuer; • We contacted the Independent Valuer directly and obtained their valuation model for each catalogue of songs; • We held discussions with the Independent Valuer, confirmed their independence and evaluated their experience and objectivity; • We gained an understanding of the assumptions the Independent Valuer adopted to determine the projected growth rates for each revenue stream and catalogue, and in determining the discount rate applied to the projected revenue/cash flow streams; • We agreed the forecasted revenue assumptions used by the Independent Valuer in their model to the revenue recognised by the Group with respect to each catalogue and the latest revenue reports from the portfolio administrators/royalty collection agents. We assessed the rationale for any adjustments made thereto against supportable data; • We compared the discount rate used to independent industry benchmarks; • We recalculated the arithmetic accuracy of the valuation for each catalogue of songs; and

Independent Auditor's Report continued

Key audit matter	How our audit addressed the Key audit matter
	• We performed a benchmark analysis of the valuation by obtaining independently obtained music industry market growth data by revenue stream, applying this to the baseline revenue/cash flow projections, discounting at the assessed discount rate and comparing this to the Independent Valuer's determination of fair value. Based on our work performed, we did not identify any material differences.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Audited Consolidated Financial Statements 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 any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

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 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 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 these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the

Independent Auditor's Report continued

date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group and the wider economy.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

The directors have volunteered to report on how they have applied the UK Corporate Governance Code (the "Code").

We have nothing to report in respect of the following matters which we have reviewed:

- the directors' statement set out on page 20 in relation to going concern. As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the consolidated financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern;
- the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit; and
- the part of the Corporate Governance Statement relating to the parent Company's compliance with the ten further provisions of the UK Corporate Governance Code specified for our review.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, 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.

Roland Mills
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognised Auditor
Guernsey, Channel Islands

21 June 2019

Consolidated Statement of Comprehensive Income

For the period from incorporation on 8 June 2018 to 31 March 2019

	Notes	8 June 2018 to 31 March 2019 £
Income		
Total revenue	11	7,218,852
Interest income		682,491
Foreign exchange gains (Non-investments)		104,773
Total income		**8,006,116**
Expenses		
Advisory fees	16	(1,579,190)
Performance fee	16	(429,054)
Amortisation of Catalogues of Songs		(1,491,922)
Administration fees		(155,954)
Directors' remuneration		(121,936)
Broker fees		(44,550)
Audit fees		(110,000)
Legal and professional fees		(813,714)
Other operating expenses	12	(267,821)
Total expenses		**(5,014,141)**
Operating profit for the period before taxation		**2,991,975**
Taxation	4	(632,521)
Profit for the period after tax		**2,359,454**
Total comprehensive income for the period		**2,359,454**
Basic Earnings per Share (pence)	17	**1.17**
Diluted Earnings per Share (pence)	17	**1.17**

All activities derive from continuing operations.

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

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	31 March 2019 £
Assets		
Catalogues of Songs	5	118,458,818
Cash and cash equivalents	6	108,483,752
Trade and other receivables	7	10,808,398
Total assets		**237,750,968**
Liabilities		
Other payables and accrued expenses	8	39,192,142
Total liabilities		**39,192,142**
Net assets		**198,558,826**
Equity		
Share capital	9	198,221,140
Retained earnings		337,686
Total equity attributable to the owners of the Company		**198,558,826**
Number of ordinary shares in issue at period end		**202,176,800**
IFRS Net Asset Value per ordinary share (pence)	10	**98.21**
Operative Net Asset Value per ordinary share (pence)	10	**103.27**

Approved and authorised for issue by the Board of Directors on 21 June 2019 and signed on their behalf by:

Andrew Sutch
Chairman

Andrew Wilkinson
Director

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

Consolidated Statement of Changes in Equity

For the period from incorporation on 8 June 2018 to 31 March 2019

	Note	Number of shares	Share capital £	Retained earnings £	Total equity £
As at 8 June 2018		—	—	—	—
Shares issued	9	202,176,800	202,176,800	—	202,176,800
Share issue costs	9	—	(3,955,660)	—	(3,955,660)
Dividends paid	14	—	—	(2,021,768)	(2,021,768)
Profit for the period		—	—	2,359,454	2,359,454
As at 31 March 2019		**202,176,800**	**198,221,140**	**337,686**	**198,558,826**

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

Consolidated Statement of Cash Flows

For the period from incorporation on 8 June 2018 to 31 March 2019

	Notes	8 June 2018 to 31 March 2019 £
Cash flows used in operating activities		
Operating profit for the period before taxation		2,991,975
Adjustments for non-cash items:		
Movement in other receivables	7	(10,808,398)
Movement in other payables and accrued expenses	8	38,559,621
Amortisation of Catalogues of Songs		1,491,922
Foreign exchange gains on non-investments		(104,773)
		32,130,347
Purchase of Catalogue of Songs	5	(119,950,740)
Net cash used in operating activities		**(87,820,393)**
Cash flows generated from financing activities		
Proceeds from issue of shares	9	202,176,800
Issue costs paid	9	(3,955,660)
Dividends paid	13	(2,021,768)
Net cash generated from financing activities		**196,199,372**
Net movement in cash and cash equivalents		**108,378,979**
Cash and cash equivalents at the start of the period		—
Effect of foreign exchange rate changes		104,773
Cash and cash equivalents at the end of the period	6	**108,483,752**

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

Notes to the Consolidated Financial Statements

For the period from incorporation on 8 June 2018 to 31 March 2019

1. General information

Hipgnosis Songs Fund Limited was incorporated and registered in Guernsey on 8 June 2018 with registered number 65158 and is governed in accordance with the provisions of the Companies Law. With effect from 29 April 2019, the registered office address is Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY.

The Company's shares were admitted to the SFS of the Main Market of the London Stock Exchange on 11 July 2018.

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

The Consolidated Financial Statements present the results of the Group for the period from incorporation on 8 June 2018 to 31 March 2019. The Group is principally engaged in investing in and managing music copyrights and associated musical intellectual property.

2. Accounting policies

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

New and amended standards and interpretations applied

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

Amended standards and interpretations not applied

The following are amended standards and interpretations in issue effective from years beginning on or after 1 January 2019:

Amended standards and interpretations		Effective date
IFRS 9	Financial Instruments (Amendments regarding prepayment features with negative compensation and modifications of financial liabilities)	1 January 2019
IFRS 11	Joint arrangements (Amendments resulting from Annual Improvements 2015-2017 Cycle)	1 January 2019
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021
IAS 1	Presentation of Financial Statements (Amendments regarding the definition of material)	1 January 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments regarding the definition of material)	1 January 2020
IAS 12	Income Taxes (Amendments resulting from Annual Improvements 2015-2017 Cycle)	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

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

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

2. Accounting policies continued

a) Group information

As at 31 March 2019, the details of the Company's subsidiaries are as follows:

Name of the subsidiary	Place of incorporation and operation	% of voting rights	% Interest	Consolidation method
Hipgnosis SFH I Limited	UK	100	100	Full
Hipgnosis SFH II Limited	UK	100	100	Full
Hipgnosis SFH III Limited	UK	100	100	Full
Hipgnosis SFH IV Limited	UK	100	100	Full
Hipgnosis SFH V Limited	UK	100	100	Full
Hipgnosis SFH VI Limited	UK	100	100	Full
Hipgnosis SFH VII Limited	UK	100	100	Full
Hipgnosis SFH VIII Limited	UK	100	100	Full
Hipgnosis SFH IX Limited	UK	100	100	Full
Hipgnosis SFH X Limited	UK	100	100	Full
Hipgnosis SFH XI Limited*	UK	100	100	Full
Hipgnosis SFH XII Limited	UK	100	100	Full
Hipgnosis SFH XIII Limited	UK	100	100	Full
Hipgnosis SFH XIV Limited*	UK	100	100	Full
Hipgnosis SFH XV Limited	UK	100	100	Full
Hipgnosis SFH XVI Limited	UK	100	100	Full
Hipgnosis SFH XVII Limited*	UK	100	100	Full
Hipgnosis SFH XVIII Limited*	UK	100	100	Full

* These subsidiaries were dormant as at 31 March 2019 in anticipation of new Catalogues being acquired.

The subsidiaries of the Company are considered tax resident in the UK and are subject to UK corporation tax.

b) Going concern

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

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

c) Basis of preparation

Basis of Accounting

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

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

2. Accounting policies continued

c) Basis of preparation continued

Consolidation

In accordance with section 244 of the Companies Law, the Directors have elected to prepare consolidated accounts for the financial period for the Group. Therefore, there is no requirement to present individual accounts for the Company within the Consolidated Financial Statements.

The Company is not considered to be an Investment Entity, as defined in IFRS 10. The Company, in addition to evaluating the Portfolio on a fair value basis, also manages the acquisitions and revenue of those Songs.

All companies in which the Company has a controlling interest, namely those in which it has the power to govern financial and operational policies in order to obtain benefits from their operations, are fully consolidated. The Control defined by IFRS 10 is based on the following three criteria to be fulfilled simultaneously to conclude that the parent company exercises control:

- a parent company has power over a subsidiary when the parent company has existing rights that give it the current ability to direct the relevant activities of the subsidiary, i.e., the activities that significantly affect the subsidiary's returns. Power may arise from existing or potential voting rights, or contractual arrangements. Voting rights must be substantial, i.e., they shall be exercisable at any time without limitation, particularly during decision making related to significant activities. The assessment of the exercise of power depends on the nature of the subsidiary's relevant activities, the internal decision-making process, and the allocation of rights among the subsidiary's other shareowners;
- the parent company is exposed, or has rights, to variable returns from its involvement with the subsidiary which may vary as a result of the subsidiary's performance. The concept of returns is broadly defined and includes, among other things, dividends and other economic benefit distributions, changes in the value of the investment in the subsidiary, economies of scale, and business synergies; and
- the parent company has the ability to use its power to affect the returns. Exercising power without having any impact on returns does not qualify as control.

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

Segmental reporting

The chief operating decision maker is the Board of Directors. 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 the Portfolio, with an attractive and growing level of income, together with the potential for capital growth.

All of the Company's income is derived from within U.S., Europe, UK and Guernsey.

All of the Company's non-current assets are located in UK and Guernsey.

d) Revenue Recognition

Bank Interest Income

Interest income is accounted for on an accruals basis.

Revenue from operations and associated costs

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

Licence arrangements – mechanical, performance and synchronisation income

The Company enters into licence arrangements in respect of Catalogues of Songs with third party collection agents. Licences made 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 when the usage of the Catalogues of Songs occurs. 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.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

2. Accounting policies continued

d) Revenue Recognition continued

***Licence arrangements – mechanical, performance and synchronisation income** continued*

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.

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 occurs.

e) Expenses

Expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Comprehensive Income.

f) Dividends to Shareholders

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

g) 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. Catalogues of Songs with an indefinite useful life are not amortised but are subject to an annual impairment test. Useful life is separately considered for each Catalogue and is reviewed at the end of each reporting period.

Contingent consideration

Under the terms of the acquisition agreements for Catalogues, contingent consideration may be payable dependent on future independent valuations of the Catalogues or revenue received within a specific time frame of acquiring the Catalogues. Contingent consideration will be recognised when performance conditions are met or the amount is a deferred liability. In such cases, a liability will be recognised alongside an associated finance charge which will be accrued over the respective deferral period.

Asset impairment

Each time events or changes in the economic environment indicate a risk of impairment of intangible assets, the Group re-examines the value of these assets. This 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 as the discounted value of future cash flows by using cash flow projections consistent with the expected Portfolio cash flows and the most recent forecasts. Applied discount rates are determined by reference to an appropriate benchmark as determined by the Board and reflect the current assessment by the Group of the time value of money and risks specific to each asset. Growth rates used for the evaluation of individual assets are based on industry growth rates sourced from independent market reports and other third party sources. The fair value (less costs to sell) is considered to be equal to the value determined under the DCF model, cross referenced, where appropriate, against market multiples for recent transactions for similar assets. If the recoverable amount is lower than the carrying value of an asset or group of assets, 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.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

2. Accounting policies continued

g) Assets continued

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables 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 ECL. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Derecognition of assets

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

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

On derecognition of an asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

h) Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the value of proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

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

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

Derecognition of financial liabilities

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

i) Share based payments

Investment Adviser's Performance fee

The Group recognises the variable fee for the services received in a share-based payment transaction as the Group becomes liable to the variable fee on an accruals basis.

The fair value of the performance fee, as defined in the Investment Advisory Agreement, which is payable to the Investment Adviser in Shares is recognised as an expense when the fees are earned with a corresponding increase in equity.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

2. Accounting policies continued

j) 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.

k) Other Receivables

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

l) Functional and Foreign currency

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Sterling, which is the Group'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.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's Consolidated Financial Statements requires the application of estimates and assumptions which may affect the results reported in the 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.

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

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

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

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

3. Significant accounting judgements, estimates and assumptions continued

Assessment of useful life of intangible assets

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

The actual useful life of a Catalogue depends on the Catalogue's genre and listener demographic. Analysis of earnings shows that payback periods of purchase prices at industry standard multiples generally range from 10-15 years. Additionally, the term of administration deals in the market between songwriters and publishers are no longer than 25 years, and generally range from 15-20 years. This reflects the general consensus that the benefits from exploiting revenues from the work of Anglo-American music songwriters can be reliably estimated over a period of 10-20 years and no longer, due to uncertainty in forecasting over a longer period of time and the level of technological disruption that the industry is subject to. The Board will separately consider the useful life of each Catalogue of Songs, which is expected to be 20 years, except on an exceptions basis.

Calculation of Operative NAV

In order to calculate the Operative NAV and Operative NAV per Share, the intangible assets are revalued to an estimate of fair value. The fair value estimates are also used to assess whether there is evidence that the intangible assets may be impaired.

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

It is the intention of the Board that Catalogues of Songs will be valued on an ongoing basis using a consistent DCF valuation methodology.

Assessment of impairment

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

4. Taxes

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

The Directors have been advised that following certain changes to the United Kingdom tax rules regarding "alternative investment funds" implemented by the Finance Act 2014 and contained in section 363A of the Taxation (International and other Provisions) Act 2010 the Company should not be resident in the United Kingdom for United Kingdom tax purposes. Accordingly, and provided that the Company does not carry on a trade in the UK (whether or not through a branch, agency or permanent establishment situated therein), the Company will not be subject to UK income tax or corporation tax other than on any UK source income.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

4. Taxes continued

The UK subsidiaries of the Company are tax resident in the UK and are subject to UK corporation tax. During the period the subsidiaries incurred irrecoverable corporation tax expense of £632,521.

	8 June to 31 March 2019 £
The Group's profit for the period before taxation	2,991,975
Remove: The Company's loss for the period before taxation	2,558,011
Add: Management recharge from the Company	(2,220,928)
Profits chargeable to corporation tax	**3,329,058**
19% corporation tax	**632,521**

5. Catalogues of Songs

	£
Cost	
At 8 June 2018	—
Additions	**119,950,740**
At 31 March 2019	119,950,740
Amortisation and impairment	
At 8 June 2018	—
Amortisation	1,491,922
Impairment	—
At 31 March 2019	**1,491,922**
Net book value	
At 8 June 2018	—
At 31 March 2019	**118,458,818**
Fair value as at 31 March 2019	**128,694,535**

The Group amortises Catalogues of Songs with a limited useful life using the straight-line method of 20 years (other than in exceptional circumstances for specific Catalogues of Songs). Useful life is separately considered for each Catalogue of Songs and is reviewed at the end of each reporting period.

The Board engaged an Independent Valuer, Massarsky Consulting, Inc., to value the Catalogues as at 31 March 2019. Each income type from each Catalogue was analysed and forecasted to derive the fair value of the Catalogues by adopting a DCF valuation methodology. Income was analysed and forecast at the level of each individual Catalogue and by income type. Future revenues were also estimated, often at the level of individual Songs, and incorporated into their valuation. Massarsky Consulting has also taken into consideration macro factors including the growth of streaming revenue and the global growth of the recorded music industry in their analysis. The Board has approved and adopted the valuations prepared by the Independent Valuer.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

6. Cash and cash equivalents

Cash and cash equivalents comprises cash held by the Group available on demand, cash held in deposits and cash in a money market fund. Cash and cash equivalents were as follows:

	31 March 2019 £
Cash available on demand	3,720,550
Cash held in deposits	37,064,106
Money market fund	67,699,096
Cash and cash equivalents	**108,483,752**

7. Trade and other receivables

	31 March 2019 £
Loan receivable	3,957,500
Income receivable	2,040,135
Accrued income	3,847,679
Receivables	852,201
Prepayments	110,883
Trade and other receivables	**10,808,398**

The loan receivable amount of £3,957,500 relates to 90 days exclusivity for the purchase of a Catalogue, with 100% of this Catalogue as security. The loan has a maturity of one year, where the first six months are interest free and the following six months are interest bearing at 5%. This loan was subsequently repaid in full on 7 May 2019 upon completion of the acquisition of the Catalogue concerned.

8. Other payables and accrued expenses

	31 March 2019 £
Investment acquisition payable	37,711,582
Performance fee	429,054
Amounts owed to songwriter	97,352
Administration fees	101,528
Legal & professional fees	110,533
Audit fees	100,000
Corporation tax	632,521
Other expenses	9,572
Other payables and accrued expenses	**39,192,142**

As at 31 March 2019, an amount of £37,711,582 relating to the acquisition prices for three Catalogues remained outstanding. These were all subsequently paid by 17 May 2019.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

9. Share capital and capital management

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

Ordinary Shares of no par value

	No.
Issued and fully paid:	
Shares issued on 11 July 2018	202,176,800
Shares as at 31 March 2019	202,176,800

	£
Issued and fully paid:	
Shares issued on 11 July 2018	202,176,800
Share issue costs	(3,955,660)
Shares as at 31 March 2019	**198,221,140**

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

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

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

	31 March 2019
Number of Ordinary Shares in issue	202,176,800
IFRS NAV per share (pence)	**98.21**
Operative NAV per share (pence)	**103.27**

The IFRS NAV per share and the Operative NAV per share are arrived at by dividing the IFRS Net Assets and Operative Net Assets (respectively) by the number of Ordinary Shares in issue.

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

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

Reconciliation of IFRS NAV to Operative NAV

	31 March 2019 £
IFRS NAV	**198,558,826**
Adjustments for revaluation of Catalogues of Songs to fair value	8,743,795
Reversal of amortisation	1,491,922
Operative NAV	**208,794,543**

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

11. Revenue

	8 June to 31 March 2019 £
Mechanical income	417,487
Performance income	1,104,493
Digital downloads income	232,741
Streaming income	1,285,485
Synchronisation income	1,212,161
Writer's share income	2,914,228
Other income	52,257
Total revenue	**7,218,852**

The revenue accrual includes accruals of £1,917,176 for the calendar Q1 2019 for both PROs and Publisher earnings that have yet to be collected.

An additional accrual of £1,930,810, relating to lagged reporting on the PRO income, was also booked in the financial period to align with IFRS, the estimate of which is noted in the Estimates section under Note 3.

12. Other operating expenses

	8 June to 31 March 2019 £
Regulatory fees	8,605
Listing fees	17,667
D&O Insurance	14,104
Directors expenses	1,329
Registrar fees	6,306
Postage, stationery and printing	12,777
Public relation fees	48,371
Travel and accommodation fees	88,438
Bank charges	4,469
Other expenses	65,755
Total other operating expenses	**267,821**

13. Dividends

A summary of the dividends is set out below:

8 June 2018 to 31 March 2019	Dividend per share Pence	Total dividend £
Interim dividend in respect of period ended 30 September 2018	0.50	1,010,884
Interim dividend in respect of period ended 31 December 2018	0.50	1,010,884
	1.00	**2,021,768**

The Company announced its first interim dividend for the period from Admission to 30 September 2018 of 0.50 pence per Ordinary Share. The dividend was paid to Shareholders, on the register at the close of business on 2 November 2018, on 29 November 2018.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

13. Dividends continued

The Company announced its second interim dividend for the period from 1 October to 31 December 2018 of 0.50 pence per Ordinary Share. The dividend was paid to Shareholders, on the register at the close of business on 1 February 2019, on 28 February 2019.

Subsequent to the period end, the Company announced its third interim dividend for the period from 1 January to 31 March 2019 of 1.25 pence per Ordinary Share, and its first interim dividend for the new financial year, for the period from 1 April to 30 June 2019, of 1.25 pence per Ordinary Share. The third interim dividend was paid to Shareholders on the register at the close of business on 3 May 2019 on 31 May 2019; and the first interim dividend for the new financial year will be paid to Shareholders, on the register at the close of business on 2 August 2019, on 30 August 2019.

14. Financial Risk Management

Financial Risk Management Objectives

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

Fair values

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

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 stated in the Statement of Financial Position.

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

During the period ended 31 March 2019, the Company itself had no borrowings.

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

Market Risk

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

a) Currency risk

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

Notes to the Consolidated Financial Statements continued
For the period from incorporation on 8 June 2018 to 31 March 2019

14. Financial Risk Management continued

Market Risk continued

a) Currency risk *continued*

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

As at 31 March 2019	GBP £	USD Converted to £	EUR Converted to £	Total £
Trade and other receivables	1,185,147	9,623,168	83	10,808,398
Cash and cash equivalents	27,217,708	81,266,044	—	108,483,752
Total financial assets	**28,402,855**	**90,889,212**	**83**	**119,292,150**
Trade and other payables	39,154,329	37,813	—	39,192,142
Total financial liabilities	**39,154,329**	**37,813**	**—**	**39,192,142**
Net asset position	**(10,751,474)**	**90,851,399***	**83****	**80,100,008**

* At the reporting date, if the USD had strengthened/weakened by 10% against GBP with all other variables held constant, the net assets and movement in the translation reserve would have been £9,085,140 lower/higher.

** At the reporting date, if the EUR had strengthened/weakened by 10% against GBP with all other variables held constant, the net assets and movement in the translation reserve would have been £8 lower/higher.

b) Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk only on cash and cash equivalents.

Credit Risk

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

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

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

	Location	Rating	31 March 2019 £
Barclays Bank plc	Guernsey	A*	3,720,550
Investec Bank plc	UK	P-1**	37,064,106
Blackrock Institutional Sterling Liquidity Fund	UK	AAAm*	67,699,096

* Rated by Standard & Poor's

** Rated by Moody's

Liquidity Risk

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

During the period ended 31 March 2019, the Group had no financial liabilities other than trade and other payables.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

15. Directors' interests and remuneration

The interests of the Directors in the share capital of the Company at the period end and as at the date of this report are as follows:

	31 March 2019	
	Number of Ordinary Shares	Total voting rights
Andrew Sutch	10,090	0.005%
Paul Burger	15,000	0.007%
Andrew Wilkinson	15,000	0.007%
Simon Holden	15,000	0.007%
Total	**55,090**	**0.026%**

During the period, the Directors earning the following remuneration in the form of Director's fees from the Company:

	31 March 2019 £
Andrew Sutch	36,586
Paul Burger	24,374
Andrew Wilkinson	32,521
Simon Holden	28,455
Total	**121,936**

The Directors will be remunerated for their services at a fee of £35,000 per annum (£45,000 for the Chairman). The chairmen of the Audit and Risk Management Committee and the Portfolio Committee will receive an additional £5,000 for their services in these roles.

Directors' fees and expenses for the period to 31 March 2019 amounted to £123,265, of which £nil was outstanding at the period end.

The Directors have resolved that, with effect from 1 July 2019, the annual remuneration for each Director will be increased to £50,000, with an additional £7,500 per annum for the Chairman and an additional £5,000 per annum for each of the Chairmen of the Audit and Risk Management Committee and the Portfolio Committee. These increases recognise the considerable commitment and involvement of the Directors, outside the regular quarterly board meetings, in attending committee and ad hoc board meetings largely related to the review of new Catalogue acquisition, as well as oversight of the development of the Investment Adviser's operational infrastructure. This level of commitment can be seen in the number of meetings shown in the table on page 25 and is expected to be maintained as the Company continues to grow and to acquire new Catalogues.

The Directors intend to confirm their commitment to their roles by increasing over time their investment in Ordinary Shares, in accordance with their personal circumstances and individual investment arrangements.

16. Material Agreements

Investment Adviser

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

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

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

16. Material Agreements continued

Investment Adviser continued

Advisory Fee

The advisory fee is calculated at the rate of:

(i) 1 percent per annum of the Average Market Capitalisation up to, and including, £250 million;

(ii) 0.90 percent per annum of the Average Market Capitalisation in excess of £250 million and up to and including £500 million; and

(iii) 0.80 percent per annum of the Average Market Capitalisation in excess of £500 million.

Advisory fees for the period were £1,579,190 with £nil outstanding at the reporting date. The Board also approved an advance of £200,000 paid to the Investment Adviser which will be offset in equal instalments over 12 months and is currently included in Note 7 as a prepayment.

Performance fee

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

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

For the purposes of calculating the Performance Fee:

"Performance Share Price" means, in relation to each accounting period, the average of the middle market quotations of the Ordinary Shares for the one month period ending on the last business day of that accounting period (which shall be adjusted as appropriate: (i) to include any dividend declared but not paid where the Ordinary Shares are quoted ex such dividend at any time during that month; (ii) to exclude any dividend paid in respect of the shares during that month; and (iii) for the PSP Adjustments). During the period, the average of the middle market quotations was 108.27 pence; and

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

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

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

A performance fee for the period of £429,054 has been accrued with the whole amount outstanding as at the reporting date. This accrual will be settled in accordance with the Investment Advisory Agreement in due course.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

16. Material Agreements continued

Administration Agreement

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

Investors should note that it is not possible for the Administrator or Estera Administration (UK) Limited 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 a fixed fee of £139,000 per annum for services such as administration, corporate secretarial, corporate governance, regulatory compliance and stock exchange continuing obligations. The Administrator will also be entitled to an accounting fee charged on a time spent basis with a minimum fee of £40,000 per annum and a cap of £80,000 per annum. Administration fees for the period amounted to £104,470 of which £50,045 was outstanding at the period end.

Under the terms of the Administration Agreement between Estera Administration (UK) Limited and the subsidiaries, the administrator is entitled to a fixed fee of £15,000 per annum (£14,000 per annum effective from 1 January 2019) per subsidiary for services such as administration, corporate secretarial and accounting. Administration fees for the subsidiaries for the period amounted to £51,484, all of which was outstanding at the period end.

Registrar Agreement

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

Under the terms of the Registrar Agreement, the Registrar is entitled to a fixed fee of £7,500 per annum in respect of the Ordinary Shares and £5,500 per annum in respect of the C Shares (if applicable), together with additional ad hoc fees in respect of additional out of scope services provided by the Registrar. Registrar fees for the period were £6,306 with £1,440 outstanding at the reporting date.

17. Earnings per share

	31 March 2019	
	Basic	**Diluted**
Profit for the period (£)	2,359,454	2,359,454
Weighted average number of Ordinary Shares in issue	202,176,800	202,176,800
Earnings per share (pence)	1.17	1.17

The earnings per share is based on the profit or loss of the Group for the period and on the weighted average number of Ordinary Shares for the period ended 31 March 2019.

There are no dilutive shares at 31 March 2019.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

18. Auditor's Remuneration

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

	31 March 2019 £
PricewaterhouseCoopers CI LLP audit fees	**110,000**
PricewaterhouseCoopers CI LLP professional fees in relation to the IPO in their role as reporting accountants	**80,000**

19. Subsequent events

On 9 April 2019 the Company announced the acquisition of the Teddy Geiger Catalogue. Teddy Geiger is best known for her co-writing work with the global super-star, and multi-platinum selling, Canadian singer and artist Shawn Mendes. The Company acquired 100% interest in the Catalogue, which comprises six Songs in total that have achieved 145 Top 10, 83 Top 5 and 23 Number 1 chart positions globally, and have over five billion streams on Spotify and Apple Music.

On 12 April 2019 the Company announced a placing of approximately £141.5 million at a price of 102 pence per share. 138,750,000 Ordinary Shares were admitted to trading on the SFS of the London Stock Exchange on 17 April 2019.

On 17 April 2019 three Directors acquired Ordinary Shares in the Company following the placing announced on 12 April 2019 at 102 pence per share. Simon Holden acquired 20,000 Ordinary Shares and now holds 35,000 Ordinary Shares; Andrew Wilkinson acquired 10,000 Ordinary Shares and now holds 25,000 Ordinary Shares; and Paul Burger acquired 7,500 Ordinary Shares and now holds 22,500 Ordinary Shares.

On 23 April 2019 the Company announced the acquisition of the Starrah Catalogue from Brittany Hazzard, a U.S. songwriter, producer and singer whose songs have achieved 94 Number 1, 199 Top 5 and 277 Top 10 Chart positions globally. The Company acquired 100% interest in the Catalogue, which comprises 73 Songs in total.

On 25 April 2019 the Company announced its third interim dividend for the period from 1 January to 31 March 2019 of 1.25 pence per Ordinary Share. The dividend was paid to Shareholders, on the register at the close of business on 3 May 2019, on 31 May 2019.

On 29 April 2019 the Company announced that it has changed its registered office to PO Box 286, Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY with immediate effect.

On 10 May 2019 the Company announced the acquisition of the David A. Stewart Catalogue. David A. Stewart is an English musician, songwriter, and record producer, best known for Eurythmics, his successful partnership with Annie Lennox. The Company acquired 100% interest in the Catalogue, which comprises 1,068 Songs in total, which includes his songwriter's, artist's and producer's share of income.

On 21 May 2019 the Company announced the acquisition of the Jamie Scott Catalogue. Jamie Scott has co-written multiple platinum certified singles including the four times platinum certified 'Cold Water' by Major Lazer featuring Justin Bieber and the platinum certified 'Skin' by Rag'n'Bone Man. Jamie Scott has notably co-written 29 songs for One Direction, including the UK Number 1 and U.S. Top 10 'Drag Me Down' and 'Story of My Life'. The Company has acquired 100% interest in the Catalogue including all BMI and PRS income in his Catalogue which comprises 144 Songs.

On 28 May 2019 the Company announced the acquisition of the Ari Levine Catalogue, which was acquired during the financial period with the rights to income including the six months period to 31 March 2019. Ari Levine is a multi-Grammy nominated songwriter and producer, best known for his work as a member of the three-piece writing and producing group The Smeezingtons. Ari Levine has achieved 99 Number 1, 256 Top 5 and 361 Top 10 Chart positions globally with numerous artists including Bruno Mars, Ce Lo Green, Diplo and Mark Ronson. The Company acquired 100% interest in the Catalogue, which comprises 76 Songs in total.

Notes to the Consolidated Financial Statements continued

For the period from incorporation on 8 June 2018 to 31 March 2019

19. Subsequent events continued

On 30 May 2019 the Company announced the acquisition of the Al Jackson Jr. Catalogue. Al Jackson Jr. is one of the most influential and revered songwriters, producers and musicians of the classic soul era of the 1960s and 1970s. The Company acquired 100% interest in the Catalogue, which comprises 185 compositions and 199 recordings.

On 11 June 2019 the Company announced the acquisition of the Michael Knox Catalogue. Michael Knox is an American music producer and music publisher best known for discovering and producing for the American country music singer Jason Aldean. The Company acquired 100% interest in the Catalogue, which comprises 110 Songs in total.

On 12 June 2019 the Company announced the acquisition of the Sam Hollander Catalogue, which was acquired during the financial period with the rights to income including the six months period to 31 March 2019. Sam Hollander is an American songwriter and producer whose Songs have achieved 10 Number 1, 47 Top 5 and 74 Top 10 Chart positions globally. At the heart of his Catalogue are 14 Songs that Sam has written with his long-standing collaborators in Panic! At The Disco. The Company acquired 100% interest in the Catalogue, which comprises 499 Songs in total.

On the 12 June 2019 the Company acquired the Brian Kennedy Catalogue. Brian Kennedy is an American songwriter and record producer. Kennedy is best known for his work on 'Disturbia', which was recorded by Rihanna for her 'Good Girl Gone Bad: Reloaded' album, as well as for 'Forever', which was recorded by Chris Brown for his 'Exclusive: The Forever Edition' album. The Company acquired 100% interest in the Catalogue, which comprises 101 Songs in total.

On the 12 June 2019 the Company acquired the Jon Bellion Catalogue. Jon Bellion is an American songwriter, singer, rapper and record producer best known for having co-written the global hit single "The Monster" for Eminem featuring Rihanna topping the charts in more than 30 countries including the UK and U.S.. The Company acquired 100% interest in the Catalogue including all BMI income which comprises 180 Songs in total.

On the 12 June 2019 the Company acquired the Lyric Financial Catalogue. The Lyric Financial Catalogue comprises three catalogues by the songwriters Patrick Brown, Carlos Broady, and Zephire Williams. The Lyric Catalogue has achieved 12 Number 1 and 47 Top 10 chart positions globally. The Company acquired 100% interest in the Catalogue including all BMI income which comprises 571 Songs in total.

On the 21 June 2019 the Company acquired the Neal Schon Catalogue. Neal Schon is an American rock guitarist, songwriter, and vocalist inducted into the Rock And Roll Hall Of Fame in 2017. He was a member of the seminal version of Santana as well as Bad English and a respected solo career but he is best known for his work Journey, one of the most important American bands of the 70's and 80's which continues to sell out arenas all over the world to this very day. The song 'Don't Stop Believin'' by Journey is the best-selling digital track from the 20th century with over 7 million copies sold in the United States and is but one of their more than 15 U.S. Top 30 hits. The Company acquired 100% interest in the Catalogue including all BMI, GMR and ASCAP income which comprises 357 Songs in total.

On 21 June 2019, the Board approved its first interim dividend for the new financial year, for the period from 1 April to 30 June 2019, of 1.25 pence per share. The dividend will be paid to Shareholders, on the register at the close of business on 2 August 2019, on 30 August 2019. This completes the Company's dividend target of 3.5 pence per share for the first 12 months following Admission.

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

Glossary of Capitalised Defined Terms

"**Administrator**" means Estera International Fund Managers (Guernsey) Limited;

"**Admission**" means admission, on 11 July 2018, to trading on the SFS of the London Stock Exchange, of the Ordinary Shares becoming effective in accordance with the Listing Rules and/or the LSE Admission Standards;

"**AEO**I" means Automatic Exchange of Information;

"**AIC**" means the Association of Investment Companies;

"**AIC Code**" means the AIC Code of Corporate Governance;

"**AIC Guide**" means the AIC Corporate Governance Guide for Investment Companies;

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

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

"**Apple Music**" means the music and video streaming service developed by Apple Inc.;

"**Articles of Incorporation**" or "**Articles**" means the articles of incorporation of the Company;

"**ASCAP**" means the American Society of Composers, Authors and Publishers;

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

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

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

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

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

"**BMI**" means Broadcast Music, Inc;

"**BPI**" means the British Phonographic Institute;

"**Brexit**" means the potential departure of the UK from the EU;

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

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

"**CBS**" means a U.S. commercial broadcast television and radio network;

"**CD**" means compact disc;

"**CEO**" means chief executive officer;

"**CISAC**" means the International Confederation of Societies of Authors and Composers;

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

"**Companies Law**" means the Companies (Guernsey) Law, 2008, (as amended);

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

"**Company Secretary**" means Estera International Fund Managers (Guernsey) Limited;

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

"**Conversion**" means the conversion of C Shares to Ordinary Shares;

Glossary of Capitalised Defined Terms continued

"**Copyright Royalty Board**" means the U.S. Copyright Royalty Board;

"**Corporate Broker**" means Nplus1 Singer Advisory LLP (N+1 Singer);

"**Corporate Governance Code**" means The UK Corporate Governance Code 2016 as published by the Financial Reporting Council;

"**DCF**" means discounted cash flow;

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

"**Downloads**" means royalties for the permanent digital mechanical transfer of music;

"**DSP**" means digital service providers;

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

"**ECL**" means expected credit losses;

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

"**EU**" means European Union;

"**FCA**" means the UK Financial Conduct Authority (or its successor bodies);

"**FRC**" means Financial Reporting Council;

"**FSMA**" means the UK Financial Services and Markets Act 2000;

"**GFSC**" or "**Commission**" means the Guernsey Financial Services Commission;

"**GFSC Code**" means the GFSC Finance Sector Code of Corporate Governance;

"**GMR**" means Global Music Rights;

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

"**Group**" means Hipgnosis Songs Fund Limited and its subsidiaries;

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

"**IFPI**" means International Federation of the Phonographic Industry;

"**IFRIC**" means International Financial Reporting Interpretations Committee;

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

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

"**Independent Valuer**" means Massarsky Consulting, Inc., appointed by the Board to independently value the Company's Catalogues within the Portfolio;

"**Interim Report**" means the Company's half yearly report and unaudited condensed consolidated financial statements for the period ended 30 September;

"**Investment Adviser**" means The Family (Music) Limited;

"**Investment Advisory Agreement**" means the investment advisory agreement dated 27 June 2018 between The Family (Music) Limited, the Company and Hipgnosis SFH I Limited;

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

"**IPO**" means the initial public offering of shares by a private company to the public;

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

"**ISIN**" means an International Securities Identification Number;

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

Glossary of Capitalised Defined Terms continued

"**London Stock Exchange**" or "**LSE**" means London Stock Exchange Plc;

"**MAR**" means EU regulation 596/2014 on market abuse;

"**MAU**" means monthly active users;

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

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

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

"**Operative NAV**" means NAV as adjusted for the fair value of Catalogues of Songs;

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

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

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

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

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

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

"**Portfolio Committee**" means a committee which approves all purchases of Catalogues of Songs;

"**Preferred Portfolio Administrator**" means the portfolio administrators appointed by the Company in order to assist with the administration of the Portfolio including Kobalt Music Services Limited, the Company's preferred portfolio administrator;

"**Premium Listing**" means the Premium Listing Segment of the London Stock Exchange;

"**Premium to Operative NAV**" means the situation where the Ordinary Shares of the Company are trading at a price higher than the Company's Operative NAV;

"**Prospectus**" means the prospectus issued by the Company on 27 June 2018;

"**PRS**" means performing right society;

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

"**QR**" means quick response;

"**RCIS Rules**" means the Registered Collective Investment Scheme Rules 2015;

"**Recording Academy**" means a U.S. academy of musicians, producers, recording engineers and other musical professionals;

"**Registrar**" means Computershare Investor Services (Guernsey) Limited;

"**RIAA**" means Recording Industry Association of America;

"**SFS**" means London Stock Exchange's specialist fund segment of the main market for listed securities;

"**Shareholder**" means the holder of one or more Ordinary Shares;

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

"**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);

Glossary of Capitalised Defined Terms continued

"**The-Dream**" means the Catalogue purchased from Terius Nash, better known by his stage name 'The-Dream';

"**TMS**" means the Catalogue purchased from an English songwriting and music production team comprised of Thomas 'Froe' Barnes, Benjamin Kohn and Peter 'Merf' Keller;

"**TV**" means television;

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

"**UKLA**" means UK Listing Authority;

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

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

"**YouTube**" means the U.S. video-sharing website;

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

"**$**" or "**USD**" means United States dollars and "**cents**" means United States cents; and

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

Directors and General Information

Board of Directors

Andrew Sutch (Chairman) (Appointed 8 June 2018)
Paul Burger (Appointed 30 July 2018)
Andrew Wilkinson (Appointed 8 June 2018)
Simon Holden (Appointed 8 June 2018)

Audit and Risk Management Committee

Andrew Wilkinson (Chairman) (Appointed 8 June 2018)
Andrew Sutch (Appointed 8 June 2018)
Paul Burger (Appointed 30 July 2018)
Simon Holden (Appointed 8 June 2018)

Portfolio Committee

Paul Burger (Chairman) (Appointed 30 July 2018)
Andrew Sutch (Appointed 8 June 2018)
Andrew Wilkinson (Appointed 8 June 2018)
Simon Holden (Appointed 8 June 2018)

Asset Management Committee

Andrew Sutch (Chairman) (Appointed 8 June 2018)
Paul Burger (Appointed 30 July 2018)
Andrew Wilkinson (Appointed 8 June 2018)
Simon Holden (Appointed 8 June 2018)

Registered Office

Heritage Hall
PO Box 225
Le Marchant Street
St Peter Port
Guernsey
GY1 4HY

Effective from 29 April 2019
Floor 2
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Les Banques
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Guernsey
GY1 4LY

Corporate Broker

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

Independent Auditor

PricewaterhouseCoopers CI LLP
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 2HJ

Music Specialist Legal Counsel

CTABL Inc.
9460 Sunrise Lakes Boulevard
Suite 302
Sunrise
Florida 33322
USA

Legal Advisers to the Company

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

Legal Advisers to the Company as to Guernsey Law

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

Principal Banker

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

Directors and General Information continued

Investment Adviser

The Family (Music) Limited
Lansdowne House
1b Lansdowne Road
Holland Park
London
W11 3LP
www.hipgnosissongs.com

Administrator and Company Secretary

Estera International Fund Managers (Guernsey) Limited
Heritage Hall
PO Box 225
Le Marchant Street
St Peter Port
Guernsey
GY1 4HY

Effective from 29 April 2019
Floor 2
Trafalgar Court
Les Banques
St Peter Port
Guernsey
GY1 4LY

Registrar

Computershare Investor Services (Guernsey) Limited
1st Floor
Tudor House
Le Bordage
St Peter Port
Guernsey
GY1 1DB

Preferred Portfolio Administrator

Kobalt Music Services Limited
The River Building
1 Cousin Lane
London
EC4R 3TE

Identifiers

ISIN:	GG00BFYT9H72
Ticker:	SONG
SEDOL:	BFYT9H7
Website:	www.hipgnosissongs.com
LEI:	213800XJIPNDVKXMOC11
GIIN:	5XGPC8.99999.SL.831

Managing your account online

The Company's registrar, Computershare Investor Services (Guernsey) Limited, allows you to manage your shareholding online. If you are a direct investor you can view your shareholding, change the way the registrar communicates with you and buy and sell shares. If you haven't used this service before, all you need to do is enter the name of the Company and register your account at https://www-uk.computershare.com/investor. You'll need your Investor code (IVC) printed on your share certificate in order to register.

Notice of Annual General Meeting

NOTICE is hereby given that the First Annual General Meeting of Hipgnosis Songs Fund Limited is to be held at The Tapestry Room, The Ned, 27 Poultry, London, on 10 September 2019 at 10:30 am for the transaction of the following business:

Ordinary Resolutions

1. TO receive and adopt the Annual Report and Audited Financial Statements of the Company for the year ended 31 March 2019.

2. THAT the Directors' remuneration for the period ended 31 March 2019 as provided in the Directors' report be approved.

3. TO re-appoint PricewaterhouseCoopers CI LLP, who have indicated their willingness to continue in office, as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting.

4. TO authorise the Directors to determine the remuneration of PricewaterhouseCoopers CI LLP.

5. TO elect Andrew Sutch, retiring in accordance with the Company's Articles of Incorporation (the "**Articles**"), as a Director of the Company.

6. TO elect Andrew Wilkinson, retiring in accordance with the Articles, as a Director of the Company.

7. TO elect Simon Holden, retiring in accordance with the Articles, as a Director of the Company.

8. TO elect Paul Burger, retiring in accordance with the Articles, as a Director of the Company.

9. THAT the Company's dividend policy be approved.

10. As special business, THAT the Company, in accordance with Section 315 of The Companies (Guernsey) Law 2008 as amended (the "**Law**") be approved to make market acquisitions (as defined in Section 316 of the Law) of its ordinary shares either for retention as treasury shares, insofar as permitted by the Law, or cancellation, provided that:-

    i) the maximum number of shares authorised to be purchased in the market is up to 51,104,927 of the Company's ordinary shares (**Ordinary Shares**) (or, if lower, up to 14.99 per cent. of the Ordinary Shares in issue (excluding treasury shares in issue) as at the time immediately following the passing of the resolution);

    ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share is £0.01;

    iii) the maximum price (exclusive of expenses) which may be paid for an ordinary share is an amount equal to the higher of: (i) 5 per cent above the average of the mid-market values for an ordinary share (as derived from the regulated market on which the repurchase is carried out) for the five business days immediately preceding the day on which that purchase is made; and (ii) the higher of: (a) the price of the last independent trade; or (b) the highest current independent bid at the time of purchase, in each case on the regulated market where the purchase is carried out;

    iv) subject to paragraph (v), such authority shall expire at the annual general meeting of the Company to be held in 2020 (unless previously varied, revoked or renewed by the Company in general meeting) or, if earlier, the date falling 18 months from the passing of this resolution;

    v) notwithstanding paragraph (iv), the Company may make a contract to purchase its ordinary shares pursuant to the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own ordinary shares in pursuance of any such contract notwithstanding the authority given by this resolution.

Estera International Fund Managers (Guernsey) Limited
Company Secretary

24 June 2019

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

Notice of Annual General Meeting continued

Notes to the Notice of the Annual General Meeting:

1. A member is entitled to attend and vote at the Meeting provided that all calls due from him in respect of his shares have been paid. A member is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.

2. A form of proxy is enclosed with this notice. To be effective, the instrument appointing a proxy (together with any power of attorney or other authority under which it is executed or a duly certified copy of such power) must be sent to Computershare Investor Services PLC, The Pavillions, Bridgwater Road, Bristol, BS99 6ZY not less than 48 hours (excluding non-working days) before the time for holding the meeting (10.30am 6 September 2019) or adjourned meeting as the case may be. A corporation may execute a proxy under its common seal or by the hand of a duly authorised officer or other agent. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.

3. The quorum for the Meeting is at least two members present in person or by proxy. An ordinary resolution means a resolution passed by a simple majority of those present at the meeting in person or by proxy and voting on the resolution. A special resolution means a resolution passed by a majority of not less than 75% of those present at the meeting in person or by proxy and voting on the resolution. An extraordinary resolution means a resolution passed by a majority of not less than 75% of those present at the meeting in person or by proxy and voting on the resolution.

4. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the Issuer's agent 3RA50 by 10.30 am on 6 September 2019. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's Registrars no later than 10.30 am on 6 September 2019.

5. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001 and Article 14.4 of the Company's Articles of Incorporation, only those members entered in the Register of Members of the Company at close of business on 6 September 2019 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

6. The Register of Directors' Interests kept by the Company shall be available for inspection at the Registered Office of the Company by any member between the hours of 10 am and 12 noon on any business day for a period of 14 days before and ending 3 days after the Annual General Meeting. The Register of Directors' Interests shall be produced at the commencement of the Annual General Meeting and shall remain open and accessible during the continuance of the Annual General Meeting to any person attending such meeting.

7. Resolution 2, Directors' remuneration: Guernsey-registered companies are not obliged to prepare and publish a Directors' Remuneration Report. However, the Company has included details of its Directors' remuneration within the Annual Report and Accounts and an ordinary resolution will be put to shareholders seeking approval of the Directors' remuneration and will be advisory only.

8. Resolutions 5 – 8, Election of Directors: Pursuant to Article 23.5 of the Company's Articles, each director shall retire from office at each Annual General Meeting and each director may offer themselves for election or re-election by the members.

9. Resolution 9, Approval of Interim Dividends: Interim dividends do not require shareholder approval under the Law. However, the Board wishes to afford the shareholders the ability to approve the Company's dividend policy, as set out in the Prospectus and summarized in the Chairman's Statement on page 3.

10. Resolution 10, Market acquisitions: This resolution gives the Board authority to make market purchases of the Company's own shares, up to 14.99 per cent. of the Company's issued share capital (as at the time immediately following the passing of the resolution) and subject to minimum and maximum purchase prices. The Board are seeking renewal of this authority as disclosed on pages 64 and 65 of the Prospectus.

Advice to Shareholders

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

Fraudsters will often:

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

You can avoid investment scams by:

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

For further helpful information about investment scams and how to avoid them please visit www.fca.org.uk/scamsmart.

Cautionary Statement

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

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

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

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

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

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

Hipgnosis Songs Fund Limited

Form of Proxy

The First Annual General Meeting of Hipgnosis Songs Fund Limited is to be held at The Tapestry Room, The Ned, 27 Poultry, London, on 10 September 2019 at 10.30 am.

Name of Registered Shareholder ....

I/We, being a member of the Company, hereby appoint the Chairman of the Meeting and/or a representative of

Estera International Fund Managers (Guernsey) Limited or ....
to be my/our proxy to attend and, on a poll, vote on my/our behalf at the Annual General Meeting of Hipgnosis Songs Fund Limited to be held on 10 September 2019 at 10.30 am or at any adjournment thereof. I request my/our proxy to vote in the manner indicated below:

Ordinary Resolutions	For	Against	Withheld
1. To receive and adopt the Annual Report and Audited Financial Statements of the Company for the year ended 31 March 2019 (the "**Annual Report**").			
2. That the Directors' remuneration for the period ended 31 March 2019 as provided in the Director's report contained in the Annual Report be approved.			
3. To re-appoint PricewaterhouseCoopers CI LLP, who have indicated their willingness to continue in office, as Auditor of the Company to hold office until the conclusion of the next Annual General Meeting.			
4. To authorise the Directors to determine the remuneration of PricewaterhouseCoopers CI LLP.			
5. To elect Andrew Sutch, retiring in accordance with the Company's Articles of Incorporation (the "**Articles**"), as a Director of the Company.			
6. To elect Andrew Wilkinson, retiring in accordance with the Articles, as a Director of the Company.			
7. To elect Simon Holden, retiring in accordance with the Articles, as a Director of the Company.			
8. To elect Paul Burger, retiring in accordance with the Articles, as a Director of the Company.			
9. THAT the Company's dividend policy be approved.			
10. To authorise the Company in accordance with Section 315 of The Companies (Guernsey) Law 2008 as amended (the "**Law**") to make market acquisitions (as defined in Section 316 of the Law) of its ordinary shares, or any different classes of shares, either for retention as treasury shares or cancellation in line with the provisions stated in the Notice.			

Date: .... Signature:...

Notes

1. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend and vote at the Meeting. A member so entitled may appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company. To appoint more than one proxy you may photocopy this form

2. Shares held in uncertified form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

3. To appoint more than one proxy you may photocopy this form. In the 'Name of Registered Shareholder' box on page 1, please indicate the shareholder's name and the number of shares in relation to which your proxy is authorised to act (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

4. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please insert his/her name in the space provided and delete "the Chairman of the Meeting or".

5. Please indicate with an "X" in the boxes how you wish your vote to be cast. Unless otherwise instructed, the person appointed as a Proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting on any particular resolution and on any other business (including amendments to resolutions and procedural business) which may come before the Meeting.

6. The "Withheld" option on the Form of Proxy is provided to enable you to abstain on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.

7. A corporation must seal the Form of Proxy or have it signed by an officer or attorney or any other person authorised to sign on its behalf.

8. In the case of joint holders, only one need sign this Form of Proxy, but the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.

9. To be valid this Form of Proxy must reach Computershare Investor Services PLC, by no later than 48 hours (excluding non-working days) before the time for holding the meeting (10.30 am on 6 September 2019) or adjourned meeting as the case may be. Lodgment of a Form of Proxy does not prevent a member from attending the Meeting in person. Please return this Form of Proxy to the following address: Computershare Investor Services PLC, The Pavillions, Bridgwater Road, Bristol, BS99 6ZY.

Hipgnosis Songs Fund Limited
Floor 2
Trafalgar Court
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Guernsey
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Further information available online:
www.hipgnosissongs.com