SQN ASSET FINANCE INCOME FUND LIMITED

Annual Report and Accounts 2017

SQN Asset Finance Income Fund Limited is the only diversified equipment leasing and asset finance investment company traded on the London Stock Exchange. The Fund's objective is to generate regular income for investor through collateralised investments in business-essential equipment and hard assets and in asset-and-equipment-based project financings.

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GROUP HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2017

The investment objective of SQN Asset Finance Income Fund Limited is to provide its Shareholders with regular, sustainable dividends and to generate capital appreciation through investment, directly or indirectly, in business-essential, revenue-producing (or cost saving) equipment and other physical assets. The Group's base currency is Sterling.

8.58p per Ordinary Share
(0.02)p per 2016 C Share
Earnings/(loss) per share for the year ended 30 June 2017

4.89% Ordinary Share
3.76% 2016 C Share
Share price premium to NAV as at 30 June 2017

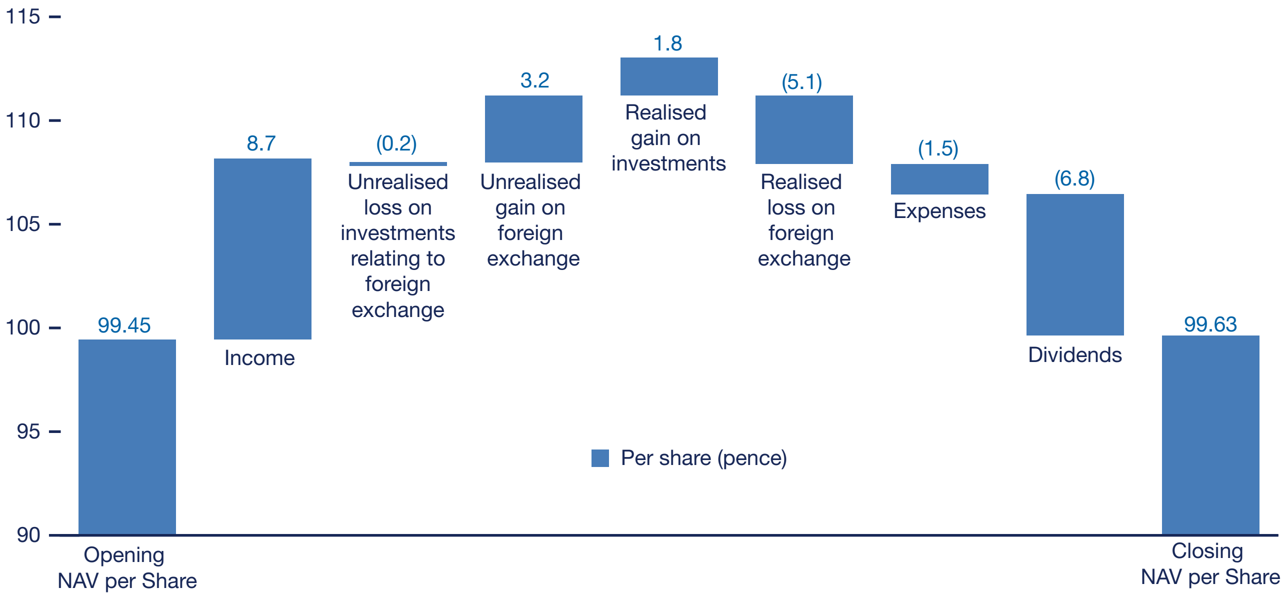
£557 million
Market capitalisation of Ordinary Shares and 2016 C Shares as at 30 June 2017

>9.5%
Average weighted yield of invested portfolio as at 30 June 2017

6.94% Ordinary Share
0.49% 2016 C Share
Dividend yield for the twelve months based on the share price as at 30 June 2017

82.54
Weighted average remaining term of invested portfolio (in months)

The key drivers of the change in NAV per Ordinary Share between 30 June 2016 and 30 June 2017 are highlighted in the graph below:



FINANCIAL HIGHLIGHTS, PERFORMANCE SUMMARY AND DIVIDEND HISTORY

Financial Highlights

On 25 October 2016, the 2015 C Shares were converted into Ordinary Shares using a conversion ratio of 0.9929 Ordinary Shares for every one 2015 C Share held.

On 12 December 2016, 180,000,000 new 2016 C Shares were issued at a price of £1.00 each, raising net proceeds of £176,889,776. The 2016 C Share issue was fully subscribed.

Performance Summary

Sterling in millions, except per share data and number of shares in issue	30 June 2017	30 June 2016
Number of Shares in Issue		
- Ordinary Shares	357,707,507	178,985,507
- 2016 C Shares	180,000,000	-
- 2015 C Shares	-	180,000,000
Total Net Asset Value ("NAV")		
- Ordinary Shares	£356.40	£178.00
- 2016 C Shares	£176.51	-
- 2015 C Shares	-	£176.83
NAV per share		
- Ordinary Shares	99.63p	99.45p
- 2016 C Shares	98.06p	-
- 2015 C Shares	-	98.24p
Share Price[1]		
- Ordinary Shares	104.50p	107.00p
- 2016 C Shares	101.75p	-
- 2015 C Shares	-	104.50p
Market Capitalisation[1]		
- Ordinary Shares	£373.80	£191.51
- 2016 C Shares	£183.15	-
- 2015 C Shares	-	£188.10
Investments	**£373.93**	**£278.38**
Cash and cash equivalents	**£154.57**	**£87.82**
Weighted average yield (in excess of)[2]	**9.50%**	**9.50%**
Weighted average remaining term[2]	**82.54 months**	**82.69 months**

[1] Source: London Stock Exchange

[2] In regard to the investment portfolio

FINANCIAL HIGHLIGHTS, PERFORMANCE SUMMARY AND DIVIDEND HISTORY (CONTINUED)

Performance Summary (continued)

Sterling in millions, except per share data	Year ended 30 June 2017	Year ended 30 June 2016
Earnings/loss per share		
- Ordinary Shares	8.58p	6.64p
- 2016 C Shares	(0.02)p	-
- 2015 C Shares	-	0.66p
Dividend paid per share		
- Ordinary Shares	7.25p	7.12p
- 2016 C Shares	0.20p	-
- 2015 C Shares	1.43p	0.7p
Comprehensive income before dividends	**£25.74**	**£13.08**

Ongoing Charges

Ongoing charges reflect those expenses which are likely to recur in the foreseeable future and which relate to the operation of the Company, excluding the costs of acquisition or disposal of investments, finance charges, gains or losses arising on investments and Ordinary Shares.

Ongoing charges are a measure, expressed as a percentage of NAV, based on actual costs incurred in the year as being the best estimate of future costs excluding any non-recurring fees divided by the average NAV of the Company during the year, in accordance with the Association of Investment Companies (the "AIC") methodology. The ongoing charge for the year ended 30 June 2017 was 1.18% (30 June 2016: 1.31%).

Dividend History

Please refer to note 14 for details on dividends paid during the year.

COMPANY OVERVIEW

The investment objective and policy of SQN Asset Finance Income Fund Limited (the "Company" and together with its subsidiaries, the "Group") is set out on pages 4 to 5 of this report.

Company	**SQN Asset Finance Income Fund Limited** Incorporated in Guernsey on 28 May 2014. Registered Guernsey Closed-ended Collective Investment Scheme. Admitted to the Premium Segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange on 14 July 2014 for Ordinary Shares, 9 November 2015 for the first issuance of C Shares (the "2015 C Shares") and 12 December 2016 for the second issuance of C Shares (the "2016 C Shares"). Registration number 58519.
Investment Managers	**SQN Capital Management, LLC (the "US Investment Manager")** Incorporated in the United States of America on 7 December 2007. A Registered Investment Adviser with the United States Securities and Exchange Commission. File number 4466472.
	SQN Capital Management (UK) Limited (the "UK Investment Manager") Incorporated in England & Wales on 12 May 2014. A wholly owned subsidiary of the US Investment Manager Registration number 09033846.
	(together the "Investment Managers")

Details of other service providers are provided on page 77.

INVESTMENT OBJECTIVE

The investment objective of the Company is to provide its shareholders with regular, sustainable dividends and to generate capital appreciation through investment, directly or indirectly, in business-essential, revenue producing (or cost-saving) equipment and other physical assets.

INVESTMENT POLICY

The Company will seek to invest in business-essential, revenue producing (or cost-saving) equipment and other assets with high in place value and long economic life relative to the investment term.

The Company provides asset financing primarily by way of equipment leases, loans, hire-purchase agreements, construction finance, and residual participations. It is intended that each investment made by the Company will generate returns either through cash flow over the investment term or through the residual value of the equipment or other assets at the end of the investment term. When available, the Company targets investments in the specialist segment of the leasing market where assets provide cash flow during the base term of the leases as well as offering the potential for additional proceeds through lease extensions or sales at the end of the lease. The Company generally does not intend to invest in the large single asset segment of the leasing market, such as wide-body commercial aircraft leasing, which is heavily reliant on residual value to meet its return targets, or the high volume, low margin segment of the leasing market, such as photocopier and automobile leasing, although it may do so, from time to time, if appropriate opportunities are identified in these segments.

The Company may invest in assets in any industry. The Company, however, generally expects to be invested in such industries where the Investment Managers see the potential to make the most attractive risk adjusted returns which currently include, but are not limited to, Agriculture, Energy, Environmental, Manufacturing, Material Handling, Medical, Modular Accommodation, Technology and Transportation.

The Investment Managers will target transaction sizes below £20 million but, generally, the average transaction size is expected to be £3 million to £6 million, although it may fluctuate based on the market opportunities and portfolio composition that the Investment Managers believe will best achieve the Company's investment objectives. Whilst there is no minimum lease term, it is typical for the initial lease terms to be 3 to 10 years depending on the asset. Where appropriate, however, the term of the lease may vary significantly from this range reflecting the opportunities available and the needs of the lessee.

It is intended that the Company will primarily acquire assets directly and function as the lessor under equipment lease contracts. In such situations, the Company will own all rights, title, and interest in and to the assets and will lease them to the end-user. In other situations, the Company may own assets and enter into hire-purchase agreements where the Company will own the assets until all payments are made under the agreement and a pre-agreed nominal purchase price is paid to the Company.

The assets held by the Company will generally be leased to a third party and will be subject to either a direct finance (cash flow) lease or an operating lease. The Company intends to balance the portfolio between direct finance leases, to provide regular cash flow, and operating leases, to provide capital appreciation opportunities. Many, but not all, investments will be structured to provide return of capital and interest during the lease term with an opportunity for additional realisation from the residual value after the initial lease term. In certain jurisdictions, direct finance leases will be structured as loans and provide the same advantages to the Company.

The Investment Managers will generally seek to acquire investments and/or enter into lease arrangements that require the lessee or other counterparty to bear all tax, maintenance, insurance, and other costs related to the lease or the operation of the underlying asset(s). Generally, as a result, the Company will not be required to undertake maintenance on assets but reserves the right to do so on an exceptional basis.

Whilst the Company will typically seek direct ownership of the assets under lease, the Company may also obtain exposure to such investments through holding securities that have exposure to an underlying asset or assets that meet the Company's investment criteria where it is more advantageous for the Company to do so or a direct investment is not possible. This includes, but is not limited to, holding or entering into debt securities, loan agreements, equity securities, participation agreements, hybrid instruments, or other securities, whilst maintaining the desired economic exposure and level of security.

INVESTMENT POLICY (CONTINUED)

The Company may invest in residual interests in assets or equipment. When the Company invests in residual interests, it or its subsidiaries will acquire the rights and/or title to equipment, assets, income or proceeds in respect of the period after the end of the initial lease term or other underlying contract term. Cash flow from the residual interests generally will not commence until all of the obligations under the initial term are satisfied. Once those obligations are satisfied, rights and/or title to the underlying equipment, assets, income or proceeds will be transferred to the Company or its subsidiaries. Furthermore, the Company may elect to sell all or part of the lease receivables to a third party investor or bank and retain its exposure to the asset by retaining ownership of the residual value (in addition to any proportion of the lease receivables retained). Therefore, in relation to certain investments, the Company may be reliant on the residual value to obtain its return on that investment. It is not expected that residual interests would represent more than 35 per cent of the portfolio at the time of investment.

Investments will primarily be made in the United Kingdom, the United States and Europe which is expected to represent at least 75 per cent of the portfolio. The Company may also invest in assets and equipment located or subject to law in Canada and Australia and other countries, regions, or jurisdictions where the Investment Managers believe they can adequately secure the Company's interest in assets and equipment whilst achieving an appropriate risk-adjusted return consistent with the rest of the portfolio.

For further details on the Investment Objective and Policy refer to the Prospectus which can be viewed on the website, www.sqnassetfinance.com.

CHAIRMAN'S STATEMENT

At the date of these accounts, your Company was approaching three full years of operations and the conclusion of another year of consistent monthly dividends paid at an annual rate of 7.25 pence per Ordinary Share.

Over that time, we have undertaken four equity raisings, each of which have been oversubscribed and we thank our shareholders, both original and new, for their support.

Following the October 2016 conversion of the C Share equity raised in 2015, the Company undertook a further C share offering in December 2016, the 2016 C Share, raising the issued capital to £540 million in November 2016, which now represents a solid foundation for the Group to operate and grow in the future.

That new equity is currently being deployed. However, for much of 2017, the market experienced a slowdown in activity linked, in part, to the uncertainty surrounding the United Kingdom's exit from the European Union which caused businesses to delay making decisions on capital equipment acquisition, expansion, and renovation. Rather than assuaging those concerns, the surprise General Election, and its subsequent result, threw the market into a prolonged state of hesitation which has still not fully subsided. Consequently, the pace of deployment of the net proceeds of the 2016 C Share issue has been slower than anticipated. We continue to invest judiciously and will not deploy capital in haste, but maintain our robust underwriting approach. We are, fortunately, now seeing some pick-up in deal flow after the holiday season.

As at the end of September 2017, the Group has allocated approximately £53 million, of the 2016 C Share capital, between drawn and committed investments and an additional £12 million of transactions have been approved, together with a pipeline of £96 million.

One of the Group's principal objectives is to produce income from a diversified portfolio of investments secured by business-essential assets and equipment and, by this important measure, the Company has continued to meet this core investment objective.

In the twelve months leading up to 30 June 2017, the Group, in total, completed approximately £113 million of new investments, (excluding any capitalised interest and restructuring amounts as shown in the accounts), which contributed to the generation of just under £26 million of Comprehensive Income. Across all share classes, the Company has paid out over £24 million in dividends.

Ongoing charges continued to decline - from 1.31% at 30 June 2016 to 1.18% as at 30 June 2017 - and the weighted average yield on the portfolio remains over 9.5%, despite continued downward pressure on rates across the market. This pressure on rates has been created by the slowdown in the market previously mentioned which in turn has led to more competition for projects and keener pricing.

The larger size of the portfolio has also led to an increase in diversification with investments now spread over 17 different asset classes and 18 industries, ranging from manufacturing equipment in the glassware industry to IT equipment in the medical industry.

The portfolio remains geographically diverse with the majority (63.2%) of assets in the United Kingdom with investments also spread over the United States (18.4%), France (7.5%), the Netherlands (6.2%), Ireland (3.6%), Brazil (<1%) and Australia (<1%).

All non-UK investments continue to be hedged back into Sterling.

Anaerobic digestion plants, which are considered assets in the agricultural industry, now account for 19.8% of net assets and is the single largest asset class in the portfolio. These long-lived assets are typically subject to leases of 10 to 15 years at rates between 9.5% and 10.5%. The intention has always been to season these assets in the expectation that the lessees will opportunistically refinance them in the wider market at lower rates, reducing the Group's exposure while increasing the overall return. Several of these investments have now reached the phase in which they can be refinanced. The Investment Managers' Report provides a more detailed overview of these asset holdings.

The average investment size is approximately £7.7 million with a weighted average term of 83 months which fits squarely in the underbanked segment of the market where the Investment Managers believe attractive, above market yields can be achieved, representing an attractive risk adjusted return.

The portfolio continues to consist primarily of finance leases and secured asset financings with more than 95% of expected revenue from fixed term contracts where early repayment will generally be accompanied by an additional charge providing for a yield uplift. While the current pipeline is almost exclusively full payout structures, there are a number of potential investments being reviewed that have end-of-lease optionality that may be accretive to the portfolio.

CHAIRMAN'S STATEMENT (CONTINUED)

Both the Ordinary Shares and the 2016 C Shares traded at healthy premiums to NAV during much of our financial year, at one point reaching a combined market capitalisation of over £600 million. In April 2017, however, we announced that Suniva, a U.S. solar manufacturer to which we had provided financing, had filed for bankruptcy protection due to a flooding of foreign imports into the U.S. market. After very close and ongoing consultation with the Investment Managers, the Board made the decision not to impair the investment which currently represents 6.8% of the Ordinary Share assets (this investment is not in the 2016 C Share class). This was based on the Investment Managers' high degree of confidence that the investment, along with any interest due, will be fully recoverable. The uncertainty surrounding the outcome of this investment caused an erosion of the share premium seeing a decline in both the 2016 C Share and Ordinary Share prices. The case recently received a favourable response from the U.S. International Trade Commission's confirmation that the U.S. solar industry has been adversely affected by the importation of heavily subsidised foreign imports. The Commission will now make a recommendation of a remedy to the White House to address the damages. This now paves the way for a number of scenarios in which we expect our position to be recovered in full along with any interest due and costs expended. See the Investment Managers' Report for more on this.

In light of the uncertainty over this position and seeking to balance the interests of all shareholders, the Company is proposing to hold a general meeting and class meetings following the Company's AGM, in which a proposal will be put to shareholders to extend the conversion date for the 2016 C Shares until there is a clear outcome from this case.

It is to be expected that the nature of the assets in which we invest combined with the rates of return that we target on our investments will, from time to time, see challenges arise. We believe that with the business essential nature of the assets on which our investments are secured, and the experience of the Investment Managers over many years in proactively managing such challenges, we will be able to optimise the outcome for Shareholders when these challenges do occur to maintain an attractive risk-adjusted return.

In addition to Suniva, there are some other assets where the Investment Managers have taken proactive action to ensure their ongoing viability. This is a core part of the Investment Managers' role, where they have the knowledge and a long track record of success in these situations.

In addition to the Investment Managers continuing to manage the portfolio closely with increasing resources, which the size of the Group demands, they remain in a good position to source deals which fit the criteria we have set out in our Investment Policy. Their regular and in-depth dialogue with investors and the transparency that results is vital to maintain confidence in the asset class; the Board welcomes that dialogue and promotes it actively. In this same vein, the Investment Managers' Report, included in these accounts, provides a detailed description of each investment in the portfolio at the year end.

Since the year end, to strengthen the Board, an additional Director, Paul Meader, has joined us and brings a wealth of investment experience with him.

The Board will also continue our visits to different assets within the portfolio and I, as Chairman, welcome opportunities to meet with investors, as I have done this year, to explain in more detail how the Board operates, its Corporate Governance processes and our oversight of the management of the assets in your Company. I am also happy to coordinate investor visits with the Investment Managers, should investors wish to see some of the investments directly.

At our forthcoming AGM, the Company will propose the Continuation Resolution provided for in our IPO prospectus and on which shareholders will be asked to vote. The Board trusts that shareholders will recognise what has been achieved since the Company launched three years ago, the quality of the investment portfolio that has been established, and the consistent income stream that the Group provides investors. As such, we hope that shareholders will join the directors in voting in favour of the Continuation Resolution to allow the Investment Managers to continue to pursue the Investment Objective and grow the Group under our stewardship for the benefit of all shareholders.

Finally, may I thank all shareholders for your continuing support and commitment to the Group.

Peter Niven
Chairman
4 October 2017

STRATEGIC REPORT

The Investment Objective and Policy, the Chairman's Statement and the Investment Managers' Report form part of the Strategic Report. A review of the Company's activities is provided in the Company Overview, the Chairman's Statement and the Investment Managers' Report. These include a review of the business of the Group and its core activities, the principal risks and uncertainties it faces, dividend policy and results for the year.

Structure

The Company is a non-cellular company limited by shares, incorporated in Guernsey on 28 May 2014. The Company is regulated in Guernsey by the Guernsey Financial Services Commission as a Registered Closed-ended Collective Investment Scheme.

The Company is a member of the AIC and is classified within the Specialist: Leasing sector.

Share Capital

The Company's issued share capital as at 30 June 2017 consisted of 357,707,507 Ordinary Shares and 180,000,000 2016 C Shares of no par value. The share capital of the Company is represented by an unlimited number of shares of no par value. All shares hold equal voting rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up.

On 25 October 2016, the 2015 C Shares were converted into Ordinary Shares using a conversion ratio of 0.9929 Ordinary Shares for every one 2015 C Share held.

On 12 December 2016, 180,000,000 new 2016 C Shares were issued at a price of £1.00 each, raising net proceeds of £176,889,776. The 2016 C Share issue was fully subscribed.

Subsidiaries

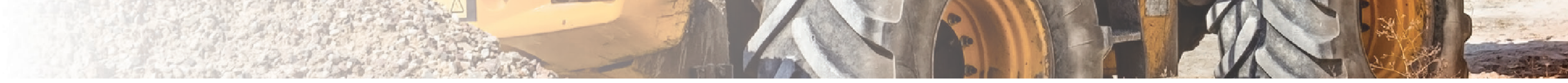
The Company's subsidiaries are detailed in note 1.

The Directors of the subsidiaries are the same as the Company.

Diversification Strategy

The Group's portfolio is subject to diversification policies limiting the maximum amount of capital that can be invested in a single asset, in a single asset class, in assets held by a corporation or group or held by companies in a specific industry and as a percentage of NAV of the portfolio, measured at the time of investment, as follows:

- Maximum by asset: 15%
- Maximum by asset class: 30%
- Maximum by corporation or group: 15%
- Maximum by industry: 30%



STRATEGIC REPORT (CONTINUED)

Principal Risks and Uncertainties

When considering the total return of the Group, the Board takes account of the risk which has been taken to achieve that return. The Board looks at numerous risk factors, an overview of which is set out below:

Asset/Credit quality risk

The Group's success is subject to risks inherent in the equipment leasing and finance business; in particular, the quality of the assets it acquires and the risk of default by the Group's lessees or other counterparties, including banking counterparties in relation to cash balances, which may affect the Group's ability to operate profitably. Key risks here are deemed to be asset valuations and quality and the level of arrears and impairments. Additionally, the risk of asset concentration, by geography, industry sector and asset class. Further, to the extent relevant, any decline in the residual value of the Group's underlying assets at the end of a lease term, which will depend on factors outside the Group's control, may erode the ability of the Group to make a profit on those investments.

Geopolitical and economic risks

It is the intention of the Group to lease or make loans to customers in several jurisdictions exposing the Group to potential economic, social, legal and political risks. The Group therefore also faces the risk of failing to survive a global financial crisis, including any impact that Brexit may cause. These risks additionally expose the Group to interest rate changes and foreign exchange currency fluctuations. The adequacy and timeliness of management's response to risks in the jurisdictions in which it operates are of critical importance to the mitigation of these risks. The Board considers management to include third parties, such as the Investment Managers and BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Administrator") to whom the Board has delegated responsibility for key operations and day to day functions. Refer to note 17 for more detail on interest rate risk and foreign exchange hedging.

Key personnel risk

The Group's performance is dependent on services provided by the Investment Managers. The departure of key employees from the Investment Managers may adversely affect the returns available to the Group.

Performance Risk

The performance of the Group is largely determined by the success of the Investment Managers in meeting or exceeding the expectations of investors, in accordance with the objectives set out in the prospectus. As such, if dividend return targets or overall rate of return targets are not met, or the Group's cash flows or liquidity are constrained, investor confidence and support would be at risk.

Regulatory risk

Changes in law or regulation may adversely affect the Group's ability to carry on its business or may increase the Group's on-going charges.

Tax risk

Unfavourable changes in tax legislation could result in adverse changes in the tax position of the Group or the imposition of additional and possibly material tax liabilities on shareholders.

Other risks

The Directors wish to draw the attention of shareholders to the other risks as set out in the Company's Prospectus, which is available on the Group's website: www.sqnassetfinance.com. Refer to note 17 for details on the Group's risk mitigation strategies and details of additional risks.

Going Concern

Going concern refers to the assumption that the Group has the resources and desire to continue in operation for the foreseeable future. After analysing the following, the Directors believe that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements:

- Working capital – As at 30 June 2017, there was a working capital surplus. The Directors noted that as at 30 June 2017 the Group had no borrowings and therefore has sufficient capital in hand to cover all expenses (which mainly consist of Investment Managers' fees, administration fees and professional fees) and to meet all its obligations as they fall due.

- Consideration of various areas of possible financial risk, including comprehensive financial forecasts.

- Closed-ended Company - The Company has been registered with the Guernsey Financial Services Commission as a Registered Closed-ended Collective Investment Scheme, as such shareholders have no right to have their Ordinary Shares redeemed, and there will therefore be no cash flows out of the Company in this respect. Please see page 26 for details on the continuation resolution.

Given the nature of the Group's business, the Directors have a reasonable expectation that the Group has adequate financial resources to continue for a period of at least twelve months from the date of approval of the Consolidated Financial Statements. Accordingly, the Consolidated Financial Statements have been prepared on a going concern basis.

Viability Statement

The Directors have assessed the viability of the Company over a three-year period. This statement explains how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, taking into account the Company's current position and principal risks. The principal risks faced by the Group are described on page 9. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a three-year period.

In making this statement, the Directors have considered and challenged the reports of the Investment Managers and have conducted a robust assessment of the viability of the Company over a three-year period, taking account of the Company's current position and the potential impact of the principal risks. In making their assessment, the Directors have taken into consideration the Group's NAV, dividend cover and cash flows. These factors were subjected to stress tests which involved sensitivity analysis of the key assumptions underlying the forecast. Where appropriate, this analysis was carried out to evaluate the potential impact of the Group's principal risks occurring, severe changes to macro-economic conditions, increased defaults and counterparty risks.

The Directors have determined that a three-year period is an appropriate time over which to provide its viability statement and this takes account of the average weighted life of the portfolio, the probability of the refinancing and early redemption of a number of construction loans within the portfolio. The three-year period is consistent with the outlook period used in economic and other medium term forecasts prepared for the Directors by the Investment Manager and is the outlook period generally used by the Board in considering the Company's strategies. The review also considers the market opportunities for the investment of capital, the anticipated portfolio redemptions and the ability to raise third party funds

This statement is made on the assumption that continuation votes will be passed throughout the period under assessment (see Life of the Company section on page 26).

Key Related Party Transactions

The contracts with the US Investment Manager (and related entities) and the UK Investment Manager are the key related party transactions currently in place. Other than fees payable in the ordinary course of business, there have been no material transactions with these related parties which have affected the financial position or performance of the Group in the year. Further details on related party transactions can be found in note 18.

Financial Review

At 30 June 2017, the Net Assets of the Group amounted to £532,903,565 (30 June 2016: £354,829,918).

Borrowing

The Group does not currently utilise borrowings on a portfolio basis for investment purposes. The Group, however, may, from time to time, utilise borrowings for share buybacks and short-term liquidity purposes, but such borrowings will not, in any event, exceed 15% of the Group's NAV at the time of investment. This does not prevent the Group from purchasing the equity or subordinated participation in a special purpose entity set up to own an asset or a pool of assets or equipment, which itself may be geared.

Hedging

The Investment Managers seek to hedge the expected foreign currency income on the Group's portfolio and anticipate that they may hedge the principal amount of investments and, where appropriate, expected income against foreign currency fluctuation risks. Accordingly, the Group may use derivative instruments to hedge against foreign currency risks, although there can be no certainty as to the efficacy of any such hedging. Hedging arrangements, however, will be implemented only when suitable hedging contracts, such as currency swap agreements, futures contracts, options and forward currency exchange and other derivative contracts, are available in a timely manner and on terms acceptable to the Group. The Group may otherwise employ the use of derivatives for efficient portfolio management purposes but derivatives will not be employed for investment purposes. The Group does not apply hedge accounting.

Performance Measurement and Key Performance Indicators

In order to measure the success of the Group in meeting its objectives and to evaluate the performance of the Investment Managers, the Directors take into account the following performance indicators:

- Returns and NAV – The Board reviews and compares at monthly meetings the performance of the portfolio as well as the NAV, income, dividend and share price of the Company.

- Discount/premium to NAV – at monthly meetings the Board monitors the level of the Group's discount or premium to NAV. The Group publishes the NAV per share on a monthly basis through the official newswire of the London Stock Exchange.

- Formal monthly and quarterly reports from the Investment Managers, which provide information to assess other key performance criteria, including:

  - asset quality, arrears and impairments;
  - geographic and currency breakdowns;
  - sector concentration and asset classes;
  - liquidity and cash flows; and
  - ongoing charges.

INVESTMENT MANAGERS' REPORT

The Group had another strong year of performance despite the high-profile case involving Suniva, which has now advanced to the remedy stage following the United States International Trade Commission's favourable vote on 22 September 2017.

Highlights for the year included:

- More than £113 million of capital deployed (excluding any capitalised interest and restructuring amounts as shown in the accounts) at rates above 9.00%.
- Consistent monthly dividends paid at 7.25 pence per Ordinary Share even with income suspended on the Suniva investment.
- Year on year income growth of nearly 100% outpacing the increased capital base of roughly 50% demonstrating the full income potential once deployed and justifying the lead times required to adequately invest proceeds.
- Shares reaching a high of 117p in May 2017 before retreating.
- The 2015 C Share achieving the 7.25 pence per share dividend level and converting to Ordinary Shares in October 2016.
- Another successful oversubscribed C Share issue in November 2016.
- Four transactions repaid early, representing approximately £10 million invested, all at yields at or above the originally anticipated rates including a 27.01% IRR on a £4 million investment in heavy hose manufacturing and turning equipment which originally had a projected yield of 9.50%.

The positive performance of the Group has been overshadowed by the events surrounding an investment made in solar manufacturing equipment for US-based Suniva, even though the Group continues to generate sufficient monthly income to cover the dividend as capital continues to be deployed into a wide diversity of attractive opportunities.

The Suniva investment was underwritten in accordance with the Investment Managers' high quality standard of care. The underwriting involved a thorough analysis of the equipment, including alternative uses as well as those in the secondary market. The assets were equipment known to the Investment Managers as the Investment Managers have had a successful track record of investing in this asset class for a number of years over multiple cycles. The due diligence process was highly focused on cash flow, sales pipeline, and margins. Taking into account the specific industry, all projections were stressed beyond any historic precedents, and, as is consistent with the Investment Managers' usual approach, additional credit enhancements were structured into the transaction in the form of $10 million of subordinated capital against the Group's approximate $30 million investment. The Group also arranged co-investment from a division of the Canadian government and required a corporate guarantee from the Hong Kong Stock Exchange listed parent company which at the time had a US$950 million market capitalisation.

Under normal circumstances, which have already been demonstrated with other assets in the portfolio, if the debtor was unable to make payments, the equipment could be taken back and either re-positioned with another company or sold into the secondary market. With the amount of subordinated equity in the Suniva transaction, there should have been sufficient value in the equipment to cover the Group's exposure and, if there were any shortfall, the corporate guarantee would be there to cover it with all accrued interest and penalties.

The events that led to Suniva's default involved a coordinated effort to circumvent or directly violate existing trade laws both in the United States and in accordance with the World Trade Organization. When an investment is underwritten, it can only be underwritten in the context that all market participants will operate within the established legal framework. This unlawful activity distorted the market which resulted in devastating harm to Suniva, the US solar manufacturing industry as a whole and the value of the equipment that secures the Group's investment. All this in a very short time period.

Given that the Group's collateral value was affected by unlawful behaviour, the appropriate reaction was to petition the government for redress. While this is not the normal course of action that the Group would have to pursue to protect or recover its investment, there is a specific section of the U.S. Trade Act of 1974 which provides for recourse in the exact circumstances that had occurred.

INVESTMENT MANAGERS' REPORT (CONTINUED)

On 22 September 2017, the United States International Trade Commission found, by a vote of 4 to 0, in support of the petition for redress and is now focused on preparing a recommendation of a remedy to be submitted to the White House on 13 November 2017. The White House then will have 60 days to act on the recommendation or suggest its own remedy.

Suniva represents 6.8% of the Ordinary Share portfolio (or 4.6% of the total value of the combined portfolio), not including the additional $4 million loan advanced, also from the Ordinary Share pool. At 30 June 2017, the remaining 95.4% of the portfolio was made up of 27.4% in cash (predominantly in the C Share pool) with the remainder, outlined below, in a well-diversified pool of assets and equipment-secured investments (ordered by acquisition cost with particular detail provided for the larger investments).

Note: Where the Principal Balance Outstanding is greater than the original Investment amount, this reflects accrued interest being capitalised.

Investments made by the group during the year

Description	Investment Amount	Industry
Waste Processing Equipment	£6,100,369	Environment
Sale and Lease Back of Anearobic Digestion Plant	£23,720,440	Agriculture
Single Stick Wind Turbine	£494,537	Energy
Single Stick Wind Turbine	£409,564	Energy
Milestone Payment on Anearobic Digestion Plant	£94,648	Agriculture
Milestone Payment on Anearobic Digestion Plant	£5,357,300	Agriculture
Portfolio of leases of heating/hot water system boilers	£6,841,974	Wholesale Portfolios
Milestone Payment on Anearobic Digestion Plant	£243,058	Agriculture
Waste Processing Equipment	£4,500,000	Environment
Milestone Payment on Anearobic Digestion Plant	£8,077,634	Agriculture
Milestone Payment on Anearobic Digestion Plant	£1,911,987	Government
VAT Receivable Advance	£891,987	Government
Milestone Payment on Anearobic Digestion Plant	£825,597	Agriculture
Milestone Payment on Anearobic Digestion Plant	£185,700	Agriculture
Diversified Portfolio Investment	£6,227,904	Diversified Portfolios
Wholesale Loan Portfolio	£8,596,900	Wholesale Portfolios
Milestone Payment on Anearobic Digestion Plant	£1,509,937	Agriculture
Helicopters Deposit Financing	£6,159,610	Transportation
Vessels	£12,367,301	Transportation
Vessels	£6,465,218	Transportation
Reel Drive System (Marine Support Equipment)	£1,010,000	Marine
Milestone Payment on Anearobic Digestion Plant	£467,785	Agriculture
Milestone Payment on Anearobic Digestion Plant	£1,493,386	Agriculture
Vessels	£1,928,532	Transportation
Single Stick Wind Turbine	£1,183,222	Energy
Suniva DIP Loan	£211,393	Solar
Industrial Coating Equipment	£5,937,190	Infrastructure
Total	**£113,213,173**	

INVESTMENT MANAGERS' REPORT (CONTINUED)

Top Ten Investments

1. Glass Manufacturing Plant

The largest single investment that the Group has made was £27.2 million through a sale and lease back of 10 furnace production lines and ancillary equipment for one of the largest plate and cup manufacturers in the world with over 3,000 separate products and specialty contracts with some of the world's most recognised brands. The 84 month fully amortising financing was provided in conjunction with an acquisition and recapitalisation of the company. Headquartered in France where the equipment is located, the company was formed in 1825 and has operations in 160 countries.

Principal balance outstanding as at 30 June 2017: £24,277,527 Share Class: Ordinary

2. Anaerobic Digestion Plants ("AD Plants")

The Group's largest exposure to a single asset class is in AD Plants, where it has invested approximately £95.0 million which, with accrued interest, represents 19.75% of the Group's NAV in leases and project financing transactions. An AD Plant is a closed system that processes organic material to produce methane which can be used as a fuel source or fed into a combined heat and power unit to create electricity and heat. The AD Plants that have been financed, run on a combination of agricultural and food waste as the primary feedstocks. The majority of the cash flow generated from operations is derived from long-term, non-cancellable government subsidies related to the production of electricity or the volume of gas delivered to the grid. Each investment is backed by a full Engineering Procurement Construction ("EPC") contract and a performance warranty to ensure a minimum level of production. The average term of the Group's investments in AD Plants is 12 years at rates of approximately 10%.

A number of these investments are jointly funded with the Green Investment Bank ("GIB") through their management agreement with Foresight Group.

The second, third, and ninth largest investments made by the Group are in AD Plants.

The Group invested £23.8 million in a 5 MW waste to energy project in Imperial Park, Middlesbrough, UK. The fully operational plant which is subject to a 12 year full payout lease is designed to process 120,000 tons of agriculture and food waste a year and sell electricity, heat and fertiliser to local businesses.

Principal balance outstanding as at 30 June 2017: £27,293,545 Share Class: Ordinary

The Group invested £23.7 million in a second, nearly identical, 5 MW waste to energy project in Hartlepool in the North East of the UK which is scheduled to be fully operational in the first quarter of 2018. This plant will be capable of treating up to 110,000 tons of commercially-sourced food waste per year. The initial term of this investment is 14 years with a potential 3 year extension that, when exercised, will enhance the Group's return on investment.

Principal balance outstanding as at 30 June 2017: £26,013,068 Share Class: Ordinary

3. Solar Manufacturing Equipment

The Group's investment in Suniva was £21.4 million making it the fourth largest investment. In order to secure and take control of the equipment, and ensure that the petition being filed with the United States International Trade Commission was properly prosecuted, the Group agreed to provide up to an additional $4.0 million in the form of a super-senior secured loan and in exchange for, among other considerations, warrants representing a majority equity ownership in the company.

Principal balance outstanding as at 30 June 2017: £24,272,873 Share Class: Ordinary

4. Paper Mill

The Group invested £20.4 million through a sale and leaseback of a paper mill in Scotland operated by a well-known speciality paper company that was consolidating operations from multiple international plants into the Scottish facility. The equipment being financed includes industrial reel wrappers, speciality and colour paper manufacturing machines, bespoke currency paper production equipment, and business stationary and watermarking tools. The fully amortising lease term is 84 months with the company that was originally founded in 1761 and was a constituent of the FTSE 100 on the London Stock Exchange until it was taken private in 2000.

Principal balance outstanding as at 30 June 2017: £16,789168 — Share Class: Ordinary

5. Combined Heat and Power Units

The Group provided £17.0 million for the construction and lease financing of two (non-renewable) 11 MW natural gas-based energy generation plants. The equipment includes four Rolls-Royce 5.5 MW combined heat and power units at two sites on the Isle of Wight at one of the U.K.'s largest tomato farms. The equipment is used to produce heat and carbon dioxide which aids the growth of tomatoes in the farm's glasshouses. The Group advanced 62.5% against the value of the equipment and took full title subject to a 13 year full payout lease.

Principal balance outstanding as at 30 June 2017: £17,947,737 — Share Class: Ordinary

6. IT and Telecommunications Equipment

The Group provided financing of £14.5 million secured by a portfolio of Integrated Set Top Cable and Internet Boxes (and all related receivables) on lease or under service agreements with 1,400 different customers representing approximately 2,200 hotels and 230,000 hotel rooms internationally. The investment is further secured by an investment grade insurance policy for all principal and interest. The 60 month fully amortising, Euro-denominated investment is hedged back to Sterling as were all non-Sterling investments as at 30 June 2017.

Principal balance outstanding as at 30 June 2017: £9,397,067 — Share Class: Ordinary

7. Marine Vessels

The eighth largest investment is in two marine vessels. The Group initially provided financing of £14.1 million, secured by two Supramax bulk carriers and the strong balance sheet of related companies providing additional support. After two years of a four year term with steady performance and amortisation, the borrower sought additional financing at a lower advance rate for the acquisition of a fleet of 6 container feeder vessels through two 48 month transactions totalling £18.8 million.

These combined with a third investment in helicopters (see below) make up the largest single group exposure amounting to £39.9 million. The counterparty is a privately-held international business group that controls 30 subsidiaries active in 35 countries across six continents. It is focused on six core sectors: aviation, energy, finance, hospitality, real estate, and shipping.

Principal balance outstanding as at 30 June 2017: £12,522,231 — Share Class: Ordinary
Principal balance outstanding as at 30 June 2017: £18,270,809 — Share Class: C

8. AD Plants

The Group has invested £13.5 million in a 4 MW AD Plant located in Donegal, Ireland being our 50% co-investment with Invest Northern Ireland ("INI"), the Regional business development agency. The plant takes chicken waste from INI as well as the Republic and their 14 hexagon gas road tanker trailers and two Volvo tractor units transport gas to five sites in Belfast utilising combined heat and power units and site transformers for grid connection. The equipment is subject to a 15 year fully amortising lease with quarterly payments. At 30 June 2017, the plant was operating but had not yet been commissioned, which is expected in due course.

Principal balance outstanding as at 30 June 2017: £14,939,091 — Share Class: Ordinary

9. Marine Vessels

Rounding out the top ten largest investments, the Group has provided £13.3 million of financing for four Jumbo Class Multipurpose Vessels built between 2007 and 2009 with a Dutch operator. Charter rates on vessels in this segment remained under significant pressure for the duration of the year and resulted in a pattern of consistent payment delinquencies. After having evaluated the situation, the Investment Managers and the Board came to the conclusion that the vessels should be sold at market prices to pay off the outstanding balances and close the investment. It is anticipated that the sale will take up to six months and that proceeds will cover all outstanding principal and interest. During the sale process, the debtor is continuing to make interest payments.

Principal balance outstanding as at 30 June 2017: £12,915,750 Share Class: Ordinary

10. Diversified Portfolio

The Group has made two investments that are classified as Diversified Portfolios. These investments are backed by diversified portfolios of equipment lease and asset financing transactions within larger portfolios held by insurance companies. The investments of £13.3 million and £11.6 million are further collateralised by the broader portfolios of investment-grade securities. The equipment assets in these portfolios include traditional transportation assets, manufacturing equipment, construction cranes, IT equipment, medical equipment, furniture, fixtures and equipment, earth moving equipment, machine tools, and a wood pellet mill. The investments are structured as secured notes with 11 year full payout terms. The notes individually have been rated BBB which is considered investment grade.

Principal balance outstanding as at 30 June 2017: £13,081,249 Share Class: Ordinary
Principal balance outstanding as at 30 June 2017: £11,381,106 Share Class: Ordinary

Other Investments

Additional AD Plants

The Group invested £13.1 million in a 2.5 MW gas to grid AD Plant in Peterhead, Scotland in co-operation with Scotia Gas Networks ("SGN"). The plant converts merchant waste, grass silage, and crops into bio-methane which is sold to Total Gas and injected into the national gas grid through SGN's grid connection. The construction and commissioning had encountered some delays and missed milestones. The plant is operating though not yet at the warrantied level. The project will require approximately £2 million more in order to reach commissioning. The Group has agreed to provide this financing in exchange for increased equity warrants in the project to 44%. The Group expects to recover this additional investment under the warranties and EPC contract. The plant is estimated to be fully operational in the first quarter of 2018 at which time the approximately 14 year lease term will commence.

Principal balance outstanding as at 30 June 2017: £15,275,160 Share Class: Ordinary

The Group is a co-investor in a 2 MW AD Plant in Nottinghamshire which was voted AD Plant of the year by Anaerobic Digestion and Bio-Resources Association. The Group's investment of £6.7 million is in a 15 year full payout lease.

Principal balance outstanding as at 30 June 2017: £7,157,165 Share Class: Ordinary

The Group has investments in two additional AD Plants that are still in the construction phase but nearing completion. The investments of £1.6 million and £1.5 million are both co-investments alongside the Green Investment Bank in farm-based 500 KW AD Plants in Northern Ireland. Each is subject to a 15 year lease with the expectation that they will be refinanced before the end of the term.

Principal balance outstanding as at 30 June 2017: £1,552,148 Share Class: Ordinary
Principal balance outstanding as at 30 June 2017: £1,613,714 Share Class: Ordinary

Within the year, the Group successfully refinanced one co-investment in an AD Plant through the programme with the Green Investment Bank in Northern Ireland. The Group's £1.8 million investment in the farm-based 500 KW AD Plant was refinanced generating an IRR of 11.72% against an originally projected yield of 9.25%.

Subsequent to year-end, a second AD Plant investment of £1.7 million was refinanced and resulted in a similar premium over the originally anticipated yield.

The Group has made four additional investments in 500 KW farm-based AD Plants in Northern Ireland on similar terms as the above. Those investments range from £1.6 million to £2.1 million, and all four plants are currently operating. One of the plants is already commissioned, two are currently being commissioned, and the fourth is expected to begin commissioning by the end of 2017.

Principal balance outstanding as at 30 June 2017: £7,818,813 Share Class: Ordinary

VAT Receivables

On certain transactions the funding amount will include VAT. When this occurs, the amount advanced accrues interest at the same rate as the rest of the transaction even though the counterparty risk on this element is governmental. At 30 June 2017, the Group had an outstanding VAT receivable of £1.2 million accruing interest at 12%.

Modular Building

The Group provided financing in the amount of £10.2 million secured by mobile, modular buildings used in the hospitality industry to serve as hotel rooms at different events throughout Europe. The investment was made in coordination with the operator's plan to transition its business toward semi-permanent arrangements like remote worker accommodations and away from short-term rentals. The transition was intended to be completed over a period of two years. Management was changed in April 2016 and the Group was asked to allow interest-only payments from September 2016 to July 2017. The Group applied the security deposit to cover those payments and reduced the outstanding exposure to £8.2 million. Given the long-lived nature of the assets, a restructured solution is being worked out that better matches the current cash flow while amortising the debt.

Principal balance outstanding as at 30 June 2017: £7,616,723 Share Class: Ordinary

Wholesale Lending Arrangements

Wholesale lending arrangements are an effective way for the Group to make asset-secured investments through lenders that specialise in those specific asset classes or segments, with additional credit enhancements that would not be available if the Group invested directly.

The Group made an investment of £8.6 million through a firm that specialises in providing financing to SMEs throughout the United Kingdom. The financing is secured by all the assets of the borrowers including their business-essential equipment. The structure of the Group's investment is that it lends against a portfolio of loans at a 90% advance rate. Under the terms of the agreement, any loan that is more than 30 days delinquent is either bought out or replaced with a performing loan from an unencumbered pool of loans held directly by the lender. All activity within the portfolio is reviewed monthly by a third-party auditor who provides reports to the Investment Managers. This facility has a one year rolling term.

Principal balance outstanding as at 30 June 2017: £8,596,900 Share Class: C

The Group provided £6.8 million of financing under a program with the lessor of domestic central heating/hot water system boilers. The Group's advance rate is between 92.5% and 94.0% of a seasoned portfolio but has an assignment of 100% of the underlying leases and service agreements. The investment is further secured by floating and fixed charges over all of the assets of the lessors.

Principal balance outstanding as at 30 June 2017: £6,658,737 Share Class: Ordinary

Medical Equipment

The Group invested £8.5 million secured by medical equipment for a new hospital in Green Valley, Arizona in the United States. The initial investment was divided between two equipment-secured notes; one with a term of 4 years and the other with a term of 5 years. The investment was further collateralised by a lien on unencumbered property owned by the hospital. The hospital encountered delays in securing crucial insurance reimbursements and, as a consequence, was unable to attract specialist doctors whose services were a meaningful component of the projected income of the hospital. As a result, the hospital filed for U.S. bankruptcy protection in order to reorganise while the insurance issues were resolved and specialist doctors are on-boarded. Given the crucial nature of the equipment financed by the Group and its long economic life, the Group and the hospital were able to reach an agreement within the bankruptcy court that keeps the equipment in place and protects the principal of the investment. The investment has been restructured into two notes with terms of 10 and 15 years which are secured by all of the assets originally financed under the notes and the equipment that was purchased directly by the hospital. The interest rate on the notes was reduced to 2.5% but the principal balance was increased by $1.0 million and a third note will be issued for additional accruing interest at 7.5% which is subordinate to other debts of the hospital.

Principal balance outstanding as at 30 June 2017: £8,320,872 Share Class: Ordinary

Semiconductor Manufacturing and Testing Equipment

The Group participated in the financing of a semiconductor manufacturing plant and equipment for a publicly-traded French company that produces and markets Silicon on Insulator wafers ("SOI") mainly for the electronics industry. The wafers are used in the fabrication of integrated circuits which run faster and consume less power than integrated circuits etched on traditional silicon material. SOI is used in a growing number of microelectronic applications including in servers, game consoles, desktop, and personal computers. The investment of £7.2 million is structured as a 3 year full payout lease. At the same time the lease was funded, an additional amount of £1.6 million was paid in VAT where this VAT portion was repaid within 5 months at the same interest rate as the balance of the investment.

Principal balance outstanding as at 30 June 2017: £2,675,563 Share Class: Ordinary

Helicopters

Referencing the above two investments made in marine vessels for a single group, the Group has also provided 70% deposit financing for the acquisition of seven newly built helicopters for a separate company in the same organisation. The £6.2 million extended is subject to a 24 month term loan with quarterly interest-only payments and a balloon payment at maturity. The loan is guaranteed by the borrower's immediate parent company with a net worth of more than $46 million and available credit facilities of over $100 million.

Principal balance outstanding as at 30 June 2017: £6,188,018 Share Class: C

Waste Processing Equipment

The Group has invested £6.1 million in the construction and lease of waste water processing equipment that includes a 1 MW AD Plant located in the Republic of Ireland. The lessee provides a full life cycle service to clients operating in the municipal and private sectors including collection, transportation and disposal/reuse of their sludges which are in turn processed into a fully certified alternative to expensive chemical fertilisers. The initial term of this investment is 12 years with a potential 3 year extension that, when exercised, will enhance the Group's return on investment. As at 30 June 2017, construction was ahead of schedule.

Principal balance outstanding as at 30 June 2017: £6,537,899 Share Class: C

Infrastructure Painting and Coating Equipment

The Group provided financing in the amount of £5.9 million secured by all the assets and equipment of the fourth largest industrial painting and coating contracting company in the United States. Ninety percent of the borrower's business is from large, often high profile, government projects. Shortly after the Group's investment was made, the borrower signed a contract with the US military, the profit margin of which, on its own, is sufficient to amortise the 60 month term debt. This investment, with a company that provides chemical stripping, concrete coating, fireproofing, high-pressure water jetting, lead abatement, metalizing, and sandblasting services, is US Dollar denominated and fully hedged back to Sterling. The primary equipment being financed is suspended platforms. The investment is further secured by personal guarantees of the owners and liens on real estate.

Principal balance outstanding as at 30 June 2017: £4,988,664 Share Class: Ordinary

Combined Heat and Power Unit

In addition to the two combined heat and power units financed on the Isle of Wight, the Group provided £5.90 million to finance a third non-renewable unit for the U.K.'s largest tomato grower used in their glasshouses in Teesside, Middleborough. The 6.6 MW natural gas based energy generation plant includes two Jenbacher combine heat and power units subject to a 13.25 year fully amortising lease.

Principal balance outstanding as at 30 June 2017: £6,358,339 Share Class: Ordinary

Remote Operated Vehicles ("ROVs")

The Group made an investment of approximately £5 million in two ROVs that were originally subject to a lease with a company engaged in oil field services in the North Sea for a term of 60 months at a fixed rate. In the first quarter of 2015, the original end-user went into administration, and, as a result, the Investment Managers decided to take possession of the assets and re-lease them directly to the company on whose vessel the launch and recovery systems servicing the ROVs were mounted. The new operating lease was for a term of 36 months with a variable rate based on utilisation. The lease is performing as budgeted.

Principal balance outstanding as at 30 June 2017: £4,279,780 Share Class: Ordinary

The Group made a second, smaller, unrelated investment of £1.1 million in ROVs with another operator. Cash flow to the operator was affected as oil prices remained low in the segment in which it is operating. As a result, the Group granted a period of interest-only payments to the lessee which has now ended. The lease has been restructured maintaining the same yield and the same term but with a lower monthly payment and a bullet payment at the maturity date in 2021.

Principal balance outstanding as at 30 June 2017: £914,772 Share Class: Ordinary

Waste Processing Equipment

The Group entered into a lease of a new automated waste material recovery system for a successful waste collection company located in the Midlands. The lessee was formed in 1986 and for the last ten years has been focusing on modernising the plant, increasing efficiency, and creating a zero-carbon footprint. The lessee has historically been engaged solely in waste collection and has had to pay to dispose of the waste. With the addition of the waste recovery system, the lessee is able to sort the waste and sell portions for recycling and greatly reduce the cost of disposal. The total investment amount was £4.50 million and will be repaid over a lease term of 60 months.

Principal balance outstanding as at 30 June 2017: £4,663,578 Share Class: C

Automotive Manufacturing Equipment

The Group invested in a total of five leases, each with a term of 48 months, for an automobile parts manufacturer and its aluminium subsidiary. The equipment on lease was machine tools used to make parts for new Jaguars and Land Rovers. The total investment amount was £4.8 million. Subsequent to year-end and, as part of a sale of the lessee, three of the leases were paid off early and the two remaining were novated to the buyer.

Principal balance outstanding as at 30 June 2017: £2,851,997 Share Class: Ordinary

Helicopters

The Group invested £3.6 million in the senior portion of a portfolio of helicopters on lease to three separate lessees who in turn sub-lease the fully serviced helicopters to end-users that include military, government, medical, and corporate clients. During the year, one of the lessees filed for bankruptcy in the United States and the Group restructured the leases, extending the term and lowering the payments on four helicopters. Two helicopters, with a different lessee, came to the end of their respective leases and are now subject to purchase agreements over a term of 48 months at the expected values. Two additional helicopters have come off lease with one sold to a bank participating in the financing while the medical helicopter is being offered for sale in the market. The helicopter sold to the bank was sold below the projected value which was absorbed by the equity in the portfolio.

Principal balance outstanding as at 30 June 2017: £3,925,920 Share Class: Ordinary

INVESTMENT MANAGERS' REPORT (CONTINUED)

Telephone Towers

The Group invested £3.5 million for the construction and lease of a portfolio of telecommunication towers located in Brazil for a company based in Florida in the United States. The investment was secured by an investment grade insurance policy with a reputable reinsurance syndicate that includes Hanover Re, PartnerRe, QatarRe, and Lloyd's of London. The initial investment term was 14 months but the CEO of the company unexpectedly passed away which left the company in the control of a highly competent engineer who was also a partner. The company asked for an extension of the term while they reacted to the loss. The Group granted this extension and is now working with the remaining partner to sell the portfolio of towers as had originally been planned.

Principal balance outstanding as at 30 June 2017: £3,550,296 Share Class: Ordinary

Wind Turbines

The Group entered into separate leases for three 250 kW wind turbines in a single, cross-collateralised transaction, in the amount of £2.4 million. Each of the leases is for a term of 10 years against 20 year power purchase agreements and Northern Ireland Renewable Obligation Certificates.

Principal balance outstanding as at 30 June 2017: £1,914,555 Share Class: Ordinary

As part of the same vendor programme in Northern Ireland, the Group entered into a second transaction for the lease of three additional 250 kW wind turbines in the amount of £3.3 million. These three leases are cross-collateralised amongst themselves for a term of 10 years with the same structure as the first set of wind turbines.

Principal balance outstanding as at 30 June 2017: £3,045,272 Share Class: Ordinary

The Group also entered into a sale and lease back in the amount of £1.4 million for a 500 kW wind turbine and a 50 metre tower. The equipment is located 100 miles north of London in a business park owned by the principals of the lessee. The lease term is 10 years which is coterminous with a power purchase agreement with a major Dow Chemical company subsidiary.

Principal balance outstanding as at 30 June 2017: £1,182,467 Share Class: Ordinary

The Group provided £1.3 million in lease financing for 250 kW and 225 kW wind turbines located on a dairy farm in Northern Ireland. The lease term is 12 years with a power purchase agreement in place and qualified for 20 years of Northern Ireland Renewable Obligation Certificates.

Principal balance outstanding as at 30 June 2017: £1,480,385 Share Class: Ordinary

The Group entered into a 10 year lease in the amount of £1.2 million for two 225 kW wind turbines located in South Wales. The lessee is a specialist in developing community scale wind turbines between 300 kW and 800 kW in rural, commercial, and brownfield sites. The project is supported by 20 years of Feed-in-Tariffs.

Principal balance outstanding as at 30 June 2017: £851,410 Share Class: Ordinary

Each of the investments made by the Group in wind turbines had a construction phase during which the lessee made interest-only payments at a higher rate than the long-term lease rate. Construction was completed in each case without incident and all of the investments are performing satisfactorily.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Marine Vessel

In May 2016, the Group entered into a sale and lease back for a brand new, state of the art crew transport vessel in the amount of £1.9 million which represented 80% of the vessel's cost. As part of the transaction, a three month rental reserve was deposited by the lessee with the Group. Despite the high demand for this vessel from offshore wind farm developers, the new vessel was under-utilised. By November 2016, the three month rental reserve was exhausted and the lessee voluntarily surrendered the vessel to the Group. Under the remarketing agreement with the manufacturer, a new lessee that was already operating a sister vessel was quickly identified. A new lease was entered into in early 2017 for a term of 6 months. At the end of the initial term, the lessee extended for a further 6 month term with a fixed purchase option. The vessel has been fully utilised since being repositioned and has been repainted and officially made part of the new lessee's fleet.

Principal balance outstanding as at 30 June 2017: £1,938,821 Share Class: Ordinary

Ground Support Equipment

The Group made two investments totalling £1.4 million in four aircraft de-icers subject to 60 month full pay out leases. Two of the de-icers are in service at Heathrow Airport and the other two at Gatwick Airport.

Principal balance outstanding as at 30 June 2017: £463,080 Share Class: Ordinary

Reel Drive System (Marine Support Equipment)

The Group entered into a transaction to refinance a 400 ton reel drive system along with a spares container and a control van. The value of the equipment was in excess of £2.5 million and had approximately £228,000 of outstanding debt encumbering it. The Group provided £1.0 million against the equipment and paid off the existing encumbrance. The proceeds were then used to complete the construction of a new 85-ton reel drive system which also became part of the Group's collateral package. The equipment is used offshore for both undersea pipeline and power cable construction (laying) and maintenance. The hire purchase contract is for a term of 60 months.

Principal balance outstanding as at 30 June 2017: £784,972 Share Class: Ordinary

IT & Software

The Group provided £908,039 of financing for IT systems and software used by a major hospital group in Australia. This fully amortising 60 month investment is Sterling-denominated and made through the borrowers UK parent company.

Principal balance outstanding as at 30 June 2017: £405,239 Share Class: Ordinary

Plastics Reprocessing Equipment

The Group entered into a 5 year lease for one infrared rotary drum and two twin screw compounder extruders used by a specialty engineering and plastics company. The £515,000 of equipment is used to reprocess polymer based products into forms reused by a number of industries. The company won the 2014 Plastics Industry Award for the UK's Best Supplier Partnership. Subsequent to year end, the company was sold. The lease will be novated to the new company which is expected to be achieved by end of October 2017.

Principal balance outstanding as at 30 June 2017: £416,803 Share Class: Ordinary

Plant Hire Equipment

The Group purchased the receivables associated with a 5 year lease of dump trucks, excavators, bulldozers, and other heavy earth moving machinery. An unrelated leasing company holds the subordinated residual interest in the £439,000 investment.

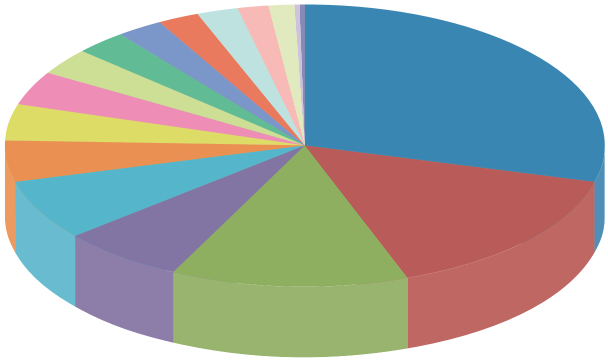
Principal balance outstanding as at 30 June 2017: £324,007 Share Class: Ordinary

INVESTMENT MANAGERS’ REPORT (CONTINUED)

Portfolio Diversification

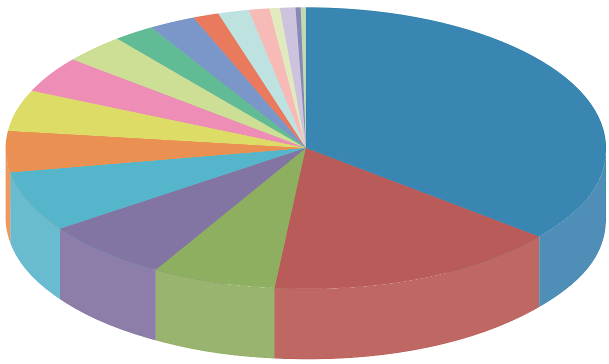
Asset Class Diversification

- AD 19.8%
- Manufacturing 10.2%
- Vessels 8.6%
- Diversified Portfolios 4.6%
- CHP 4.6%
- Paper Mill 3.2%
- Wholesale Portfolios 2.9%
- IT & Telecom 2.5%
- Waste Processing 2.1%
- Aviation 1.9%
- Wind Turbines 1.6%
- Medical 1.6%
- Modular Buildings 1.4%
- Marine 1.1%
- Infrastructure Equipment 1.0%
- VAT Receivable 0.2%
- Ground Support 0.1%



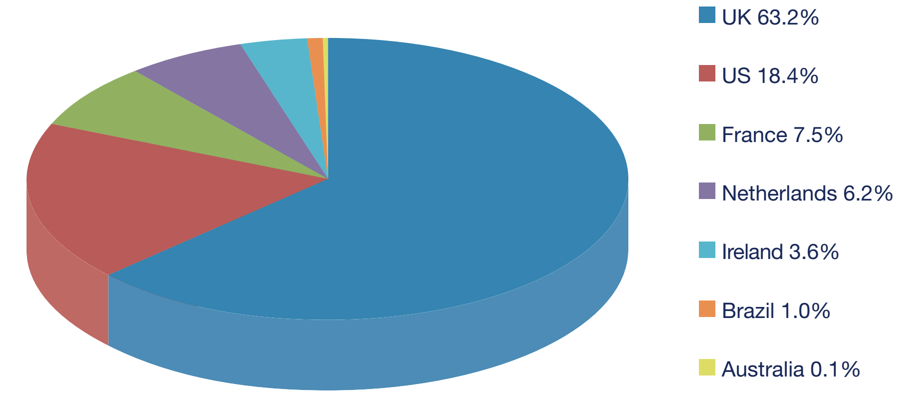
Diversification by Industry

- Agriculture 24.3%
- Transportation 10.6%
- Diversified Portfolios 4.6%
- Glassware 4.6%
- Solar 4.6%
- Hospitality 3.2%
- Paper 3.2%
- Wholesale Portfolios 2.9%
- Environment 2.1%
- Medical 1.6%
- Energy 1.6%
- Marine 1.1%
- Infrastructure 1.0%
- IT & Telecom 0.7%
- Automotive 0.5%
- Semiconductors 0.5%
- Government 0.2%
- Plastics 0.1%

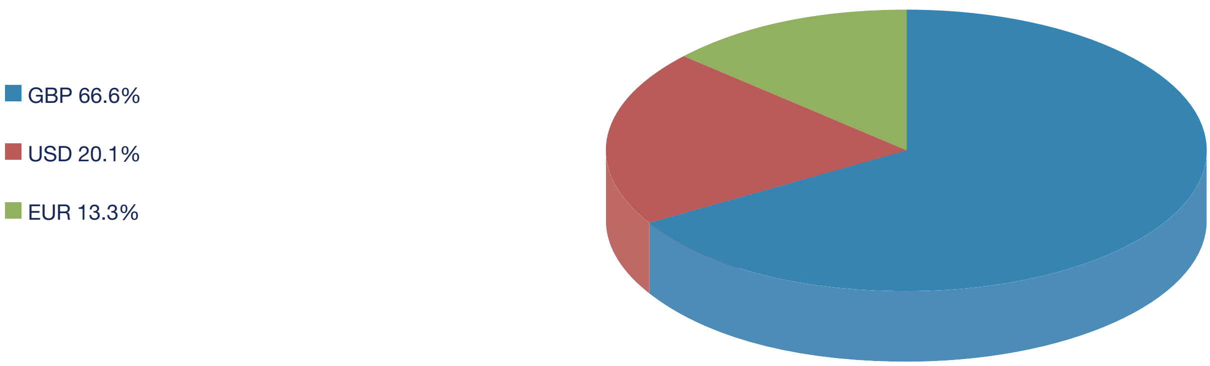


INVESTMENT MANAGERS' REPORT (CONTINUED)

Geographic Diversification



Investment by Currency



Asset Finance and Equipment Leasing Industry Relative Performance

The asset finance and equipment leasing industry has a very low net charge-off rate relative to other forms of lending. This is not to say that defaults do not occur at similar rates to other lending businesses and, by some comparisons, at higher rates. This industry is unique, however, in its high recovery rates which is what drives the low net charge-offs. In any diversified portfolio of meaningful size, there will always be assets that require attention and potential restructuring. Within the Group's portfolio there have already been a number of successful recoveries such as the repositioned ROVs, the new lease for the crew transportation vessel, and the buyout of the small AD plant in Northern Ireland which the Group invested £98,000 of a £2.2 million commitment before exercising its rights under the security agreement to exit the transactions with a payout of £153,000.

As demonstrated by the Suniva investment, resolutions take time but as long as there is adequate diversification, a well-constructed portfolio can provide the necessary cash flow coverage to maintain dividends while the Investment Managers focus on bringing the assets that require attention back on line. This is, in part, the driver behind the high yields being achieved by the Group.

Outlook

Looking forward, it is expected that the balance of available cash from the 2016 C Share will be fully deployed over the coming months in well-collateralised transactions maintaining the weighted average yield in the portfolio above 9% despite the rate pressure in the market from general increased lending competition.

A resolution is anticipated in the Suniva transaction early in the first quarter of 2018, if not sooner, at which time, the Board will examine whether it is appropriate to merge the 2016 C Shares with the Ordinary Shares. As the Chairman's Statement has indicated, an extension of time for the 2016 C Share issue will be put before shareholders.

The natural run-off of the portfolio along with a number of re-financings and early buyouts will provide a good source of capital to reinvest and keep the Group active in the market for new originations.

It is likely that political uncertainty surrounding Brexit will continue to restrain businesses from making capital investment decisions but the target market is large enough relative to the fund size, even at over £500 million, for the Group to remain selective in its investments without compromising credit quality.

The fundamentals of the market have not changed nor has the Group's approach to investing or asset selection. The fund is designed to weather all cycles and continue to produce consistent income. It is with these objectives that the Group will be managed into 2018 and beyond.

SQN Capital Management, LLC

4 October 2017

SQN Capital Management (UK) Limited

4 October 2017

DIRECTORS' REPORT

The Directors present the Annual Report and Consolidated Financial Statements of the Group for the year ended 30 June 2017.

Board of Directors

The Directors of the Company who served during the year were:

Peter Niven (Chairman)
John Falla
Carol Goodwin
Christopher Spencer

Paul Meader was appointed as a Director of the Company on 18 August 2017.

Directors' Interests

The Directors held a minor interest in the Company's share capital during the year ended 30 June 2017 as follows:

Director	Number of Ordinary Shares	Number of 2016 C Shares
Peter Niven	59,858	5,000
John Falla	19,637	4,961
Carol Goodwin	44,893	5,000
Christopher Spencer	19,929	4,982

There have been no changes in the interests of the Directors since the year end.

Notifications of Shareholdings

As at 30 June 2017, the Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of the following shareholders that had an interest of greater than 5% in the Company's issued share capital.

	Number of Shares	Percentage of total voting rights (%)
Investec Wealth & Investment Limited	42,976,308	11. 01%
Old Mutual	42,900,218	11.99%
Schroders plc	36,051,235	10.04%

Between 1 July 2017 and 2 October 2017, no additional notifications were received.

Environmental and Social Issues

The Company is a closed-ended investment company which has no employees and therefore its own direct environmental impact is minimal. The Board notes that the companies in which the Group invests will have a social and environmental impact over which it has no control. The Board, the members of which are all based in Guernsey, holds all its meetings in Guernsey and, whilst the Investment Managers do travel to those meetings, the Group's greenhouse gas emissions and environmental footprint are believed to be small. However, many of the companies and projects in which the Group invests have a very positive environmental footprint. The numerous anaerobic digestion plants the Group finances use waste of many types to produce sustainable fertilisers and electricity or gas which are provided to the respective National Grids. Additionally, our investment in wind turbines and solar panels likewise provide alternative energy sources to fossil and/or nuclear fuels. In these ways, the Board is pleased that the Group plays a positive part in the environmental arena.

DIRECTORS' REPORT (CONTINUED)

Life of the Company

The Company has an indefinite life. The Directors shall propose one or more ordinary resolutions at the Annual General Meeting (the "AGM") to be held in 2017 and at every third AGM thereafter that the Company continues as a closed-ended investment company (the "Continuation Resolution"). In the event that a Continuation Resolution is not passed, the Directors shall formulate proposals to be put to shareholders as soon as is practicable but, in any event, by no later than six months after the Continuation Resolution is not passed, to reorganise, unitise or reconstruct the Company or for the Company to be wound up with the aim of enabling shareholders to realise their holdings in the Company.

Dividends

The Company targets a total annual dividend of 7.25 pence per Ordinary Share. The dividend target is a target only and there can be no guarantee that this will be achieved. Dividends are declared and paid monthly for Ordinary Shares.

Prior to conversion to Ordinary Shares on 25 October 2016, dividends were declared and paid monthly for the 2015 C Shares (the last 2015 C Share dividend was declared and paid for August 2016).

A dividend for the 2016 C Shares was declared and paid for the period from admission to 31 March 2017.

Refer to note 14 for details on dividends that the Company has declared and paid to its shareholders during the year and note 19 for details on dividends declared and paid after the year end.

Ordinary Share Buybacks

On 24 November 2016 the Directors were granted authority to repurchase 53,620,355 Ordinary Shares (being equal to 14.99% of the number of Ordinary Shares in issue) for cancellation or to be held as treasury shares. This authority, which has not been used, will expire at the forthcoming AGM. The Directors intend to seek annual renewal of this authority from the shareholders. Pursuant to this authority, and subject to the Companies (Guernsey) Law, 2008, as amended ("Companies Law") and the discretion of the Directors, the Company may purchase Ordinary Shares in the market if they believe it to be in shareholders' interests; in particular, as a means of correcting any imbalance between the supply and demand for the Ordinary Shares.

Indemnities

To the extent permitted by Guernsey Law, the Company's Articles provide an indemnity for the Directors against any liability except such (if any) as they shall incur by or through their own breach of trust, breach of duty or negligence.

During the year, the Group has maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

2017 AGM

The AGM will be held in Guernsey on 20 November 2017. The notice for the AGM sets out the ordinary and special resolutions to be proposed at the meeting. Separate resolutions are proposed for each substantive issue.

The Articles of the Company state that fourteen clear days' notice of the AGM of the Company is required. It is, however, the intention of the Board that the Notice of AGM is issued to shareholders so as to provide at least twenty business days' notice of the meeting. The Directors welcome communication with all shareholders and can be contacted in writing at the Company's registered office, which can be found on page 77.

Voting on all resolutions at the 2017 AGM will be on a poll. The proxy votes cast, including details of votes withheld are disclosed to those in attendance at the meeting and the results are published on the Company's website and announced via the Regulatory Information Service.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing Consolidated Financial Statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union ("IFRS"), of the state of affairs of the Group and of the profit or loss for the year. In preparing those Consolidated Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors confirm to the best of their knowledge that:

- The Consolidated Financial Statements which have been prepared in conformity with IFRS and give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the undertakings included in the Financial Statements taken as a whole as required by the United Kingdom Listing Authority Disclosure Guidance and Transparency Rules ("DTR") 4.1.12R and are in compliance with the requirements set out in the Companies Law;
- the Consolidated Financial Statements include a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R, which provide an indication of important events and a description of principal risks and uncertainties during the year;
- there is no information relevant to the preparation of their report of which the Group's external auditor, Baker Tilly CI Audit Limited (the "Auditor") is unaware and he or she has taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Auditor is aware of that information; and
- the Annual Report and Consolidated Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accepts no responsibility for any changes that may have occurred to the Annual Report and Consolidated Financial Statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Peter Niven
Chairman
4 October 2017

Christopher Spencer
Director
4 October 2017

DIRECTORS' BIOGRAPHIES

Peter Niven (Non-Executive Chairman)

Peter Niven, is a resident of Guernsey. He has worked in the financial services industry in the UK, offshore and internationally for over 40 years, 30 of those with the Lloyds Banking Group from which he retired in 2005 as the head of the Group's Offshore Banking Division. Since then Peter has worked for the Guernsey Government and the local financial services sector, through Guernsey Finance, with the remit to develop and promote the island on the world stage as a premier international finance centre. He retired from that role in December 2012.

He now acts as a Non-Executive Director on a broad portfolio of listed (LSE, AIM, TISE) and unlisted investment funds investing in asset classes including property, hedge funds, emerging markets and private equity and has wide experience of chairing Boards and Audit and Management Committees. He is also a director of ABTA's Guernsey captive insurance entity. Peter is a Fellow of the Institute of Bankers, a Fellow of the Institute of Directors and a Chartered Director.

John Martyn Falla (Non-Executive Director)

John Falla, a Guernsey resident, is a Chartered Accountant and has a BSc Hons degree in Property Valuation and Management from The City University, London. He is a Chartered Fellow of the Chartered Institute for Securities and Investment having been awarded their diploma. He is a Non-Executive Director and consultant to a number of companies, most of which are listed on the London Stock Exchange.

John trained with Ernst & Young in London before moving to their Corporate Finance Department. On returning to Guernsey he worked for an International Bank, before joining the Channel Islands Stock Exchange as a member of the Market Authority. In 2000 John joined the Edmond de Rothschild Group in Guernsey and provided corporate finance advice to clients including open and closed-ended investment funds, and institutions with significant property interests. John was a director of a number of Edmond de Rothschild group operating and investment companies.

Carol Patricia Goodwin (Non-Executive Director)

Carol Goodwin, a resident of Guernsey, has extensive experience in the finance industry and has held senior executive positions with several European and North American banks, managing businesses in London, Toronto, Montreal, Amsterdam, Nassau and Guernsey. Since 2002 Carol has devoted her time to Non-Executive Director roles. She currently serves as a Non-Executive Director for a local bank and a number of other financial services entities, including a variety of listed and unlisted investment funds and property companies. Carol has a strong background in corporate governance and risk management.

Ms Goodwin is a Fellow of the Institute of Canadian Bankers (FICB), a Trust and Estate Practitioner (TEP), a Chartered Director (C.Dir.) and a Fellow of the Institute of Directors (FioD).

Christopher Paul Spencer (Non-Executive Director)

Christopher Spencer, a resident of Guernsey, qualified as a chartered accountant in London in 1975. Following two years in Bermuda he moved to Guernsey. Christopher, who specialised in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000. Christopher is a member of the AIC Offshore Committee, a past President of the Guernsey Society of Chartered and Certified Accountants and a past Chairman of the Guernsey Branch of the Institute of Directors. Christopher sits on the Board of Directors of JPEL Private Equity Limited and John Laing Infrastructure Fund Limited, both of which is listed on the London Stock Exchange and Summit Germany Ltd which is an AIM listed company.

Paul Meader (Non-Executive Director) – Appointed on 18 August 2017

Paul Meader, a resident of Guernsey, is an independent director of investment companies, insurers and investment funds. He was previously Head of Portfolio Management for Canaccord Genuity based in Guernsey, prior to which he was Chief Executive of Corazon Capital. He has over 30 years' experience in financial markets in London, Dublin and Guernsey, holding senior positions in portfolio management and trading. Prior to joining Corazon he was Managing Director of Rothschild's Swiss private banking subsidiary in Guernsey. Mr Meader is a Chartered Fellow of the Chartered Institute of Securities & Investments and past Chairman of the Guernsey International Business Association.

CORPORATE GOVERNANCE REPORT

Introduction

The Board is committed to high standards of corporate governance and has put in place a framework for corporate governance which it believes is appropriate for an investment company.

Compliance with Corporate Governance Codes

The Company is a member of the AIC. The UK Corporate Governance Code (the "UK Code") acknowledges that the AIC Corporate Governance Code ("AIC Code") can assist externally managed companies in meeting their obligations under the UK Code in areas that are of specific relevance to investment companies. The Guernsey Financial Services Commission has also confirmed that companies that report against the UK Code or AIC Code are deemed to meet the Guernsey Code of Corporate Governance (the "Guernsey Code"). Copies of the AIC Code and the AIC Guide can be found at www.theaic.co.uk. The UK Code is available from the Financial Reporting Council website (www.frc.co.uk).

Throughout the year ended 30 June 2017, the Company has complied with the recommendations of the AIC Code and as such also meets the requirements of the UK Code and by default the Guernsey Code, except to the extent highlighted below:

- the role of the chief executive;
- executive Directors' remuneration;
- Senior Independent Director; and
- internal audit function.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers these provisions are not relevant to the position of the Group, being an externally managed investment company with subsidiaries. In particular, all of the Group's day-to-day management and administrative functions are outsourced to third parties. As a result, the Group has no executive directors, direct employees or internal operations. The Group has therefore not reported further in respect of these provisions.

The Group complies with the corporate governance statement requirements pursuant to the UK Financial Conduct Authority's ("FCA") DTR by virtue of the information included in the Corporate Governance section of the Annual Report.

The Board believes that this Annual Report and Consolidated Financial Statements presents a fair, balanced and understandable assessment of the Group's position and prospects, and provides the information necessary for shareholders to assess the Group's performance, business model, strategy, principal risks and uncertainties.

Directors

The following Directors were appointed on 28 May 2014:

Peter Niven (Non-Executive Chairman)
John Martyn Falla (Non-Executive Director)
Carol Patricia Goodwin (Non-Executive Director)
Christopher Paul Spencer (Non-Executive Director)

Paul Meader was appointed as a Non-Executive Director on 18 August 2017.

The biographical details of the Directors are provided on page 28.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Duties and Responsibilities

The Directors have adopted a set of reserved powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- statutory obligations and public disclosure;
- approval of key investment decisions;
- strategic matters and financial reporting;
- Board composition and accountability to shareholders;
- risk assessment and management, including reporting, compliance, monitoring, governance and control; and
- other matters having material effects on the Group.

These reserved powers of the Board have been adopted by the Directors to demonstrate clearly the importance with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

The Board meets at least four times each year and monitors the Group's share price and NAV and regularly considers ways in which future share price performance can be enhanced. The Board is responsible for the safeguarding of the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities. The Investment Managers together with the Company Secretary also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information relating to the Group and its portfolio of investments. Directors unable to attend a Board meeting are provided with the Board papers and can discuss issues arising in the meeting with the Chairman or another Non-Executive Director.

Individual Directors may, at the expense of the Group, seek independent professional advice on any matters that concerns them in the furtherance of their duties.

Board and Committees

The Board has established three committees, the Audit and Risk Committee, the Management Engagement Committee, and the Remuneration and Nomination Committee. Due to the size and nature of the Company, all Directors have been appointed to all Committees. The responsibilities of these Committees are described below. Each Committee reports to and is subject to the oversight of the Board. Terms of reference for each Committee have been approved by the Board and are available in full on the Company's website.

Board

Responsibilities:
- Statutory obligations and public disclosure.
- Approval of key investment decisions.
- Strategic matters and financial reporting.
- Board composition and accountability to shareholders.
- Risk assessment and management, including reporting, compliance, monitoring, governance and control.
- Responsible for financial statements.
- Other matters having material effects on the Group.

Audit and Risk Committee

Delegated Responsibilities:
- Review the financial statements, including review of the accounting policies and methods utilised.
- Review the effectiveness and internal control policies and procedures over financial reporting and identification, assessment and reporting of risk.
- Make recommendations to the Board in relation to appointment, re-appointment and removal of external auditors and approving remuneration and terms of engagement of external auditors.
- To monitor risk management and internal control systems on an ongoing basis, performing a review of their effectiveness, and recommending actions to remedy any failings or weaknesses identified.

Management Engagement Committee

Delegated Responsibilities:
- Review on a regular basis the performance of the Investment Managers and the Group's key advisers and major service suppliers (other than the external auditor) to ensure that performance is satisfactory and in accordance with the terms and conditions of the respective appointments.

Remuneration and Nomination Committee

Delegated Responsibilities:
- Review the structure, size and composition of the Board.
- Give full consideration to succession planning
- Identify suitable Board candidates to fill Board vacancies.
- Make recommendations as to the appropriate level of Directors' remuneration.
- Undertake performance evaluations of the Board and the Chairman.

Audit and Risk Committee

Mr Spencer is the Chairman of the Audit and Risk Committee. The duties of the Audit and Risk Committee in discharging its responsibilities are outlined in the chart on page 31. The report on the role and activities of this Committee and its relationship with the external auditors is contained in the Audit and Risk Committee Report on pages 36 to 39.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Management Engagement Committee

Mr Falla is the Chairman of the Management Engagement Committee. The duties of the Management Engagement Committee in discharging its responsibilities are outlined in the chart on page 31.

The Management Engagement Committee carries out its review of the Group's key advisers through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisers' appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's shareholders. The Management Engagement Committee most recently reviewed the performance of the Investment Managers and other key service providers to the Group on 23 May 2017. During this review, no material weaknesses were identified. Overall the Management Engagement Committee confirmed its satisfaction with the services and advice received.

Remuneration and Nomination Committee

Ms Goodwin is the Chairman of the Remuneration and Nomination Committee. The duties of the Remuneration and Nomination Committee in discharging its responsibilities are outlined in the chart on page 31.

The Remuneration and Nomination Committee undertakes an evaluation of the Board on an annual basis. The performance of each Director is considered as part of a formal review by the Remuneration and Nomination Committee. The Directors may also meet without the Chairman of the Board present in order to review his performance.

During the 2017 Board evaluation on 23 May 2017, all relevant topics were fully discussed and it was agreed that Board meetings were effective. It was concluded that the Board has a good range of skills, diversity and competencies, with all Directors being independent. The Committee confirmed that the Chairman and all Directors had a good understanding of the investments and markets in which the Company operates and felt well prepared and able to participate fully at Board meetings.

During the first half of 2017, the Board, through the Remuneration and Nomination Committee, undertook the process of identifying an additional Non-Executive Director for appointment to the Board. Given the current size of the Group and the increase in Assets Under Management from £147,108,758 at the time of the Initial Public Offering to £532,903,565 as at 30 June 2017, the Board felt it was an appropriate time to bolster its resources and increase the skills of the Board. A formal identification, selection and appointment process was undertaken with the assistance of an outside firm of specialised consultants.

Directors' Remuneration Report

The following report meets the relevant Listing Rules of the FCA and the AIC Code and describes how the Board has applied the principles relating to Directors' remuneration.

The fees paid to the Directors for the year ended 30 June 2017 are detailed in the table below:

Director	Fees £	Extra Services (2016 C Share) £	Total £
Peter Niven	60,000	7,500	67,500
Christopher Spencer	50,000	7,500	57,500
John Falla	40,000	7,500	47,500
Carol Goodwin	40,000	7,500	47,500
Total	190,000	30,000	220,000

The Company's Articles limit the aggregation of fees payable to the Directors to a total of £300,000 per annum. The increase in aggregate fees from £200,000 to £300,000 was approved at the AGM on 24 November 2016. Extra services are not included in the definition of fees as per the Company's Articles. The extra services fee was paid from the 2016 C Share issue costs.

Annual Report on Remuneration

Other than as shown above, no other remuneration or compensation was paid or payable by the Company during the year to any of the Directors.

Advisers to the Remuneration and Nomination Committee

The Board has not sought the advice or services by any outside person, at this time, in respect of its consideration of the Directors' remuneration, but as noted above, the Board did seek outside assistance for the appointment of an additional Non-Executive Director.

Board Independence, Composition and Diversity

The Chairman and all Directors are considered independent. The Directors consider that there are no factors, as set out in Principle 1 or 2 of the AIC Code, which compromise the Chairman's or other Directors' independence and that they all contribute to the affairs of the Company in an adequate manner. The Board reviews the independence of all Directors annually. The Company Secretary, BNP Paribas Securities Services S.C.A., Guernsey Branch, through its representative, acts as Secretary to the Board and Committees and in doing so it assists the Chairman in ensuring that all Directors have full and timely access to all relevant documentation, organises induction of new Directors, is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters.

The Board is chaired by Peter Niven who is responsible for its leadership and for ensuring its effectiveness in all aspects of its role. The Board currently consists of five Non-Executive Directors. The biographical details of the Directors holding office at the date of this report are listed on page 28 and demonstrate a breadth of investment, accounting, banking and professional experience. The appointment of a Senior Independent Director has been considered but is not felt necessary as all Board members are independent Non-Executive Directors, with different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

The Board values the importance of diversity, including gender, to the effective functioning of the Board. The Board, however, does not consider it appropriate or in the interest of the Company and its shareholders to set prescriptive targets for gender or other diversity on the Board. Any future appointments would be primarily based on merit of skills, experience and knowledge of each appointee.

Directors' Appointment and Policy on Payment of Loss of Office

No Director has a service contract with the Company. Directors have agreed letters of appointment with the Company, copies of which are available for review by shareholders at the registered office and will be available at the AGM. All Directors have served since incorporation of the Company, with the exception of Paul Meader, who was appointed on 18 August 2017. Any Director may resign in writing to the Board at any time. Directors' appointments will be reviewed during the annual Board evaluation. Directors are not entitled to payment for loss of office.

The Articles of Incorporation require that all Directors submit themselves for election by shareholders at the first opportunity following their appointment. The Articles of the Company also require that the Directors shall retire by rotation on a three-yearly basis, commencing from the third AGM after inception. The retiring Directors will then be eligible for reappointment. The Directors have elected to stand for re-election on a yearly basis, so will all retire at each AGM and be eligible for reappointment.

Tenure of Non-Executive Directors

The Board has adopted a policy on tenure that is considered appropriate for an investment company. The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Managers or necessarily affects a Director's independence.

The Board's tenure and succession policy seeks to ensure that the Board is well balanced and will be refreshed from time to time by the appointment of new Directors with the skills and experience necessary to replace those lost by Directors' retirements and meet future requirements. Directors must be able to demonstrate their commitment and fiduciary responsibility to the Company. The Board seeks to encompass relevant past and current experience of various areas relevant to the Company's business.

Conflict of Interests

The Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. Only Directors who have no material interest in the matter being considered will be able to participate in the Board approval process. Directors are required to disclose all actual and potential conflicts of interest to the Chairman in advance of any proposed external appointment.

CORPORATE GOVERNANCE REPORT (CONTINUED)

In deciding whether to approve an individual Director's participation, the other Directors will act in a way they consider to be in good faith in assessing the materiality of the conflict in accordance with the Company's Articles of Incorporation.

The Board believes that its procedures regarding conflicts of interest have operated effectively. The Board also confirms that its procedure for the approval of conflicts of interest, if any, has been followed by the Directors. None of the Directors had a material interest in any contract which is significant to the Group's business. Directors' holdings in the Company's shares can be found within the Directors' Report on page 25.

Performance Evaluation

The performance of the Board and the Directors was reviewed by the Remuneration and Nomination Committee in May 2017. The Chairman of the Committee reviewed and discussed various areas, including the process and style of meetings, strategy, investment matters, shareholder value and governance. In addition, the Board reviewed the performance of the Chairman in his role and evaluated their personal contributions. It was concluded that Board meetings were effective and all relevant topics were fully discussed, with the Board having a good range of skills and competency. The Directors confirm that they have devoted sufficient time, as considered necessary, to the matters of the Company. It was agreed that all Directors were independent and that the Chairman and all Directors had a good understanding of the investments and markets in which the company operates and felt well prepared and able to participate fully at Board meetings.

Induction/Information and Professional Development

Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice from, amongst others, the Company Secretary and the Auditor. Advisers to the Group also prepare reports for the Board from time to time on relevant topics and issues. In addition, Directors attend relevant seminars and events to allow them to continually refresh their skills and knowledge and keep up with changes within the investment management industry.

When a new Director is appointed to the Board, they are provided with all relevant information regarding the Group and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Managers in order to learn more about their processes and procedures.

Attendance at scheduled meetings of the Board and its committees for the year ended 30 June 2017

	Quarterly Board	NAV & Dividend Meetings	Audit & Risk Committee	Remuneration & Nomination Committee	Management Engagement Committee	Separate Investment Meetings
Number of meetings during the period	**4**	**8**	**5**	**1**	**1**	**2**
Peter Niven	4	7	5	1	1	2
John Falla	4	8	5	1	1	2
Carol Goodwin	4	8	5	1	1	1
Chris Spencer	4	8	5	1	1	2

In addition to these meetings, 4 ad-hoc meetings were held during the year covering various Group matters.

Relationship with the Investment Managers, Company Secretary and the Administrator

The Board has delegated various duties to external parties including the management of the investment portfolio, the custodial services (including the safeguarding of assets), the registration services and the day-to-day company secretarial, administration and accounting services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of services offered, including the control systems in operation in so far as they relate to the affairs of the Group.

The Board receives and considers reports regularly from the Investment Managers, with ad hoc reports and information supplied to the Board as required. The Investment Managers take decisions as to the purchase and sale of individual investments, within the delegated authority established by the Board. The Board meet with the Investment Managers on an ad-hoc basis to discuss and approve investment decisions as necessary. The Investment Managers comply with the risk limits as determined by the Board and have systems in place to monitor cash flow and the liquidity risk of the Group. The Investment Managers and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Managers and

Administrator attend each Board meeting as required, enabling the Directors to probe further on matters of concern. The Directors have access to the advice and service of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Investment Managers and the Administrator operate in a supportive, co-operative and open environment.

Shareholder Engagement

The Board believes that the maintenance of good relations with shareholders is important for the long-term prospects of the Company. It has, since admission, sought engagement with investors. Where appropriate the Chairman, and other Directors are available for discussion about governance and strategy with major shareholders and the Chairman ensures communication of shareholders' views to the Board. During the year, the Chairman has engaged with shareholders when requested. The Board receives feedback on the views of shareholders from its Corporate Broker and the Investment Managers. Shareholders are welcome to contact the Directors at any time via the Company Secretary.

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board, and encourages participation. There is an opportunity for individual shareholders to question the Directors at the AGM. Details of proxy votes received in respect of each resolution will be made available to shareholders at the meeting and will be posted on the Company's website following the meeting.

The Interim Report and Consolidated Financial Statements, Annual Report and Consolidated Financial Statements and fact sheets are available to provide shareholders with a clear understanding of the Group's activities and its results. This information is supplemented by the monthly calculation and publication on the London Stock Exchange of the NAV of the Company's shares and the dividend declared thereon. All documents issued by the Company can be viewed on the website www.sqnassetfinance.com.

AIFMD

The Company is classed as an externally managed Alternative Investment Fund under the Alternative Investment Fund Managers Directive ("AIFMD"). The US Investment Manager is the authorised Alternative Investment Fund Manager ("AIFM") for the purposes of AIFMD. The AIFM is responsible for managing the Company's investments and the risks it faces, subject to the overall scrutiny of the Board. The US Manager is registered with the FCA as a "third country AIFM". The requirements of AIFMD have been applied accordingly.

AIFM Remuneration

The total fees paid to the Investment Managers by the Company are disclosed in note 18. In accordance with Article 22 of the AIFM Directive and Article 107 of the AIFM Regulations, the AIFM must make certain disclosures in respect of the remuneration paid to its staff. The AIFM has identified six staff as falling within the scope of the disclosure requirements (the "Identified Staff"). These Identified Staff are senior management of the AIFM's managerial functions and a Compliance Officer in the compliance function. The annualised remuneration amount paid to all of the Identified Staff of the AIFM in respect of their work with the AIFM for the 12 month period to 30 June 2017 was £600,000.

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee comprises all of the Directors. All of the Audit Committee's members have recent and relevant financial experience. The Chairman of the Audit Committee, Christopher Spencer, is a chartered accountant and in addition serves as chairman of the audit committee for some other listed investment companies. The Board is satisfied that Mr Spencer has recent and relevant financial experience, as required under the AIC Code. The qualifications of the members of the Audit Committee are outlined in Directors' Biographies and can be found on page 28.

Committee Meetings

The Audit and Risk Committee meets at least three times a year. Only members of the Audit and Risk Committee have the right to attend Audit and Risk Committee meetings. Representatives of the Investment Managers and Administrator will be invited to attend Audit and Risk Committee meetings on a regular basis and other non-members may be invited to attend all or part of the meeting as and when appropriate and necessary. The Auditor is also invited whenever it is appropriate. The Audit and Risk Committee is also able to meet separately with the Auditor without the Investment Managers being present.

Main Activities

The Audit and Risk Committee assists the Board in carrying out its overall responsibility in relation to financial reporting requirements, risk management and the assessment of internal financial and operating controls. It also manages the Group's relationship with the Auditor. Meetings of the Committee generally take place prior to a Company Board meeting. The Committee reports to the Board as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of their work.

The day to day management and administrative functions are outsourced to third parties and as a consequence there is no requirement for an internal audit function. The Committee reviews and monitors reports on the internal control and risk management systems on which the Company is reliant.

Financial Reporting

The primary role of the Committee in relation to financial reporting is to review in conjunction with the Investment Managers and the Administrator, the appropriateness of the Interim Report and Consolidated Financial Statements and the Annual Report and Consolidated Financial Statements 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 the Auditor;
- in relation to the UK Corporate Governance Code and AIC Code, whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; and
- any correspondence from regulators in relation to the quality of the Group's financial reporting.

To aid its review, the Committee seeks the appropriate input from the Investment Managers, Administrator and also reports from the Auditor.

Significant Risks

In relation to the Annual Report and Consolidated Financial Statements for the year ended 30 June 2017, the following significant issues were considered by the Audit and Risk Committee:

(i) Revenue Recognition

The risk that revenue (classified as 'income' in the Consolidated Financial Statements and primarily comprising interest income or finance charges receivable under loans, leases and hire purchase agreements) may be materially misstated.

The Committee has reviewed and is satisfied that a robust transaction reporting system is in place between the Investment Managers and Administrator to ensure that transactions and the revenue received are reflected correctly.

(ii) Investment Portfolio

The investment portfolio primarily comprises loans, hire purchase contracts and finance leases. The carrying value of these assets is key to the financial performance of the Group and drives returns to shareholders. The valuation models rely on a number of inputs, such as underlying assumptions and estimates, and inherent within any such matter of judgement is the risk that the eventual outcome will differ from that contained within these financial statements.

The Committee reviews the regular reports from the Investment Managers and Administrator regarding the valuation of the investments and with the Board reviews the NAV of the Group, together with the value of investments on a regular basis.

(iii) Compliance

The Company is required to comply with a number of rules and regulations including London Listing Rules, Transparency Rules, Corporate Governance Code and any other regulatory rules in Guernsey. In addition the Company needs to ensure that it complies with the investment strategy set out in its Prospectus, as amended from time to time.

The Board and the Committee regularly receive compliance reports from the Investment Managers and the Administrator.

(iv) Fraud Risk

The risk of fraud due to management override of controls.

The Committee reviews the reports from the Investment Managers and Administrator as to the system of checks in place to combat fraud.

(v) Related Parties and Consolidation

The Company has a number of subsidiaries and affiliated entities.

Consideration is given to financial reporting requirements – primarily around consolidation (and control) and related party disclosure.

The Administrator and Investment Manager have a number of worksheets and documents to ensure that all subsidiaries and affiliated entities are correctly reflected in the monthly valuations and fed through to the financial statements. Related party disclosure is reviewed by all parties.

Risk Management and Internal Controls

As stated earlier, the day to day management and administrative functions are outsourced to third parties. The US Investment Manager is also the AIFM and has responsibilities for risk management, subject to the oversight of the Board. The Board in turn delegates this to the Audit and Risk Committee. The Audit and Risk Committee reports their work and findings to the Board for approval.

The Company continues to review and develop a comprehensive risk management framework, outsourced to the Investment Managers and the Administrator, with a risk register that is reviewed and updated as necessary by the Board and Audit and Risk Committee. The Audit and Risk Committee considers the risks facing the Group and controls and other measures in place to mitigate the impact of risks.

The work of the Audit Committee is primarily driven by the Company's assessment of the principal risks and uncertainties as set out in the Strategic Report and in note 17, the reports received from the Investment Manager and the Company's risk evaluation process.

Risk Framework and Systems of Internal Control

The Board recognises the importance of identifying, actively monitoring and, where possible, mitigating the financial and non-financial risks facing the business. Whilst responsibility for risk management rests with the Board, the management of risk is embedded as part of the everyday business and culture of the Company and its principal advisers.

The Board has considered the need for an internal audit function but because of the internal controls systems in place at the key service providers, and the independent controls process performed it has decided instead to place reliance on those control and assurance processes.

Risk Identification
The Board and Audit and Risk Committee identify risks with input from the Group's Investment Managers and Administrator. The Board also receives detailed quarterly asset management reports highlighting performance and potential risk issues on an investment-by-investment basis.

Risk Assessment
Each identified risk is assessed in terms of probability of occurrence, potential impact on financial performance and movements in the relative significance of each risk from period to period.

Action Plans to Mitigate Risk
Where new risks are identified or existing risks increase in terms of likelihood or impact, the Audit and Risk Committee assists the Group in developing, where possible, an action plan to mitigate the risk and put in place enhanced monitoring and reporting.

Re-assessment and Reporting of Risk
Such risk mitigation plans are reassessed by the Audit and Risk Committee with the relevant key service providers where applicable, and reported to the Board on a quarterly basis. The direct communication between the Group and its Investment Managers is regarded as a key element in the effective management of risk (and performance) at the underlying investment level.

External Audit
The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Audit and Risk Committee received a detailed audit plan from the Auditor identifying its assessment of the significant audit risks. For the year ended 30 June 2017, the significant audit risks identified are shown on pages 36 to 37. The significant risks were tracked through the year and the Audit and Risk Committee challenged the work performed by the Auditor to test management override of controls and in addition the audit work undertaken in respect of valuations of unlisted investments.

The Audit and Risk Committee assess the effectiveness of the audit process in addressing these matters through the reporting received from the Auditor in relation to the year end. In addition, the Audit and Risk Committee seeks feedback from the Investment Managers and the Administrator on the effectiveness of the audit process. For the year ended 30 June 2017, the Audit and Risk Committee was satisfied that there had been appropriate focus and challenge on the significant and other key areas of audit risk and assessed the quality of the audit process to be good.

Appointment and Independence
In its assessment of the independence of the Auditor, the Audit and Risk Committee receives details of any relationships between the Group and the Auditor that may have a bearing on their independence and receives confirmation that they are independent of the Group.

The Audit and Risk Committee considers the reappointment of the Auditor, including the rotation of the audit engagement partner, and assesses their independence on an annual basis. The Auditor is required to consider rotation of the engagement partner responsible for the audit every five years. The current audit engagement partner, Ewan Spraggon, has overseen the audit of the Company for three audit cycles. The Auditor has been the Group's external auditor since incorporation.

The Audit and Risk Committee reviews the objectivity and effectiveness of the audit process on an annual basis and considers the audit tendering provisions of the revised UK Code in determining whether the Company should put the audit engagement out to tender. Having considered the quality and level of service currently being provided by the Auditor, the Audit and Risk Committee believes that it is in the best interests of the shareholders to retain its services and has therefore provided the Board with its recommendation that a resolution proposing the reappointment of the Auditor should be put to the shareholders at the 2017 AGM. The Auditor has indicated its willingness to continue in office. There are no contractual obligations restricting the Committee's choice of external auditor and the external auditor is not indemnified by the Group.

Non-Audit Services
To safeguard the objectivity and independence of the Auditor from becoming compromised, the Committee has a formal policy governing the engagement of the Auditor to provide non-audit services. The Auditor and the Directors have agreed that all non-audit services require the pre-approval of the Audit and Risk Committee prior to commencing any work. The Auditor will only be appointed to provide non-audit services if it is in the best interests of the Company. Fees for non-audit services will be tabled annually so that the Audit and Risk Committee can consider the impact on the Auditor's objectivity.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

The Auditor is remunerated as follows for their services rendered during the year ended 30 June 2017:

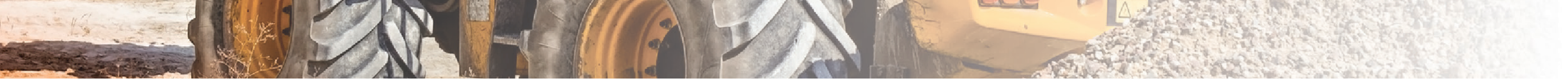
	£
Audit of the Group's financial statements	42,900
Interim review of the Group's financial statements	8,792
Total audit related services	51,692
Agreed upon procedures for 2016 C Share issue*	17,500
Review of the 2015 C Share conversion calculation	4,000
Total non-audit services	21,500

Fees for non-audit services provided during the year represent 42% of the fees for audit related services, and 29% of the total fees paid to the auditors.

* Included in C Share Costs.

For and on behalf of the Audit and Risk Committee

Christopher Spencer
Chairman of the Audit and Risk Committee
4 October 2017



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQN ASSET FINANCE INCOME FUND LIMITED

Opinion

We have audited the consolidated financial statements of SQN Asset Finance Income Fund Limited (referred to as "the company" and together with its subsidiaries as "the Group") for the year ended 30 June 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable Guernsey law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit commentary

A: What has changed in the current year approach?

The approach followed was consistent with the 2016 audit strategy, enhanced in the following areas:

- Heightened review of the investment portfolio in light of restructured investments and potentially impaired investments. As part of this we included elements of unpredictability in our sample selection.
- Heightened review of the monitoring process of the portfolio in particular diversification limits and covenant monitoring.

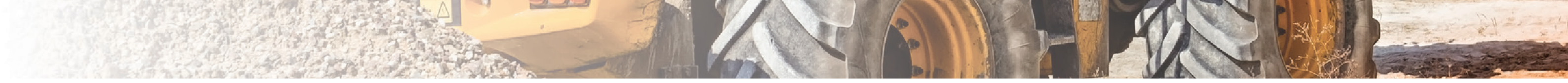
B: An overview of the scope of our audit

Our audit approach is risk based and focusses on identification of key business risks and those areas of operation that are considered significant to the results for the year. It focuses on the robustness and effectiveness of the company's control environment established by management to ensure sound operational and financial control and the mitigation of risk.

For purposes of the Group, management includes those 3rd parties such as the investment managers and administrator to whom the board has delegated responsibility for key operations and day to day functions.

Where possible, we seek to validate and subsequently place reliance on the controls that are in place, in order to increase the efficiency of our audit work. Our audit comfort comes from evaluating and validating how management monitor and control the business and financial risks.

The Group includes the company and its 5 wholly owned subsidiaries which are all established for the primary purpose of acting as investment holding companies.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQN ASSET FINANCE INCOME FUND LIMITED (CONTINUED)

Our audit approach covered both pre and year end procedures described as follows:

- *Pre-year end:* In conjunction with the testing of the internal controls, the pre-year end audit work included "walk through testing" which was undertaken to help us understand the control environment (including IT controls) established by management and the entire investment process of the different investments included in the portfolio of the Group (from deal sourcing, due diligence to recognition in the financial statements). We obtained this understanding from discussions/meetings with the administrator, the investment manager(s) and the board as well as review of relevant documentation provided.

  As part of our discussions with management and the board around the control environment and the overall business environment of the Group, we considered a number of emerging and developing areas to be significant for management and the board's attention on an on-going basis. These included but were not limited to cyber risk, development in the global tax area and short term market volatility as a result of the Brexit vote.

- *Year end:* Based on the understanding of the business, from the pre year end testing, we undertook substantive testing on significant balances, transactions and disclosures in line with our risk assessment including the results of the work done at the pre year end.

C: Our application of materiality

In accounting terms, a material error is one that, if it were unadjusted, would cause a user of the financial statements to alter his view of those statements or the results or the financial position of the entity being reported on. Materiality, therefore, is incapable of monetary definition, since it has both quantitative and qualitative elements. Auditors examine accounts on a test basis. The level of testing we have carried out is based on our assessment of the risk that an item in the financial statements may be materially misstated.

We assess risk both at the overall financial statement level and at the individual item level. The nature and volume of audit work we have conducted is directly related to our risk assessments. We plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole.

In making our assessments and in particular cognisant of the challenges of defining materiality, we considered a threshold of £3,459,000 to be an indicator of materiality for the financial statements as a whole. This threshold was based on an average of the following figures: 0.5% of revenue, 5% of profit, 1% of gross assets and 100% of the smallest disclosed balance. This is intended to avoid the distorting effect of using only one financial statement figure as the measure. We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £86,475, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

D: Key audit matters

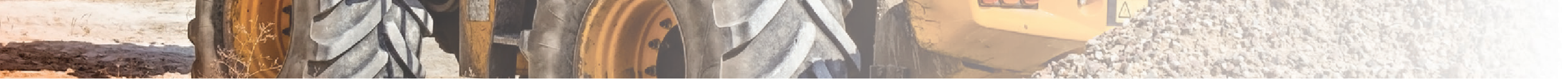
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified in our audit.

The key matters listed below are consistent with our 2016 audit strategy.

(i) Revenue recognition

Revenue is classified as "finance income" in the financial statements and primarily comprises of interest income including from loans, leases and hire purchase agreements. The respective Group Company enters into legal agreements with clients of varying lengths (typically up to 10 years). The terms of the agreements are summarised in a trade ticket which is reviewed by both the investment manager and administrator including on a monthly basis as part of the NAV reporting process.

The risk – As finance income is the Group's major source of revenue and is a material item in the Statement of Comprehensive Income, the recognition of finance income is considered to be a significant risk.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQN ASSET FINANCE INCOME FUND LIMITED (CONTINUED)

Our response – Our audit procedures with respect to revenue recognition included, but were not limited to: tests of control over trade ticket terms; substantive analytical procedures and tests of detail over balances to corroborate the value of income and debtors during the period to the trade ticket and underlying documentation; and testing of cash receipts or debtors records to test the completeness of revenue.

(ii) Loans and receivables

The risk – The carrying value of the investment portfolio may be misstated. Qualitative information about the credit quality of the portfolio (such as on restructured and potentially impaired investments) may not be appropriately considered and/or disclosed. The investments primarily comprise of loans, hire purchase contracts and finance leases.

Our response – In conjunction with the revenue testing described above, we performed tests of control over trade ticket terms. We also performed analytical procedures to ensure that the amortisation schedule and carrying value were in line with relevant IFRS requirements. We had discussions with the investment managers around the portfolio quality as part of our audit procedures.

(iii) Compliance

The risk – The Group is required to comply with a number of rules and regulations including Listing Rules, Transparency Rules, Corporate Governance Code and any other regulatory rules in Guernsey. In addition, the Group needs to ensure that it complies with the investment strategy set out in its prospectus, as amended from time to time.

Our response – Our audit procedures include a review for compliance with key rules e.g. Listing Rules, Transparency Rules, Corporate Governance Code and any other regulatory rules. We also performed a review of Board Minutes to check for board oversight of the compliance work carried out by the administrator and of investment strategy compliance.

(iv) Related parties

The risk – The Company has a number of subsidiaries and affiliated entities. In addition a number of shares have been issued to existing shareholders/investors. Consideration needs to be given to financial reporting requirements – primarily around consolidation (and control) and related party disclosure – as applicable.

Our response – Our audit procedures include use of an IFRS disclosure checklist in addition to discussions with management on key related party transactions and the substance of the transactions for the purpose of the consolidated financial statements including appropriate disclosure thereof.

(v) Management override of internal controls

The risk – ISA (UK and Ireland) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements' requires us to consider the risk of management override of controls. There is a risk of fraud due to management override of controls particularly as the group is controlled by a small number of individuals with limited segregation of duties.

Our response – Our audit work included a specific review of all significant management journals, with special focus on journals around the year end.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;

- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQN ASSET FINANCE INCOME FUND LIMITED (CONTINUED)

- the director's explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Other information and matters on which we are required to report by exception

The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or

- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or

- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

We also consider whether the section describing the work of the audit committee appropriately addresses matters communicated by us to the audit committee.

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

- the company has not kept proper accounting records; or

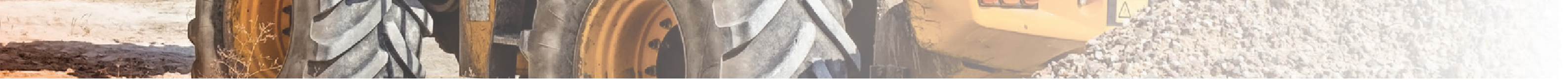
- the financial statements are not in agreement with the accounting records and returns; or

- we have not received all the information and explanations which to the best of our knowledge and belief are necessary for the purposes of our audit.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 10 in relation to going concern and longer term viability; and

- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQN ASSET FINANCE INCOME FUND LIMITED (CONTINUED)

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with applicable legislation.

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of this report

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

Baker Tilly CI Audit Limited
Chartered Accountants
St. Sampsons, Guernsey

Date: 4 October 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Year ended 30 June 2017 £	Year ended 30 June 2016 £
Income			
Finance income		31,429,726	17,709,536
Interest on cash and cash equivalents		278,468	486,926
Other income		855,267	1,656,788
Total income	**2.6**	**32,563,461**	**19,853,250**
Net unrealised gain on revaluation of investments		245,435	288,266
Net unrealised foreign exchange (loss)/gain on investments		(940,552)	16,626,443
Net unrealised foreign exchange gain/(loss) on forward contracts		12,102,788	(10,263,615)
Net realised foreign exchange gain on investments		6,298,649	1,829,076
Net realised foreign exchange loss on forward contracts		(18,157,629)	(11,005,490)
Net realised and unrealised loss		**(451,309)**	**(2,525,320)**
Expenses			
Investment management fees	3a	(4,355,085)	(2,893,765)
Directors' fees and travel expenses		(194,668)	(202,593)
Other operating expenses	3b,4	(1,380,560)	(801,295)
Depreciation	7	(443,056)	(351,768)
Total operating expenses		**(6,373,369)**	**(4,249,421)**
Total comprehensive income for the year		**25,738,783**	**13,078,509**
Total comprehensive income/(loss) for the year/period analysed as follows:			
Attributable to Ordinary shareholders		25,762,796	11,892,845
Attributable to 2016 C shareholders		(24,013)	-
Attributable to 2015 C shareholders		-	1,185,664
Total		**25,738,783**	**13,078,509**
Basic and diluted earnings per Ordinary Share	**5**	**8.58p**	**6.64p**
Basic and diluted loss per 2016 C Share	**5**	**(0.02)p**	**-**
Basic and diluted earnings per 2015 C Share	**5**	**-**	**0.66p**

All results are derived from continuing operations.

The Group has no items of other comprehensive income, and therefore the profit for the year is also the total comprehensive income.

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Notes	30 June 2017 £	30 June 2016 £
Non-current assets			
Property, plant and equipment	7	6,218,601	4,631,548
Residual value of finance lease investments	2.4	1,265,303	1,041,623
Investments designated as fair value through profit or loss	8.2	4,598,099	4,373,701
Finance lease and hire-purchase investments	9	103,549,225	62,389,028
Loans and other investments	8.1	258,294,814	205,944,354
		373,926,042	278,380,254
Current assets			
Cash and cash equivalents	2	154,568,616	87,815,244
Interest receivables	10	3,848,999	2,494,276
Other receivables and prepayments	10	3,809,092	1,974,907
Investment receivables	10	876,451	173,632
		163,103,158	92,458,059
Total assets		**537,029,200**	**370,838,313**
Current liabilities			
Other payables and accrued expenses	11	(1,174,026)	(792,595)
Investment payables		(74,946)	(1,836)
Derivative financial liabilities	8.2,17	(2,876,663)	(15,213,964)
		(4,125,635)	(16,008,395)
Net assets		**532,903,565**	**354,829,918**
Equity			
Share capital	13	530,606,210	353,716,434
Retained earnings		2,297,355	1,113,484
		532,903,565	**354,829,918**
NAV per Share			
- Ordinary Shares	6	99.63p	99.45p
- 2016 C Shares	6	98.06p	-
- 2015 C Shares	6	-	98.24p

These Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 4 October 2017, and signed on its behalf by:

Peter Niven
Director

Christopher Spencer
Director

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Net Assets Attributable to Shareholders Share Capital £	 Retained Earnings £	 Total £
As at 1 July 2016		**353,716,434**	**1,113,484**	**354,829,918**
Total comprehensive income for the year		-	25,738,783	25,738,783
Transactions with shareholders				
Issue of 2016 C Shares	13	180,000,000	-	180,000,000
2016 C Shares issue costs	13	(3,110,224)	-	(3,110,224)
Dividends paid	14	-	(24,554,912)	(24,554,912)
Total transactions with shareholders		**176,889,776**	**(24,554,912)**	**152,334,864**
As at 30 June 2017		**530,606,210**	**2,297,355**	**532,903,565**

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Net Assets Attributable to Shareholders Share Capital £	 Retained Earnings £	 Total £
As at 1 July 2015		**176,808,446**	**2,046,797**	**178,855,243**
Total comprehensive income for the year		-	13,078,509	13,078,509
Transactions with shareholders				
Issue of 2015 C Shares	13	180,000,000	-	180,000,000
2015 C Shares issue costs	13	(3,092,012)	-	(3,092,012)
Dividends paid	14	-	(14,011,822)	(14,011,822)
Total transactions with shareholders		**176,907,988**	**(14,011,822)**	**162,896,166**
As at 30 June 2016		**353,716,434**	**1,113,484**	**354,829,918**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	Year ended 30 June 2017 £	Year ended 30 June 2016 £
Operating activities:			
Total comprehensive income for the year		25,738,783	13,078,509
Adjustments for:			
Unrealised gain on investments		(245,435)	(288,266)
Unrealised foreign exchange gain in the year		(11,162,236)	(6,362,828)
Depreciation	7	443,056	351,768
Realised foreign exchange gain on investments		(6,298,649)	(1,829,076)
Increase in interest receivable		(1,354,723)	(949,488)
(Increase)/decrease in investment receivables		(702,819)	225,840
Increase in other receivables and prepayments		(1,834,185)	(1,100,067)
Increase/(decrease) in investment payables		73,110	(128,164)
Increase in other payables and accrued expenses	11	381,431	355,192
Acquisition of investments	7,8,9	(131,535,563)	(203,357,736)
Amortisation of investment principal during the year	8,9	35,620,919	42,613,143
Disposals during the year	8	5,529,332	-
Net cash outflow from operating activities		**(85,346,979)**	**(157,391,173)**
Cash flow from financing activities			
Share issue (net proceeds)	13	176,889,776	176,907,988
Dividends paid	14	(24,554,912)	(14,011,822)
Net cash flows provided by financing activities		**152,334,864**	**162,896,166**
Net increase in cash and cash equivalents		**66,987,885**	**5,504,993**
Cash and cash equivalents at start of the year		87,815,244	75,654,965
Effect of exchange rate changes on cash and cash equivalents		(234,513)	6,655,286
Cash and cash equivalents at end of the year		**154,568,616**	**87,815,244**

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Company was incorporated on 28 May 2014 and registered in Guernsey as a Closed-ended Collective Investment Scheme. The Company's registered office is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA. The Company's Ordinary Shares were admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 July 2014.

In November 2015, the Group raised additional capital by the issuance of the 2015 C Shares, which were listed on the Main Market of the London Stock Exchange. Net proceeds of £176,907,988 were raised through the issue of 180,000,000 2015 C Shares. On 25 October 2016, the 2015 C Shares were converted to Ordinary Shares using a conversion ratio of 0.9929 Ordinary Shares for each 2015 C Share. The conversion ratio was based on the NAV per 2015 C Share as at 14 October 2016, which was the conversion date (the "Conversion Date") (refer to note 13).

In December 2016, the Group raised additional capital by the issuance of the 2016 C Shares. Net proceeds of £176,889,776 were raised through the issue of 180,000,000 2016 C Shares. The 2016 C Shares are listed separately on the Main Market of the London Stock Exchange and were admitted on 12 December 2016 (refer to note 13).

The 2016 C Shares net proceeds and the investments made with the net proceeds will be accounted for and managed as a separate pool of assets in accordance with the Company's investment policy until the conversion of 2016 C Shares to Ordinary Shares. The terms and timing of the conversion of the 2016 C Shares to Ordinary Shares will be announced at a later date. Expenses are split between Ordinary Shares and 2016 C Shares in proportion to their respective NAV.

The Company's subsidiaries, SQN Asset Finance (Guernsey) Limited, SQN AFIF (AMBER) Limited, SQN AFIF (BRONZE) Limited, SQN AFIF (Cobalt) Limited and SQN AFIF (Diamond) Limited (the "Subsidiaries") are wholly owned Subsidiaries incorporated in Guernsey and established for the primary purpose of acting as investment holding companies (refer to note 2.1(e) for further details). The Subsidiaries' registered office is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

2. Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout all the years presented, unless otherwise stated.

2.1 Basis of Preparation

(a) Statement of Compliance

The audited consolidated financial statements for the year ended 30 June 2017 have been prepared in accordance with IFRS as adopted by the European Union ("EU"), which comprise standards and interpretations approved by the International Accounting Standards Board together with the interpretations of IFRS and the Standing Interpretations Committee as approved by the International Accounting Standards Committee. They give a true and fair view of the Group's affairs and comply with The Company (Guernsey) Law 2008, as amended.

(b) Going Concern

Going concern refers to the assumption that the Company has the resources to continue in operation for the foreseeable future, being twelve months from the date of approval of the Consolidated Financial Statements. After reviewing the Group's budget and cash flow forecast for the next financial period, the Directors are satisfied that, at the time of approving the Consolidated Financial Statements, it is appropriate to adopt the going concern basis in preparing the Consolidated Financial Statements.

(c) New Standards, Amendments and Interpretations Not Adopted in these Consolidated Financial Statements

There were no new standards, amendments or interpretations effective for the first time for the current reporting period that had a material impact on the Group or Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Detailed below are new standards, amendments and interpretations to existing standards that become effective in future accounting periods which have not been adopted by the Group:

IFRS	Effective for periods beginning on or after
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 9 – Financial Instruments	1 January 2018
IFRS 16 – Leases (subject to EU endorsement)	1 January 2019

The Directors have not yet fully assessed the impact that these new standards will have on the Consolidated Financial Statements of the Group. The new standards will be applied to periods on or after the effective date.

(d) Functional and Presentation Currency

Items included in the Consolidated Financial Statements of the Group are measured using Sterling as the currency of the primary economic environment in which the Group operates (the “Functional Currency”). The Financial Statements are presented in Sterling, which is the Group’s presentation currency.

(e) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The principal place of business of the Subsidiaries is Guernsey.

In accordance with IFRS 10 - Consolidated Financial Statements (“IFRS 10”), if the Company meets the definition of an investment entity (“IE”) it qualifies for a consolidation exemption. The relevant provisions for an IE under IFRS 10 are set out below.

IFRS 10.27 – An IE is an entity that:

a. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

b. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c. measures and evaluates the performance of substantially all of its investments on a fair value basis.

IFRS 10.28 – An entity shall consider whether it has the following characteristics of an IE:

a. it has more than one investment;

b. it has more than one investor;

c. it has investors that are not related parties of the entity; and

d. it has ownership interests in the form of equity or similar interests.

The Board considered all the above factors and noted that whilst it might meet many of the IE criteria, as it does not measure and evaluate the performance of substantially all of its investments on a fair value basis, the Directors’ have concluded that the Company does not meet the definition of an IE and does not qualify for the IFRS 10 consolidation exemption. The Subsidiaries have therefore been consolidated into these Consolidated Financial Statements.

(f) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the Consolidated Financial Statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

In the normal course of business, the Board, under the advice of the Investment Managers make certain assumptions about residual values (note 2.4), useful life of equipment (note 2.5), and asset impairment (note 2.3(c)).

2.2 Foreign Currency Translation

Transactions in currencies other than the Functional Currency are recorded using the exchange rate prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and those from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences on non-monetary items such as financial assets at fair value through profit or loss are reported as part of net gains or losses on financial assets through profit or loss the Statement of Comprehensive Income.

2.3 Financial Assets

a) Classification and Measurement

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets designated at fair value through profit or loss at inception

Financial assets designated at fair value through profit or loss at inception are financial instruments that are managed and their performance is evaluated on a fair value basis in accordance with the Group’s documented investment strategy.

The Group’s policy requires the Investment Managers and the Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. Financial assets at fair value through profit are recognised at fair value and changes in fair value are recorded in the Statement of Comprehensive Income.

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 measured at amortised cost using the effective interest method, less any impairment.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when the value of the asset is less than the carrying value on the Group’s Financial Statements. When assessing impairment, the Investment Managers consider the ability of the end-user to make all contracted payments due to the Group, the delinquency status of each account, and the value of the equipment or assets relative to all outstanding obligations in the case of defaults. In assessing residual values for the purpose of impairment, each account is reviewed at least annually and third-party appraisals used when necessary.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Gains and losses are recognised in the Statement of Comprehensive Income when loans and receivables are derecognised or impaired, as well as through the amortisation process.

b) Recognition and De-Recognition

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

c) Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability is conducted in either:

- the principal market for the asset or liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use capacity or by selling it to another market participant that would use the asset in its highest and best use capacity.

The Board assesses at each reporting date whether a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment of the principal on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Statement of Comprehensive Income to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2.4 Finance Lease and Hire-Purchase Investments

The Group, as lessor, categorises finance leases and hire purchase investments as lease arrangements where the terms of the lease transfer substantially all risks and rewards of ownership to the lessee (in accordance with the requirements of IAS 17 - Leases). Hire-purchase investments include a purchase option exercisable by the lessee upon fulfilment of specified conditions. Under such arrangements, at the commencement of the lease term, the Group records finance lease and hire-purchase investments in the Statement of Financial Position as a receivable, at an amount equal to the net investment in the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The net investment in the lease is equal to the gross investment in the lease (minimum lease payments receivable by the Group under finance lease and hire-purchase investments plus any unguaranteed residual value accruing to the Group) discounted by the interest rate implicit in the lease.

On subsequent measurement, the Group splits the minimum payments received under the lease between finance income and reduction of the lease receivable.

The Group applies the principles of IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"), to lease receivables with respect to the derecognition and impairment provisions.

Residual Value on Finance Leases
The unguaranteed residual value on finance leases is calculated by estimating the fair market value of the leased assets less the lease payments from the lessee.

Estimates of market value are based on a number of assumptions including, but not limited to, the in-place value of the equipment or assets to the end-user, the secondary market value of similar assets and equipment, the replacement cost of the asset or equipment including the cost of de-installation and re-delivery, and the Investment Managers' own assumptions based on historical experience.

2.5 Property, Plant and Equipment
Property, Plant and Equipment comprises operating leases of marine assets, which the Group categorises as a lease arrangement in which a significant portion of the risks and rewards of ownership are retained by the lessor (in accordance with the requirements of IAS 17- Leases).

Assets held for use under operating leases are measured at cost less depreciation and are depreciated on a straight line basis over the remaining useful life.

Estimates of the useful life of equipment are based on manufacturers' recommendations, the age of similar products in the market, the intended use and utilisation of the equipment, and the Investment Managers' own assumptions based on historical experience.

2.6 Income
Income is recognised to the extent that it is probable that economic benefits will flow to the entity and can be reliably measured.

Finance income from finance leases is recognised in the Statement of Comprehensive Income based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Income on cash and cash equivalents relates to interest receivable on cash and cash deposits with banks.

Other income relates to upfront commitment and facility fees received by the Group in connection to the lease and loan undertakings. The income is recognised in the Statement of Comprehensive Income immediately when the loan or lease agreements are approved and signed.

2.7 Interest Income and Expenses
Interest income and expenses are recognised in the Statement of Comprehensive Income at the effective interest rate.

2.8 Issue Costs
Costs directly incurred on share issues are netted off against the share issue proceeds.

2.9 Dividends Payable
The Group pays dividends to Shareholders subject to the solvency test prescribed by Guernsey Law. Refer to note 14 for details of dividend activity during the year.

2.10 Cash and Cash Equivalents
Cash and cash equivalents comprise cash at bank, and deposits held at call with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.11 Taxation

Profits arising in the Company are subject to tax at the standard rate of 0%. The Subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 for which they each pay an annual fee of £1,200.

2.12 Derivative Financial Instruments

The Group makes use of derivative financial instruments to manage its exposure to foreign exchange rate risk, including but not restricted to the use of foreign exchange forward contracts. A derivative with a positive fair value is recognised as a financial asset and a derivative with a negative fair value is recognised as a financial liability. Further details on derivative financial instruments are disclosed in notes 8.2 and 17.

2.13 Equity Holdings

As at 30 June 2017, the Group had provided (or committed to provide) asset finance facilities in the form of construction finance and hire purchase investments to six anaerobic digestion plants (30 June 2016: five anaerobic digestion plants).

In addition to these finance arrangements the Group acquired a 25.5% equity holding in each investee company. The terms of the shareholder agreement included an option (the "Call Option"), exercisable by the developer upon or following full repayment of the asset finance/loan, to purchase the Group's shares at a price that will produce a maximum 12% per annum return on capital to the Group, taking account of both interest paid under the debt facilities and (if applicable) any dividends, assuming each project is fully delivered.

The equity holdings do not qualify for equity method accounting under IAS 28 – Investments in Associate – as, although the Group holds greater than 20% of the voting power in each of the investees, the Board judge that the Group does not have significant influence due to the following factors for each investment:

- The equity holdings can be bought back at the developer's discretion once conditions per the shareholder agreement are satisfied.
- The return is fixed at a maximum of 12% per annum across the entire investment (loan and shares). If the investment performs better than expected, the developer will exercise the option to purchase the shares at the agreed price and therefore the Group has no realistic chance of participating in residual value.

In accordance with IAS 39, the separate investment in the shares is measured initially at cost and subsequently at fair value through profit or loss, taking into account all information available including possible future cash flows, progress of the projects and the call option available to the developer.

The Board are in ongoing communications with the Investment Managers and from discussions and review of relevant information available, believe that the fair value of the Call Options throughout the period and as at 30 June 2017 is £nil.

2.14 Comparatives

The comparatives in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows are not entirely comparable to the current year as they did not include the 2016 C Shares, which were launched in December 2016.

3. Material Agreements

a) Investment Management Agreement

The Company's investments are managed by the Investment Managers. Under the terms of the Investment Management Agreement dated 16 June 2014, the Company appointed the Investment Managers to provide management services to the Company. The Investment Managers are together entitled to a management fee which is calculated and accrued monthly and payable monthly in arrears at the following rate per annum of the Group's NAV:

On first £300 million of the NAV	1.00%
On £300 million - £500 million of the NAV	0.90%
Any amount greater than £500 million of the NAV	0.80%

In addition to the above fee, the Investment Managers are entitled to receive an additional fee where either of them or their affiliates provides structuring advice and/or services in connection with the acquisition (but not the disposal) of any investment. The fee will be equal to 1% of the transaction amount.

The Investment Managers are not entitled to any incentive or performance based fees.

Refer to note 18 for details on fees paid during the year to the Investment Managers.

b) Administration and Custodian Agreement

The Company has engaged the services of the Administrator to provide administration and custodian services. With effect from 1 July 2015, under the terms of the revised schedule 2 of the Administration and Custody Agreement dated 16 June 2014, the Administrator is entitled to receive an annual administration fee based on the Group's gross issue proceeds on a tiered percentage basis.

The Administrator receives an annual fee of £36,000 for performing the function of Secretary to the Company plus fees for ad-hoc Board meetings and an annual fee of £10,000 for provision of compliance services.

The Administrator is due a fee of £10,000 for each share launch and an annual fixed fee of £5,000 for each Guernsey Subsidiary (for up to seven Guernsey subsidiaries).

c) Registrar Agreement

Capita Registrars (Guernsey) Limited has been appointed as registrar of the Company pursuant to the registrar agreement dated 16 June 2014. The fee is charged at a rate of £1.60 per holder of Ordinary Shares and 2016 C Shares appearing on the register, subject to a minimum fee of £5,000 per annum, plus disbursements.

d) Placing Agreements

The Company, the US Manager, the UK Manager, the Sub-Investment Manager, the Directors and Winterflood Securities Limited ("Winterflood") entered into a Placing and Offer Agreement on 16 June 2014. In addition, there are engagement letters dated 14 July 2014 and 15 September 2015 between the Company and Winterflood. In accordance with the Placing and Offer Agreement and the engagement letters, Winterflood acts as sponsor, financial advisor and sole book runner in connection with the issue and/or the placing programme. For their services, Winterflood are entitled to an annual brokerage and advisory fee of £45,000 and commission fees of 1% and 0.5% of the gross value of any share issues and repurchases respectively. Winterflood were also entitled to commission fees of 1.5% on the gross proceeds of the 2015 C Shares and the 2016 C Shares which were issued in November 2015 and December 2016 respectively.

4. Other Operating Expenses

	30 June 2017 £	30 June 2016 £
Administration and secretarial fees	429,730	333,186
Audit fees	51,692	48,440
Brokerage fees	45,530	46,087
Public relation fees	50,053	46,070
Registrar fees	44,929	42,661
Legal fees	17,508	15,674
Professional fees	178,853	108,917
Commission fees	237,204	-
Transaction fees	70,865	14,808
Other expenses	254,196	145,452
Total	**1,380,560**	**801,295**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Basic and Diluted Earnings/(Loss) per Share

30 June 2017	Ordinary Shares	2016 C Share	2015 C Share
Total comprehensive income/(loss) for the year	£25,762,796	£(24,013)	-
Weighted average number of shares in issue during the year	300,418,537	100,602,740	-
Basic and diluted earnings/(loss) per share	8.58p	(0.02)p	-

30 June 2016	Ordinary Shares	2016 C Share	2015 C Share
Total comprehensive income for the year	£11,892,845	-	£1,185,664
Weighted average number of shares in issue during the year	178,985,507	-	180,000,000
Basic and diluted earnings per share	6.64p	-	0.66p

6. NAV per Share

30 June 2017	Ordinary Shares	2016 C Shares	2015 C Shares
NAV	£356,397,803	£176,505,762	-
Number of shares in issue at year end	357,707,507	180,000,000	-
NAV per share	99.63p	98.06p	-

30 June 2016	Ordinary Shares	2016 C Shares	2015 C Shares
NAV	£177,996,266	-	£176,833,652
Number of shares in issue at year end	178,985,507	-	180,000,000
NAV per share	99.45p	-	98.24

7. Property, Plant and Equipment

Property, Plant and Equipment comprises plant and machinery originally subject to:

a) a hire purchase agreement which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 12.5 years (30 June 2016: 13.5 years).

b) a finance lease which was re-leased to an alternative third party under an operating lease during the year ended 30 June 2017. The asset has a remaining useful life of 14 years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The carrying amount is detailed in the table below:

	30 June 2017 £	30 June 2016 £
Cost		
Opening balance	**5,100,572**	**5,100,572**
Additions during the year	44,522	-
Reclassified investments[1]	1,985,587	-
Closing balance	**7,130,681**	**5,100,572**
Accumulated depreciation		
Opening balance	**(469,024)**	**(117,256)**
Depreciation during the year	(443,056)	(351,768)
Closing balance	**(912,080)**	**469,024**
Net book value	**6,218,601**	**4,631,548**

[1] This item relates to an investment that has been reclassified from the Finance Lease investments category (as detailed in note 7(b) above). Please refer to note 9 for additional information.

8. Financial Instruments

8.1 Loans and Other Investments

The following table summarises the changes in investments measured at amortised cost using the effective interest method:

30 June 2017	Loans £	Construction Finance £	Receivables £	Total £
Opening balance	**92,965,222**	**103,530,815**	**9,448,317**	**205,944,354**
Advances and purchases during the year	43,474,375	75,989,773	-	119,464,148
Principal amortisation during the year	(11,145,150)	(8,231,726)	(4,173,990)	(23,550,866)
Disposals	(5,401,127)	(128,205)	-	(5,529,332)
Reclassified investments[1]	21,139,325	(63,995,135)	-	(42,885,810)
Realised foreign exchange gain on investments	1,442,156	3,891,701	533,765	5,867,622
Unrealised foreign exchange gain on revaluation	990,329	(1,783,446)	(252,185)	(1,045,302)
Closing balance	**143,465,130**	**109,273,777**	**5,555,907**	**258,294,814**

30 June 2016	Loans £	Construction Finance £	Receivables £	Total £
Opening balance	**47,664,651**	**22,131,934**	**2,845,605**	**72,642,190**
Advances and purchases during the year	66,985,094	98,071,965	8,638,201	173,695,260
Principal amortisation during the year	(33,854,841)	(1,037,392)	(3,015,862)	(37,908,095)
Reclassified investments[2]	-	(20,290,025)	-	(20,290,025)
Realised foreign exchange gain on investments	1,689,357	22,324	108,137	1,819,818
Unrealised foreign exchange gain on revaluation	10,480,961	4,632,009	872,236	15,985,206
Closing balance	**92,965,222**	**103,530,815**	**9,448,317**	**205,944,354**

[1] This item relates to advances in the Construction Finance investments category that were reclassified as additions in the Loans investment category in the sum of £21,139,325 as noted above, and Finance Lease and Hire-Purchase investment categories in the sum of £31,933,393 and £10,922,417 respectively, as detailed in note 9.

[2] This item relates to advances in the Construction Finance category that were reclassified as additions in the Finance Lease and Hire-Purchase investment categories in the sum of £2,880,118 and £17,409,907 respectively, as detailed in note 9.

Construction Finance investments comprise initial drawings or advances made under loan agreements, finance leases or hire-purchase agreements during a period of procurement or construction of underlying assets (the “Construction Period”). During the Construction Period, interest or similar service payments on the advances may be paid or (more usually) rolled-up and capitalised on expiry of the Construction Period, typically when the assets have been commissioned and (if applicable) commercial operations have commenced.

The amortisation period (in the case of a loan) or lease/hire term (in the case of a finance lease or hire-purchase) commences at the end of the Construction Period and the service payments or lease/hire payments rentals are calculated by reference to the total advances during the Construction Period plus interest accrued (if not paid). In the case of a finance lease, the advances (and accrued interest) are repayable in full if a default or insolvency event occurs or if the Construction Period has not ended by a specified long-stop date.

Receivables comprise the legal right to streams of contracted payments arising under lease, hire, licence or similar agreements made between an end-user, lessee or licensee and lessor, owner or licensor of goods or other assets, in respect of which the right to receive payment has been sold or assigned absolutely to the Group by a third party, but legal title to the goods or other assets lies with that third party.

8.2 Fair Value Investments

The Group’s accounting policy on fair value measurements is discussed in note 2.3(c).

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that reflect unadjusted price quotes in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date;

Level 2: Inputs that reflect price quotes of similar assets and liabilities in active markets, and price quotes of identical assets and liabilities in markets that are considered to be less than active as well as inputs other than price quotes that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability and reflect the Investment Managers’ own assumptions based upon experience of similar assets and/or on third party appraised values. This category includes instruments that are valued based on price quotes for which the inputs are unobservable or price quotes for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair values of derivative instruments are calculated using quoted prices. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

For financial assets not carried at amortised cost, the Investment Managers determine fair value using valuation techniques approved by the Directors.

The following table details the Company's fair value hierarchy.

30 June 2017	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets				
Designated at fair value through profit or loss (Lease Participation)	-	-	4,598,099	4,598,099
Finance lease residual value	-	-	1,265,303	1,265,303
Equity holding[1]	-	-	-	-
Total financial assets	**-**	**-**	**5,863,402**	**5,863,402**
Financial liabilities				
Derivative liabilities	-	(2,876,663)	-	(2,876,663)
Total financial liabilities	**-**	**(2,876,663)**	**-**	**(2,876,663)**

30 June 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets				
Designated at fair value through profit or loss (Lease Participation)	-	-	4,373,701	4,373,701
Finance lease residual value	-	-	1,041,623	1,041,623
Equity holding[1]	-	-	-	-
Total financial assets	**-**	**-**	**5,415,324**	**5,415,324**
Financial liabilities				
Derivative liabilities	-	(15,213,964)	-	(15,213,964)
Total financial liabilities	**-**	**(15,213,964)**	**-**	**(15,213,964)**

The following table summarises the changes in the fair value of the Group's Level 3 investments:

	30 June 2017 £	30 June 2016 £
Opening balance	**5,415,324**	**4,387,648**
Additions during the year	235,549	183,821
Principal amortisation during the year	(162,332)	(94,916)
Realised foreign exchange gain on investments	24,676	9,258
Unrealised foreign exchange gain on revaluation	350,185	929,513
Closing balance	**5,863,402**	**5,415,324**

[1] Refer to note 2.13 for further details on the equity holding.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Transfers between levels are deemed to have occurred at the date of the event or change in circumstances that caused the transfer. There were no transfers of investments between the Levels during the year.

The Lease Participation investments represent a single participation investment in a portfolio of leases. The carrying value of £4,598,099 (30 June 2016: £4,373,701) represents the value attributable to the 'principal' element of the participation interest, determined in accordance with the participation agreement.

The participation agreement entitles the Group to receive interest on the principal balance at the rate of 10.5%. Payment amounts are not fixed and are dependent on the actual proceeds received on the Lease Portfolio each month. Any shortfall in interest payments is added to the principal balance and accrues interest at the same rate. The Group does not have any rights to any amounts received on the portfolio over and above the repayment of their principal plus any interest accrued at the rates stated above.

The Directors and the Investment Managers believe this is a reasonable approximation of the fair value. The Group has therefore not presented quantitative information on the valuation of the Lease Participation investments.

Information about the Secondary Market for Level 3 Investments

The Investment Managers make assumptions about the residual value of certain assets and equipment. As determined by the Investment Managers, the residual value is a function of the in-place value and/or the secondary market value of the equipment or assets.

The in-place value is an assessment of the value of the equipment or assets if the equipment or assets were to continue to operate and provide value to the end-user. This takes into account the marginal cost of keeping the asset in place as well as the cost to the end-user of decommissioning, redelivering, and replacing the equipment. In some cases, this amount (or a maximum value) is negotiated in advance with the end-user.

The secondary market value is determined utilising the Investment Managers' historical experience, quotes from dealers, third party appraisals and recent sales. The secondary market value also takes into account the geography of the equipment or assets, the timeframe required to conduct a sale, and the associated costs that are not passed on to the end-user.

Equity Holdings

The equity holdings as detailed in note 2.13 are valued by the Board, taking into consideration a range of factors including the NAV of the investee, (if available), the existence of the Call Option exercisable on the holding and other relevant available information, including the price of recent transactions of equity holdings, (if any), and advice received from the Investment Managers and such other factors as the Board, in their sole discretion, deem relevant in considering a positive or negative adjustment to the valuation.

The estimated fair values of the equity holdings may differ from the values that would have been realised had a ready market existed and the difference could be material.

The fair value of the equity holdings is reassessed on an ongoing basis by the Board.

8.3 Valuation Process

The following table provides information about fair value measurements using significant unobservable inputs:

30 June 2017 Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	4,598,099	Principal balance	Third party appraisal
Finance lease residual value	1,265,303	Market approach	In place value / secondary market value
Equity holding	-	Market approach	Market value

30 June 2016 Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	4,373,701	Principal balance	Third party appraisal
Finance lease residual value	1,041,623	Market approach	In place value / secondary market value
Equity holding	-	Market approach	Market value

9. Finance Lease and Hire-Purchase Investments

The Group's investments include a portfolio of leases of plant and machinery leased under finance lease agreements that transfer substantially all the risks and rewards incidental to ownership to the lessee and in hire-purchase agreements that include a purchase option exercisable by the lessee upon fulfilment of specified conditions. Under these agreements, the lessee pays periodic rent for the use of the assets for a fixed or minimum initial term of typically 3 to 10 years. At the end of the fixed or minimum term, the lessee can typically elect to:

- return the asset to the Group;
- in the case of hire-purchase, exercise an option to purchase the assets, typically at a 'bargain' price;
- extend the lease for a further minimum term or from year to year on payment of a pre-agreed rent (which is typically substantially lower than the rent paid during the initial term); or
- arrange a sale of the asset to a third party and (typically) receive all or the majority of the proceeds of sale. Legal title to the leased assets remains with the Group at all times prior to such sale.

The following tables summarise the changes in finance lease and hire-purchase investments:

30 June 2017	Finance Lease £	Hire-Purchase £	Total £
Opening balance	**23,662,205**	**38,726,823**	**62,389,028**
Additions during the year	1,372,288	10,419,056	11,791,344
Reclassified Construction Finance investments[1]	31,933,393	10,922,417	42,855,810
Reclassified Property, Plant and Equipment investment[2]	(1,985,587)	-	(1,985,587)
Realised gain on investment	9,026	397,325	406,351
Principal amortisation during the year	(3,704,147)	(8,203,574)	(11,907,721)
Closing balance	**51,287,178**	**52,262,047**	**103,549,225**

[1] This item relates to advances that previously appeared in the Construction Finance investment category in note 8.1 and have been reclassified as Finance Lease or Hire-Purchase Investments. The item has been reclassified as construction was completed during the year.

[2] This item relates to an investment that has been reclassified to the Property, Plant and Equipment investments category. Please refer to notes 7 and 17 for additional information.

30 June 2016	Finance Lease £	Hire-Purchase £	Total £
Opening balance	**17,230,475**	**-**	**17,230,475**
Additions during the year	6,886,027	22,592,633	29,478,660
Reclassified construction finance investments	2,880,118	17,409,907	20,290,025
Principal amortisation during the year	(3,334,415)	(1,275,717)	(4,610,132)
Closing balance	**23,662,205**	**38,726,823**	**62,389,028**

Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the year of £1,265,303 (30 June 2016: £1,041,623).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

During the year ended 30 June 2017, a residual investment was sold for £27,627. During the year ended 30 June 2016, a residual investment was sold for £94,916.

The following table summarises the changes in finance lease investments:

	30 June 2017 £	30 June 2016 £
Non-current receivables		
Finance leases – net receivables	46,609,514	20,497,468
Unearned future finance income[1]	23,630,478	6,742,928
	70,239,992	**27,240,396**
Current receivables		
Finance leases – net receivables	4,677,664	3,164,737
Unearned future finance income[1]	4,867,152	2,185,453
	9,544,816	**5,350,190**
Gross investment in finance leases	**79,784,808**	**32,590,586**
Net receivables from finance leases		
No later than 1 year	4,677,660	3,164,738
Later than 1 year and no later than 5 years	21,125,424	13,558,940
Later than 5 years	25,484,094	6,938,527
	51,287,178	**23,662,205**
Unearned future income on finance leases[1]	28,497,630	8,928,381
Gross investment in finance leases	**79,784,808**	**32,590,586**
Reconciliation		
No later than 1 year	9,544,812	5,350,191
Later than 1 year and no later than 5 years	35,632,669	19,068,415
Later than 5 years	34,607,327	8,171,980
Gross investment in finance leases	**79,784,808**	**32,590,586**

[1] Unearned future income on finance leases is not recognised in the Consolidated Statement of Financial Position as it is a future asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following table summarises the changes in hire purchase investments:

	30 June 2017 £	30 June 2016 £
Non-current receivables		
Hire purchase – net receivables	48,502,878	36,138,508
Unearned future income[1]	24,680,726	17,943,256
	73,183,604	**54,081,764**
Current receivables		
Hire purchase – net receivables	3,759,169	2,588,315
Unearned future income[1]	4,839,825	3,645,603
	8,598,994	**6,233,918**
Gross investment in hire purchase	**81,782,598**	**60,315,682**
Net receivables from hire purchase		
No later than 1 year	3,761,514	2,588,315
Later than 1 year and no later than 5 years	20,607,502	14,961,767
Later than 5 years	27,893,031	21,176,741
	52,262,047	**38,726,823**
Unearned future income on hire purchase[1]	29,520,551	21,588,859
Gross investment in hire purchase	**81,782,598**	**60,315,682**
Reconciliation		
No later than 1 year	8,601,338	6,233,918
Later than 1 year and no later than 5 years	35,830,388	26,271,712
Later than 5 years	37,350,872	27,810,052
Gross investment in hire purchase	**81,782,598**	**60,315,682**

[1] Unearned future income on hire purchase is not recognised in the Consolidated Statement of Financial Position as it is a future asset.

10. Receivables

Interest Receivables

Interest receivables represent accrued interest receivable on leases and loans.

The Group has financial risk management policies in place to ensure that all receivables are received within the credit time frame. The Directors considers that the carrying amount of all receivables approximates to their fair value.

Other Receivables and Prepayments

Other receivables and prepayments include UK VAT receivable and prepaid transaction fees due for arranging the investments of the Group.

Investment Receivables

Investment receivables represent amounts due from the lessee or loan counterpart with regards to ongoing contractual obligations that remain outstanding at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Other Payables and Accrued Expenses

	30 June 2017 £	30 June 2016 £
Investment management fees	416,426	312,856
Administration and secretarial fees	73,466	56,104
Audit fees	42,900	39,889
Printing fees	14,944	4,972
Brokerage fees	7,375	18,625
Rental reserve	498,168	353,741
Other payables	120,747	6,408
	1,174,026	**792,595**

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of all payables approximates to their fair value.

12. Commitments and Contingent Liabilities

As at 30 June 2017, the Group had committed to invest a further £18,427,179 (30 June 2016: £39,584,941). These commitments are classified as 'hard commitments' of £9,052,605 (30 June 2016: £39,584,941) which represent investments for which the documentation is finalised and 'soft commitments' of £9,374,574 (30 June 2016: £Nil) which represent investments at varying stages of documentation.

The Group has committed up to US$4 million as part of a debtor-in-possession financing for a US solar manufacturing company, in order to protect the Group's interest in the equipment that secures its loan. As at 30 June 2017, US$1.6 million was drawn as part of a senior priority loan facility.

The Group did not have any contingent liabilities as at 30 June 2017 and 30 June 2016.

13. Share Capital

The authorised share capital of the Company is represented by an unlimited number of shares of no par value which may be designated as Ordinary Shares, C Shares or otherwise as the Directors may from time to time determine. All shares hold equal rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up.

The C Share net proceeds and the investments made with the net proceeds will be accounted for and managed as a separate pool of assets in accordance with the Company's investment policy until the conversion of C Shares to Ordinary Shares. Expenses are split between Ordinary Shares and C Shares.

The Company's share capital is denominated in Sterling.

	Number of Shares 30 June 2017	Stated Capital 30 June 2017 £	Number of Shares 30 June 2016	Stated Capital 30 June 2016 £
Ordinary Shares	357,707,507	353,716,434	178,985,507	176,808,446
2016 C Shares[2]	180,000,000	176,889,776	-	-
2015 C Shares[1]	-	-	180,000,000	176,907,988
Total	**537,707,507**	**530,606,210**	**358,985,507**	**353,716,434**

Share Movements (Net proceeds)	Number	Gross Proceeds £	Issue Costs £	Net Proceeds £
As at 1 July 2016	**358,985,507**	**360,000,000**	**(6,283,566)**	**353,716,434**
Conversion of 2015 C Shares to Ordinary Shares[1]	(1,278,000)	-	-	-
2016 C Shares issued during the year[2]	180,000,000	180,000,000	(3,110,224)	176,889,776
As at 30 June 2017	**537,707,507**	**540,000,000**	**(9,393,790)**	**530,606,210**

[1] In November 2015, the Group raised additional capital by the issuance of 2015 C Shares. Net proceeds of £176,907,988 were raised through the issue of 180,000,000 2015 C Shares. The 2015 C Shares issue costs were £3,092,012. On 25 October 2016, the 2015 C Shares were converted into Ordinary Shares using an Ordinary Share conversion ratio of 0.9929 for each 2015 C Share. The conversion ratio was based on the NAV per 2015 C Share as at 14 October 2016, which was the calculation date.

[2] On 12 December 2016, the Group raised additional capital by the issuance of 2016 C Shares. Net proceeds of £176,889,776 were raised through the issue of 180,000,000 2016 C Shares. The 2016 C Shares issue costs were finalised in the year ended 30 June 2017 as £3,110,224. The reported figure in the Interim Report and Unaudited Condensed Consolidated Financial Statements for the six months ended 31 December 2016 was overstated by £53,752 and this additional amount has been reinvested into the Group during the year ended 30 June 2017. The terms and timing of the conversion of 2016 C Shares to Ordinary Shares will be announced at a later date. The un-invested proceeds were held in cash and on fixed deposit as at 30 June 2017. Please refer to the Investment Manager's Report for details on the investment portfolio, opportunities and outlook.

14. Dividends

The Company is targeting a dividend of 7.25 pence per Ordinary Share, which is expected to grow over time. The dividend target is a target only and there can be no guarantee that this will be achieved or that any dividends will be paid. Dividend payments to Shareholders will be subject to the Company being able to satisfy the solvency test immediately after payment of such dividend.

Monthly dividends have been paid to Ordinary Shareholders during the period. Dividends on the 2015 C Shares were paid quarterly for the period from issue to 31 January 2016 and 30 April 2016, and then monthly from May 2016 until conversion. The first dividend on the 2016 C Shares was paid from issue to 31 March 2017, with the second dividend covering the quarter to 30 June 2017. Dividends have been paid on a monthly basis from July 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Company has declared and paid the following dividends to its shareholders during the year:

Period	Announcement Date	Payment Date	Amount per Share	Amount £
Ordinary Shares				
1 to 31 May 2016	21 June 2016	25 July 2016	0.6042p	1,081,430
1 to 30 June 2016	21 July 2016	22 August 2016	0.6042p	1,081,430
1 to 31 July 2016	18 August 2016	19 September 2016	0.6042p	1,081,430
1 to 31 August 2016	21 September 2016	24 October 2016	0.6042p	1,081,430
1 to 30 September 2016	21 October 2016	21 November 2016	0.6042p	2,161,269
1 to 31 October 2016	15 November 2016	19 December 2016	0.6042p	2,161,269
1 to 30 November 2016	19 December 2016	23 January 2017	0.6042p	2,161,269
1 to 31 December 2016	23 January 2017	20 February 2017	0.6042p	2,161,269
1 to 31 January 2017	17 February 2017	17 March 2017	0.6042p	2,161,269
1 to 28 February 2017	21 March 2017	20 April 2017	0.6042p	2,161,269
1 to 31 March 2017	25 April 2017	23 May 2017	0.6042p	2,161,269
1 to 30 April 2017	23 May 2017	21 June 2017	0.6042p	2,161,269
Total				**21,615,872**
2016 C Shares				
Inception to 31 March 2017	25 April 2017	23 May 2017	0.2000p	360,000
Total				**360,000**
2015 C Shares				
1 to 31 May 2016	21 June 2016	25 July 2016	0.2000p	360,000
1 to 30 June 2016	21 July 2016	22 August 2016	0.3300p	594,000
1 to 31 July 2016	18 August 2016	19 September 2016	0.4167p	750,060
1 to 31 August 2016	21 September 2016	24 October 2016	0.4861p	874,980
Total				**2,579,040**
Grand Total				**24,554,912**

The Ordinary Share dividends for May 2017 and June 2017 and 2016 C Share dividends for the period to 30 June 2017, had an ex-dividend date after the year end and are detailed in note 19.

The Company declared and paid the following dividends to its shareholders during the prior year:

Period	Announcement Date	Payment Date	Amount per Share	Amount £
Ordinary Shares				
1 to 31 May 2015	19 June 2015	20 July 2015	0.5200p	930,725
1 to 30 June 2015	20 July 2015	20 August 2015	0.5625p	1,006,797
1 to 31 July 2015	21 August 2015	18 September 2015	0.6042p	1,081,430
1 to 31 August 2015	17 September 2015	20 October 2015	0.6042p	1,081,430
1 to 30 September 2015	21 October 2015	27 November 2015	0.6042p	1,081,430
1 to 31 October 2015	20 November 2015	18 December 2015	0.6042p	1,081,430
1 to 30 November 2015	21 December 2015	19 January 2016	0.6042p	1,081,430
1 to 31 December 2015	22 January 2016	22 February 2016	0.6042p	1,081,430
1 to 31 January 2016	22 February 2016	21 March 2016	0.6042p	1,081,430
1 to 28 February 2016	21 March 2016	25 April 2016	0.6042p	1,081,430
1 to 31 March 2016	21 April 2016	23 May 2016	0.6042p	1,081,430
1 to 30 April 2016	23 May 2016	20 June 2016	0.6042p	1,081,430
Total				**12,751,822**
2015 C Shares				
9 November 2015 to 31 January 2016	22 February 2016	21 March 2016	0.3000p	540,000
1 February to 30 April 2016	23 May 2016	20 June 2016	0.4000p	720,000
Total				**1,260,000**
Grand Total				**14,011,822**

15. Capital Management Policies and Procedures

The Board defines capital as financial resources available to the Group.

The Group's total capital at 30 June 2017 was £532,903,565 (2016: £354,829,918) and comprised equity share capital and reserves. The Group was ungeared at the year end.

The Group's capital management objectives are:

- to ensure that the Group will be able to continue as a going concern; and
- provide returns to shareholders.

In accordance with the Group's investment policy, the Group's principal use of cash has been to fund investments sourced by the Investment Managers, as well as initial expenses related to the issue, ongoing operational expenses, currency hedging and payment of dividends and other distributions to shareholders in accordance with the Group's dividend policy.

The Board, with the assistance of the Investment Managers, monitors and reviews the broad structure of the Group's capital on an ongoing basis.

The Group has no externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Segmental Reporting

There are two reportable segments as at 30 June 2017: Ordinary Shares and 2016 C Shares. For the year ended 30 June 2016 two reportable segments were identified, Ordinary Shares and 2015 C Shares. Each Share Class has its own portfolio, is listed separately on the Main Market of the London Stock Exchange and the Company's Directors review internal management reports for each segment separately on a quarterly basis.

The Directors view the operations of the two reportable segments as one operating segment, being investment business and both segments have the same investment objectives. All significant operating decisions are based upon analysis of the Group's investments as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

The tables below provide a breakdown of the condensed Consolidated Statement of Comprehensive Income between the reportable segments:

For the year ended 30 June 2017	Ordinary Shares £	2016 C Shares £	Total £
Total income	31,427,097	1,136,364	32,563,461
Net realised and unrealised loss	(391,652)	(59,657)	(451,309)
Total operating expenses	(5,272,649)	(1,100,720)	(6,373,369)
Total comprehensive income for the year	**25,762,796**	**(24,013)**	**25,738,783**

For the year ended 30 June 2016	Ordinary Shares £	2015 C Shares £	Total £
Total income	16,484,602	3,368,648	19,853,250
Net realised and unrealised loss	(1,752,234)	(773,086)	(2,525,320)
Total operating expenses	(2,839,523)	(1,409,898)	(4,249,421)
Total comprehensive income for the year	**11,892,845**	**1,185,664**	**13,078,509**

The tables below provide a breakdown of the condensed Consolidated Statement of Financial Position between the reportable segments:

30 June 2017	Ordinary Share £	2016 C Share £	Total £
Non-current assets	336,488,805	37,437,237	373,926,042
Current assets	23,658,367	139,444,791	163,103,158
Total assets	**360,147,172**	**176,882,028**	**537,029,200**
Current liabilities	(3,749,369)	(376,265)	(4,125,635)
Net assets	**356,397,803**	**176,505,762**	**532,903,565**
Equity	**356,397,803**	**176,505,762**	**532,903,565**

30 June 2016	Ordinary Share £	2015 C Share £	Total £
Non-current assets	175,573,063	102,807,191	278,380,254
Current assets	14,853,833	77,604,226	92,458,059
Total assets	**190,426,896**	**180,411,417**	**370,838,313**
Current liabilities	(12,430,630)	(3,577,765)	(16,008,395)
Net assets	**177,996,266**	**176,833,652**	**354,829,918**
Equity	**177,996,266**	**176,833,652**	**354,829,918**

17. Financial Risk Management

The Group's financial assets mainly comprise investments and cash balances. Note 2 sets out the accounting policies, including criteria for recognition and the basis for measurement, applied to significant financial assets and liabilities. Note 2 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised.

The Group finances its investment activities through the Group's Ordinary Share and 2016 C Share capital and reserves.

Principal risks and uncertainties are detailed in the Strategic Report, the Directors and the Investment Managers work together to mitigate these risks by employing the following risk mitigation strategies:

(a) Credit Management – sound credit management is a prerequisite for an entity's stability and profitability. Prudent management of credit risk can minimise both operational and credit risks. The Board and the Investment Managers pre-emptively begin to manage risk through the comprehensive underwriting process to ensure that there is not more than an acceptable amount of risk within the transaction. The risk is continually managed throughout the term of the lease (or other finance agreement) until the ultimate disposition of the asset(s). Stringent underwriting procedures are applied to mitigate risk.

(b) Loss Prevention Management – when available, insurance is required for assets that the Group owns or which have been charged or pledged to the Group as security. Insurance is in place for the full term that an asset is owned by (or charged to) the Group, thereby reducing the risk of loss from physical damage or theft.

(c) Due Diligence – the Investment Managers perform comprehensive due diligence on all counter parties, individuals and businesses relevant to the investment strategy of the Group.

(d) On-going Portfolio Management – ensures that if a problem starts to arise it is identified giving the capability to address it and put into action whatever remediation steps are necessary to help mitigate a potentially larger risk down the line.

(e) Legal Review – the Investment Managers engage legal professionals in order to ensure, on an on-going basis, that all rights, title and interests, held as security for the Company's investments are being protected and preserved.

(f) Records Management – this is a critical way by which risk is managed and mitigated. The Investment Managers' internal systems are utilised to ensure the Group is not exposed from a record maintenance standpoint. The Investment Managers have a comprehensive electronic documentation system that is subject to their internal/external backup procedure, maintaining information access and retrieval 24/7 with offsite redundant backup in case of a disaster when recovery would need to be deployed.

Additional risks arising from the Group's activities listed in order of severity and likelihood are:

(i) credit risk;

(ii) liquidity risk;

(iii) operational risk; and

(iv) market risk, including currency risk and interest rate risk.

The Alternative Investment Manager, in close cooperation with the Directors and the Administrator, coordinates the Group's risk management. The policies for managing each of these risks are summarised below and have been applied throughout the year.

(i) Credit Risk

This is the risk of the failure of a lessee to make lease payments, the failure of the issuer of a security or borrower to pay interest or principal in a timely manner, or that the effect of negative perceptions of the issuer's ability to make such payments causing the value of the investment to decline. Counterparties with debt securities rated below investment-grade (or unrated) are especially susceptible to this risk. The Group looks to source investments that can provide various credit and structural enhancements to attempt to mitigate credit exposure to any single counterparty or asset class.

There is a risk that the bank used by the Group to hold cash balances could fail and that the Group's assets may not be returned. Associated with this is the additional risk of fraud or theft by employees of those third parties. The Board manages this risk through the Investment Managers monitoring the financial position of the bank used by the Group.

The credit rating of the custodian, which is the bank used by the Group, is A-1 with Standard & Poor's.

Investments past due not impaired

During the year, 5 investments totalling £61,302,686 (2016: 1 investment of 119,588) were past due but not impaired. The Directors, after taking advice from and consulting with the Investment Managers, do not consider these investments to be impaired due to the security held and consider the full carrying amount to be recoverable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Table 1a below details the investments that are past due but not impaired:

Ref	Industry	Balance (£ 000)	Comment
A1	Solar	24,685	An investee business to which the Group has provided a secured loan entered chapter 11 bankruptcy in the USA. A petition has been made under Section 201 of the United States International Trade Commission under the Trade Act of 1974, Import Relief for Domestic Industries. If the petition is successful it is expected that the Group would make a full recovery of its principal plus all current and future interest. Legal action has also commenced to force payment under the guarantee from the parent company. As at 30 June 2017, the Group continues to hold this investment at its carrying amount (including additional restructuring amounts) with no income accruing. The Directors believe that the full carrying amount is recoverable so do not consider this investment to be impaired.
A2	Medical	9,973	An investee business to which the Group has provided a secured loan entered chapter 11 bankruptcy in the USA. The Investment Managers are in negotiations with the current owners of the investee business and believe that the Group is likely to receive full recovery of the principal, although further restructuring may become necessary. As at 30 June 2017, the Group continues to hold this investment at its carrying amount with no income accruing. The Directors do not consider this investment to be impaired. Also included in table 1b below.
A3	Transportation	14,304	This finance investment (a secured loan) was restructured resulting in payment terms being amended. As at 30 June 2017, the Group continues to hold this investment at its carrying amount. The Directors do not consider this investment to be impaired following the restructuring of the finance agreement. Also included in table 1b below.
A4	IT & Telecom	4,157	This finance investment (a secured loan) was restructured resulting in payment terms being amended. As at 30 June 2017, the Group continues to hold this investment at its carrying amount. The Directors do not consider this investment to be impaired following the restructuring of the finance agreement. Also included in table 1b below.
A5	Hospitality	8,184	This finance investment (a finance lease) was restructured resulting in payment terms being amended. As at 30 June 2017, the Group continues to hold this investment at its carrying amount with no income accruing. The Directors do not consider this investment to be impaired following the restructuring of the finance agreement. Also included in table 1b below.
		61,303	

Restructurings during the year ended 30 June 2017

During the year, 8 investments totalling £59,671,296 (2016: 3 investments totalling 19,201,474) were restructured resulting in repayment terms being amended. As at year end, the Group continues to hold them at the carrying value in the financial statements. The Directors, after taking advice from and consulting with the Investment Managers, do not consider these investments to be impaired subsequent to the restructuring of the finance agreement.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Table 1b below details the investments that have been restructured:

Ref	Industry	Balance (£ 000)	Comment
B1 (A2)	Medical	9,973	See description in ref: A2 in table 1a above
B2 (A3)	Transportation	14,304	See description in ref: A3 in table 1a above
B3 (A4)	IT & Telecom	4,157	See description in ref: A4 in table 1a above
B4 (A5)	Hospitality	8,184	See description in ref: A5 in table 1a above
B5	Transportation	4,598	This finance investment (a lease participation) was restructured resulting in payment terms being amended. As at 30 June 2017, the Group continues to hold this investment at its carrying amount. The Directors do not consider this investment to be impaired following the restructuring of the finance agreement.
B6	Agriculture	15,275	This finance investment (a finance lease) was restructured resulting in payment terms being amended. As at 30 June 2017, the Group continues to hold this investment at its carrying amount. The Directors do not consider this investment to be impaired following the restructuring of the finance agreement.
B7	Energy	1,242	This finance investment (a finance lease) was restructured resulting in payment terms being amended. As at 30 June 2017, the Group continues to hold this investment at its carrying amount. The Directors do not consider this investment to be impaired following the restructuring of the finance agreement.
B8	Transportation	1, 939	This finance investment (a finance lease) was terminated because of default by the lessee and the leased asset was recovered and rehired under an operating lease to a new lessee. As at 30 June 2017, the Group continues to hold this investment at its carrying amount.
		59,672	

(ii) Liquidity Risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities or funding commitments.

The Group's investments (excluding cash deposits) are asset-backed loan or finance transactions with commercial entities. The investments are substantially less liquid than traded securities and will have a highly limited (if any) secondary market. Some transactions may incorporate provisions that restrict transfer or disposal of the investment.

The Group may be required to satisfy margin calls in respect of foreign exchange forward if the current market rate varies from the contract rate.

In accordance with the Group's policy, the Investment Managers manage the Group's liquidity risk, and the Directors monitor it.

(iii) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's activities with financial instruments either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective. The Group manages this risk by having regular Board meetings to ensure oversight of the Investment Managers and the Administrator.

(iv) Market Risk

The fair value of future cash flows of a financial instrument held by the Group may fluctuate. This market risk comprises currency risk and interest rate risk. The Board reviews and agrees policies for managing these risks.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Currency Risk

The functional and presentation currency of the Group is Sterling and, therefore, the Group's principal exposure to foreign currency risk comprises investments denominated in other currencies, principally US Dollars and Euros. The Investment Managers monitor the Group's exposure to foreign currencies and reports to the Board on a regular basis. The Investment Managers measure the risk to the Group of the foreign currency exposure by considering the effect on the NAV and income of a movement in the rates of exchange to which the Group's assets, liabilities, income and expenses are exposed. The Investment Manager is mandated to undertake a hedging strategy and to report its effectiveness and costs to the Board on an on-going basis.

The table below details the carrying amounts of the Company's financial assets and liabilities that have foreign currency exposure:

30 June 2017	GBP £	USD £	EUR £	Total £
Investments	196,762,961	107,016,095	70,146,986	373,926,042
Cash and cash equivalents	149,657,485	3,659,716	1,251,415	154,568,616
Interest receivables	1,894,286	798,306	1,156,407	3,848,999
Investment receivables, other receivables and prepayments	2,140,205	1,689,046	856,292	4,685,543
Other payables and accrued expenses	(1,248,972)	-	-	(1,248,972)
Derivative financial liabilities	(2,876,663)	-		(2,876,663)
Total net foreign currency exposure	**346,329,302**	**113,163,163**	**73,411,100**	**532,903,565**
Percentage of total	**64.98%**	**21.24%**	**13.78%**	**100.00%**

30 June 2016	GBP £	USD £	EUR £	Total £
Investments	129,959,636	77,624,753	70,795,865	278,380,254
Cash and cash equivalents	82,140,948	492,118	5,182,178	87,815,244
Interest receivables	1,845,261	527,925	121,090	2,494,276
Investment receivables, Other receivables and prepayments	1,845,578	250,916	52,045	2,148,539
Other receivables and accrued expenses	(794,431)	-	-	(794,431)
Derivative financial liabilities	(15,213,964)	-	-	(15,213,964)
Total net foreign currency exposure	**199,783,028**	**78,895,712**	**76,151,178**	**354,829,918**
Percentage of total	**56.31%**	**22.23%**	**21.46%**	**100.00%**

Currency sensitivity analysis

Should the value of Sterling against the Euro and the US Dollar increase or decrease by 5% with all other variables held constant and excluding the impact of currency hedging described below, the impact on the net assets of the Company would be as follows:

	30 June 2017		30 June 2016	
Currency	£ Increase of 5%	£ Decrease of 5%	£ Increase of 5%	£ Decrease of 5%
USD	(5,658,158)	5,658,158	(3,944,786)	3,944,786
EUR	(3,670,555)	3,670,555	(3,807,559)	3,807,559

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The foreign currency risk assumed by the Group in making and retaining investments denominated in foreign currencies is hedged by placing contracts for the sale of the future foreign currency payments anticipated to be received in connection with such investments ("FX Receivables"). Due to the limited availability, inflexibility and cost of placing a matched forward contract for each foreign currency investment (which may have a tenor of five years or longer), the FX Receivables in respect of two or more underlying investments are aggregated and a single forward contract placed with short-term maturity (typically between three and nine months). On maturity, the forward sale contract is part-settled from actual foreign currency receipts and a new forward contract is placed for the then applicable aggregate FX Receivables, adjusted for payments received, contract variations and new investments.

The Group may be required to deposit initial cash collateral against fluctuations in the applicable exchange rates and/or to meet margin calls if the current market rate varies from the contract rate. The Investment Managers monitor the Group's currency risk, and the Directors review it.

As at 30 June 2017, the Group had the following open forward foreign exchange contracts:

	Notional			
Buy/Sell Currency	Foreign Currency	GBP	Fair Value / GBP Equivalent	Settlement Date Month/Year
GBP/USD	132,094,320	102,424,539	759,035	July 2017
GBP/USD	21,473,953	16,491,152	(749)	September 2017
GBP/EUR	61,870,687	50,921,828	(3,538,366)	October 2017
GBP/USD	6,113,025	4,826,707	132,856	October 2017
GBP/EUR	41,652,312	36,476,322	(229,439)	December 2017
			(2,876,663)	

As at 30 June 2016, the Group had the following open forward foreign exchange contracts:

	Notional			
Buy/Sell Currency	Foreign Currency	GBP	Fair Value / GBP Equivalent	Settlement Date Month/Year
GBP/EUR	28,937,566	24,067,026	(3,150,292)	July 2016
GBP/EUR	226,613	188,524	(10,710)	August 2016
GBP/USD	33,192,961	24,830,961	(1,458,927)	September 2016
GBP/EUR	6,773,233	5,643,146	(429,775)	September 2016
GBP/EUR	18,515,140	15,431,610	(896,184)	October 2016
GBP/EUR	45,150,513	37,675,891	(2,862,012)	November 2016
GBP/USD	82,266,109	61,401,921	(6,406,064)	December 2016
			(15,213,964)	

Interest Rate Risk

The value of fixed income securities usually rises and falls in response to changes in interest rates. Declining interest rates generally increase the value of existing instruments, and rising interest rates generally decrease the value of existing instruments. Changes in value usually will not affect the amount of interest income or final principal repayments, but will affect the interim carrying value of the investment prior to maturity. Interest rate risk is generally greater for investments with longer maturities.

Certain income generating securities pay interest at variable or floating rates. Variable rate securities reset at specified intervals, while floating rate securities reset whenever there is a change in a specified index rate. The market prices of these securities may fluctuate significantly when interest rates change.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Board reviews on a regular basis the values of the financial instruments.

18. Related Party Transactions

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

The Investment Managers

The Group is party to an Investment Management Agreement with the Investment Managers under which the Investment Managers are entitled to the payment of management fees based on the Group's NAV. During the year, the management fees due to the Investment Managers amounted to £4,355,085 (30 June 2016: £2,893,765). At 30 June 2017, £416,426 (30 June 2016: £312,856) of the management fees was still payable to the Investment Managers.

Under the Investment Management Agreement, the Investment Managers are also entitled to structuring fees, which are based on the value of new investments (these are not paid by the Group). During the year, structuring fees of £777,886 (30 June 2016: £1,409,927) were received by the Investment Managers.

The Investment Managers also receive commitment fees, that are paid by investees direct (these are not paid by the Group). During the year, commitment fees of £700,123 (30 June 2016: £1,362,119) were received by the Investment Managers.

The Investment Managers as Servicer, Manager, Administrative/Collateral Agent, Security Trustee

In relation to certain investment transactions made during the period, typically those involving parallel investors or lenders, the US Manager or the UK Manager are appointed to act as servicer, manager or administrative agent for general management and servicing purposes, which may include collection and distribution of service payments from underlying obligors, and/or as collateral agent or security trustee to hold and enforce security. In such cases, the Investment Managers receive no remuneration for the performance of such duties other than the management fee provided for in the Investment Management Agreement.

Luxembourg Investment Company 26 S.à r.l. (*LuxCo*)

LuxCo is a special purpose company wholly owned by the US Investment Manager for the purpose of holding investments. LuxCo holds for the benefit of the Company a loan and mortgage on two commercial marine vessels under a comprehensive loan and security agreement including a corporate guarantee.

SQN Helo, LLC

SQN Helo is a special purpose company owned by SQN Portfolio Acquisition Company, LLC and SQN AIF IV, L.P., both being investment funds managed by the US Investment Manager. SQN Helo was established to purchase and hold legal ownership of a portfolio of leases and related assets. The carrying value of the investment is £4,598,099 and further details can be found in note 8.2.

SQN Asset Finance (Ireland) DAC

The Group holds the following bonds issued by SQN Asset Finance (Ireland) DAC ("SQN Ireland"), an unconsolidated structured entity in the Republic of Ireland:

	30 June 2017	30 June 2016
EUR denominated bonds	€49,740,000	€42,670,000
USD denominated bonds	$23,452,200	-
GBP denominated bonds	£15,277,984	-

The UK Investment Manager acts as investment advisor to SQN Ireland.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Share Interest

The table below details the Ordinary Shares and C Shares held by Directors of the UK Investment Manager in the Company:

	30 June 2017		30 June 2016	
Director	Number of Ordinary Shares	Number of 2016 C Shares	Number of Ordinary Shares	Number of 2015 C Shares
Neil Roberts	149,645	59,256	100,000	50,000
Tim Spring	157,690	75,032	73,085	74,800

The table below details the Ordinary Shares and C Shares held by the Directors in the Company:

	30 June 2017		30 June 2016	
Director	Number of Ordinary Shares	Number of 2016 C Shares	Number of Ordinary Shares	Number of 2015 C Shares
Peter Niven	59,858	5,000	40,000	20,000
John Falla	19,637	4,961	10,000	9,706
Carol Goodwin	44,893	5,000	30,000	15,000
Christopher Spencer	19,929	4,982	10,000	10,000

19. Events After the Reporting Period

On 21 June 2017, the Company declared a dividend of 0.6042p per Ordinary Share, for the month ended 31 May 2017. This dividend was paid to shareholders on 19 July 2017.

On 21 July 2017, the Company declared a dividend of 0.6042p per Ordinary Share, for the month ended 31 May 2017 and 0.3p per 2016 C Share, for the three month period ended 30 June 2017. The dividends were paid to shareholders on 18 August 2017.

On 18 August 2017, Paul Meader was appointed as a Non-Executive Director.

On 21 August 2017, the Company declared a dividend of 0.6042p per Ordinary Share and 0.1042p per 2016 C Share, for the month ended 31 July 2017. The dividends were paid to shareholders on 19 September 2017.

On 21 September 2017, the Company declared a dividend of 0.6042p per Ordinary Share and 0.15p per 2016 C Share, for the month ended 31 August 2017. The dividends will be paid to the shareholders on 19 October 2017.

As at the date of these accounts, the Group had extended approximately $3.95 million under the additional facility provided to Suniva. On 22 September 2017, the United States International Trade Commission voted unanimously in favour of government intervention to provide relief to the U.S. solar manufacturing industry, in response to the petition filed by Suniva under the terms of the facility.

20. Ultimate Controlling Party

In the opinion of the Directors, there is no single ultimate controlling party.

COMPANY INFORMATION

Non-Executive Directors

Peter Niven (Chairman of the Board)
John Falla (Chairman of Management Engagement Committee)
Paul Meader (from 18 August 2017)
Christopher Spencer (Chairman of Audit and Risk Committee)
Carol Goodwin (Chairman of Remuneration and Nomination Committee)

Registered Office

BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

US Investment Manager

SQN Capital Management, LLC, 100 Wall Street, 28th Floor, New York, New York, 10005, USA

UK Investment Manager

SQN Capital Management (UK) Limited, Melita House, 124 Bridge Road, Chertsey, Surrey, KT16 8LA

Financial Adviser and Broker

Winterflood Securities Limited, The Atrium Building, Cannon Bridge House, 25 Dowgate, Hill, London, EC4R 2GA

Auditor

Baker Tilly CI Audit Limited, Mont Crevelt House, Bulwer Avenue, St Sampsons, Guernsey, GY2 4LH

Registrar

Capita Registrars (Guernsey) Limited, Mont Crevelt House, Bulwer Avenue, St Sampsons, Guernsey, GY2 4LH

Principal Bankers

BNP Paribas Securities Services S.C.A., BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

Designated Administrator, Custodian and Secretary

BNP Paribas Securities Services S.C.A., Guernsey Branch, BNP Paribas House, St Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA

Receiving Agent

Capita Asset Services Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Legal Advisers to the Group (English Law)

Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH

Legal Advisers to the Group (Guernsey Law)

Mourant Ozannes, PO Box 186, 1 Le Marchant Street, St Peter Port, , Guernsey, GY1 4HP

Website www.sqnassetfinance.com

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Latin: without which it could not be