SQN ASSET FINANCE INCOME FUND LIMITED

Annual Report and Accounts 2016

Index

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 investment company. 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 for Ordinary Shares and 9 November 2015 for 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 69.

FINANCIAL HIGHLIGHTS

On 9 November 2015, 180,000,000 C Shares were listed at a price of £1.00 each, raising net proceeds of £176,907,988.

PERFORMANCE SUMMARY

(Sterling in millions, except per share data and number of shares in issue)	1 July 2015 to 30 June 2016	28 May 2014 to 30 June 2015
Number of Shares in Issue		
- Ordinary Shares	178,985,507	178,985,507
- C Shares	180,000,000	-
Total Net Asset Value ("NAV")		
- Ordinary Shares	£178.00	£178.86
- C Shares	£176.83	-
NAV per share		
- Ordinary Shares	99.45p	99.93p
- C Shares	98.24p	-
Share Price[1]		
- Ordinary Shares	107.00p	107.75p
- C Shares	104.50p	-
Market Capitalisation[1]		
- Ordinary Shares	£191.51	£192.86
- C Shares	£188.10	-
Earnings per share		
- Ordinary Shares	6.64p	4.47p
- C Shares	0.66p	-
Dividend paid per share		
- Ordinary Shares	7.12p	3.93p
- C Shares	0.7p	-
Comprehensive income before dividends	**£13.08**	**£6.32**
Investments	**£278.38**	**£99.24**
Cash and cash equivalents	**£87.82**	**£75.65**
Weighted average yield (in excess of)	**9.50%**	**9.50%**
Weighted average remaining term	**82.69 months**	**72.30 months**

Ongoing Charges

Expenses which are likely to recur in the foreseeable future and which relate to the operation of the Company are known as ongoing charges. Ongoing charges are based on actual costs incurred in the year as being the best estimate of future costs excluding any non-recurring fees in accordance with the Association of Investment Companies ("AIC") methodology and provide shareholders with an indication of the likely level of costs that will be involved in managing the Group in the future. They are expressed as a percentage of NAV. The ongoing charge for the year ended 30 June 2016 was 1.31% (30 June 2015: 1.35%).

Dividend History

Please refer to Note 13 for details on dividends paid during the year.

[1] Source: London Stock Exchange - 30 June 2016

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.

INVESTMENT POLICY (CONTINUED)

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.

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

In this second Annual Report and Audited Consolidated Financial Statements, I am pleased to confirm that, at the conclusion of nearly twenty-four months of operations, the Group had constructed a diverse portfolio of equipment leases and asset financing investments which has successfully delivered consistent dividends to investors without correlation to broader equity and debt markets.

Over the last twelve months, the shares issued during the Company's Initial Public Offering in July 2014, in addition to the shares issued through the Company's subsequent placing programme maintained a regular monthly dividend at a rate of 7.25% annually (effective annual rate of 7.5%). During that period, the Group also returned to the market with the issuance of a C Share class which became the Group's third consecutive share offering to be oversubscribed, and so, over the past financial year, the Group's market capitalisation has increased from £192.86 million as at 30 June 2015 to £379.61 million as at 30 June 2016.

Between the Ordinary and C Shares, the Group invested £188.59 million during the year ended 30 June 2016 with the projected weighted average yield on investments continuing to be in excess of 9.50%. This is particularly important since the weighted average remaining term of investments in the portfolio is now just under 7 years (82.7 months). This means that even in a prolonged low interest rate environment, the Group has locked in long term income streams sufficient to support the dividends for the foreseeable future.

For the year ended 30 June 2016, the Group generated total income of £19.85 million and paid dividends totalling £14.01 million which translated to 7.12 pence per Ordinary Share and 0.70 pence per C Share.

As anticipated, total on-going charges decreased from 1.35% to 1.31% as a percentage of NAV, with further marginal improvement expected as the Group continues to grow.

Both share classes have traded at healthy premiums to their net asset value per share since their respective inceptions with the Ordinary Shares trading at a 7.59% premium and the C Shares trading at a 6.37% premium as at 30 June 2016.

The Group's Share Price and NAV both performed well throughout the year, though the year-on-year performance figures included in this annual report somewhat understate that fact since the reporting date of 30 June 2016 was one week after the result of the United Kingdom's referendum to leave the European Union (the "Brexit Referendum").

Following the Brexit Referendum, both share classes were marked lower by market-makers although no significant trades took place at those lower levels. Once normal trading resumed, both share prices re-set and have since reached new highs with the Group's aggregate market capitalisation now approaching £400 million.

Whilst the majority of the Group's investments are Sterling-denominated, 19.53% of the investments are Euro-denominated and 21.27% of the investments are US Dollar-denominated. All non-Sterling transactions are hedged for both principal and interest over the committed term of the investment. The steep decline of Sterling following the Brexit Referendum had a temporary, non-cash impact on the Group's NAV. Due to accounting policies, there is a mismatch between the recognised asset values and the hedged value. For this reason, the Group has to recognise unrealised fx losses in certain periods which have a direct impact on the NAV even though, if the investments go to term, there is no impact on the underlying cash flow. This was the case as at 30 June 2016.

To date, none of the investments in the portfolio have been impacted by the Brexit Referendum although the Investment Managers continue to work with certain of the Group's counterparties in the marine and hospitality industries, for unrelated reasons. In each case the Investment Managers are comfortable that sufficient collateralisation exists in the event that it is determined to be in the Fund's best interest to restructure any of those investments.

The investments in the portfolio are spread over more than 10 different industries and 14 different asset classes. The average investment size of £6.59 million represents approximately 1.86% of the Group's NAV. The three industries with the highest exposures in the portfolio are the agricultural, manufacturing and transportation industries. Each of these industries are asset-intensive, requiring robust, long-lived capital equipment as the primary means of generating revenue and therefore are ideal industries for asset financing and equipment leasing opportunities.

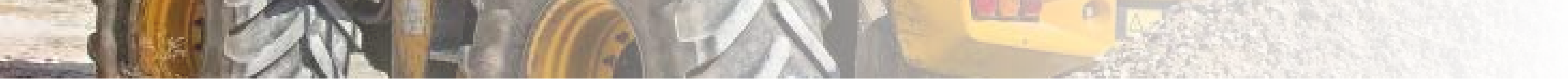
CHAIRMAN'S STATEMENT (CONTINUED)

The Group continues to maintain a regular pipeline of over £100 million of potential investments to deploy the balance of the C Share proceeds as well as reinvest principal repayments and excess income over the dividend and operating expenses. Further, to the extent that banks were becoming more active in the equipment leasing and asset finance arena, it is now likely that uncertainty in the financial markets following the outcome of the Brexit Referendum will cause banks and other heavily-regulated traditional financing sources to restrict their lending which should provide additional opportunities for the Group.

During the year, the Board has undertaken a due diligence visit to the Investment Manager's office in New York and has also commenced a programme of visiting projects within the portfolio to gain a greater understanding of the industries and specific investments the Group has funded.

In light of the Group's consistent performance and healthy pipeline coupled with strong investor demand recently pushing the share price to an all-time high, I am pleased to say that your Board anticipates raising additional capital before the end of 2016.

Peter Niven
Chairman
21 September 2016



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 2016 consisted of 178,985,507 Ordinary Shares and 180,000,000 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.

The IPO of the Company took place on 9 July 2014, raising gross proceeds of £150,000,000. The initial 150,000,000 Ordinary Shares were 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.

On 5 June 2015, the Company raised gross proceeds of £30,000,000 through the placing of 28,985,507 Ordinary Shares at an issue price of 103.5 pence per Ordinary Share.

In November 2015, net proceeds of £176,907,988 were raised through the issue of 180,000,000 C Shares, which were admitted to the Main Market of the London Stock Exchange on 9 November 2015.

Subsidiaries

The following wholly owned subsidiaries of the Company were incorporated in Guernsey during the year:

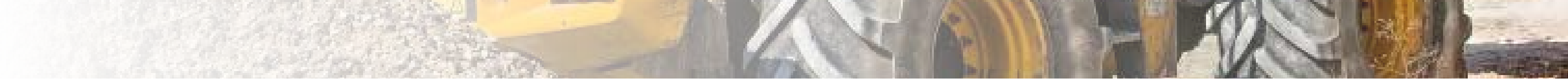
- SQN AFIF (Cobalt) Limited incorporated on 16 March 2016
- SQN AFIF (Diamond) Limited incorporated on 16 March 2016

The Directors of all 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:

Industry/Sector 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, which may affect the Group's ability to operate profitably. Further, 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 adequacy and timeliness of management's response to risks in these jurisdictions are of critical importance to the mitigation of these risks. The Board considers management to include third parties such as the Investment Managers and the administrator to whom the Board has delegated responsibility for key operations and day to day functions.

Key personnel risk

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

Interest rate changes may reduce the value of the Group's portfolio and the Group's returns

Changes in interest rates will affect the market value of the Group's portfolio. In general, the market value of an equipment lease will change in inverse relation to an interest rate change when the lease has a fixed rate of return. The same is true for fixed rate asset finance contracts and notes. Thus, in a period of rising interest rates, the market value of the Group's equipment leases and other fixed rate contracts will decrease. A decrease in the market value of the Group's portfolio will adversely affect the Group's ability to liquidate it without suffering losses. In times of interest rate rises, protection to real returns will be conditional on future leases being written at higher rates.

Movements in foreign currency rates may result in losses

The Group will enter into investment transactions where the payments to be made or received are not in Sterling. The Investment Managers hedge the principal amount of such investments and anticipate that, where appropriate, they may also hedge the expected income against foreign currency fluctuation risks. However, there can be no assurance that the hedges put in place are cost-effective or will provide adequate protection in all circumstances. Refer to Note 16 for more detail on hedging.

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

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 16, for details on the Group's risk mitigation strategies and details of additional risks.

STRATEGIC REPORT (CONTINUED)

Going Concern

Going concern refers to the assumption that the Group has the resources 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 Financial Statements:

- Working capital – As at 30 June 2016, there was a working capital surplus. The Directors noted that as at 30 June 2016 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.

Given the nature of the Group's business, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the Financial Statements have been prepared on a going concern basis.

Viability Statement

The Directors are required to make a Viability Statement which 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 Company are described on page 9.

The Directors 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. 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 22).

The Directors have determined that a three year period is an appropriate time over which to provide its viability statement as this takes account of the average weighted life of the portfolio.

In making their assessment, factors taken into consideration by the Directors included the Company'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 Company's principal risks occurring, severe changes to macro-economic conditions, increased defaults and counterparty risks.

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 the three year period to 30 June 2019.

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 17.

Financial Review

At 30 June 2016, the Net Assets of the Group amounted to £354,829,918 (30 June 2015: £178,855,243).

STRATEGIC REPORT (CONTINUED)

Borrowing

The Group does not currently intend to 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 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.

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 quarterly reports from the Investment Managers and Broker, which assess the performance of the Group, including asset quality and cash flow.

INVESTMENT MANAGERS' REPORT

Overview

In a market with investors seeking regular income with an attractive risk-adjusted return, equipment leasing and asset finance investments remains one of the few sectors capable of delivering higher yields on a relatively non-correlated basis with hard assets securing the investments.

With a particular focus on business-essential assets and equipment in the £1 million to £20 million range, the Group has been able to build a diversified portfolio of nearly £300 million which pays monthly dividends at a target rate of 7.25% annually and an overall return target of 8% to 10%. As at 30 June 2016, the Group had an additional £87.82 million of cash on hand which had already been committed or scheduled to be drawn through the balance of 2016.

The portfolio consists of equipment leases, secured loans, and project financings spread across 42 separate counterparties. The portfolio, as currently constructed, does not utilise leverage to generate returns and yet it has been able to achieve a projected weighted average yield across the portfolio of more than 9.5% per annum.

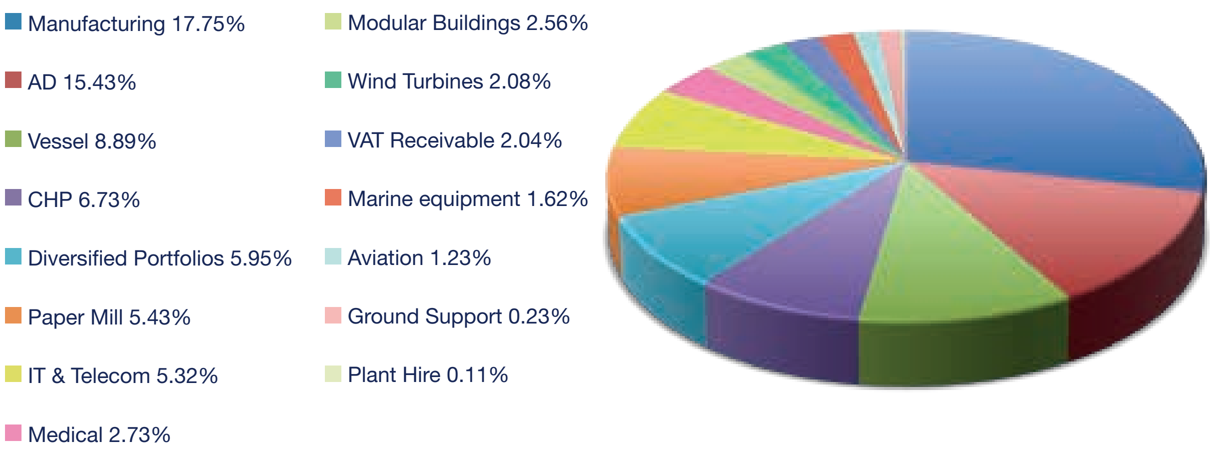
Seven transactions, representing investments totalling £28.89 million have reached maturity or been brought to an early conclusion through the year ended 30 June 2016. Those investments generated yields between 8.43% and 16% per annum with a weighted average effective annual return on investment of 12.15%.

There have been no asset impairments to date. However, the Group has granted certain concessions, such as interest-only payments for a period, to one of the operators of marine vessels which were financed by the Group, as well as for the operators of remotely operated subsea vehicles which are on lease from the Group. The Group has also entered into discussions relating to restructuring with the lessee of modular accommodations under a long-term lease. In each case, a review of the underlying collateral has been undertaken and, at this time, the Investment Managers believe there is sufficient value to cover all principal and interest payments due to the Group, over time.

Portfolio Diversification

Risk in the portfolio is spread over more than 10 different industries and 14 different asset classes as well as over currency, geography, and investment structure.

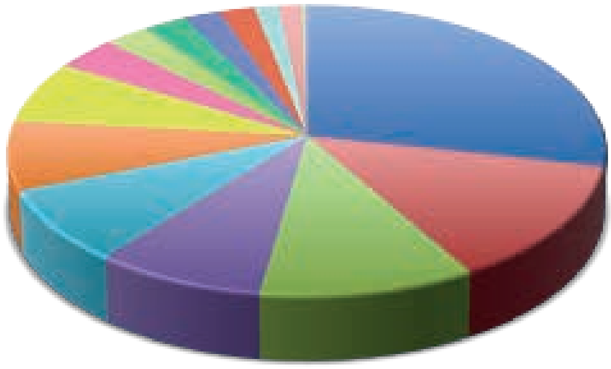
Asset Diversification



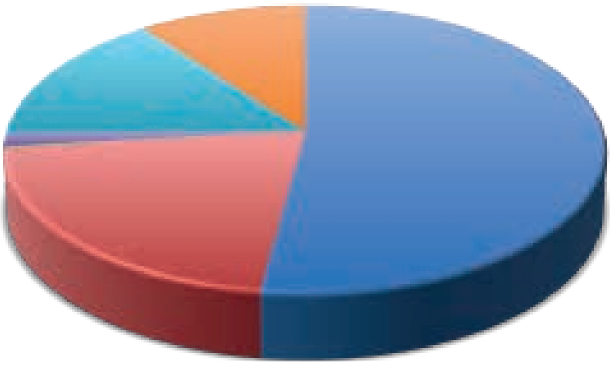
INVESTMENT MANAGERS' REPORT (CONTINUED)

Industry Diversification

- Agriculture 22.16%
- Transportation 10.36%
- Glassware 8.34%
- Hospitality 6.58%
- Solar 6.64%
- Diversified Portfolios 5.95%
- Paper 5.43%
- Medical 2.89%
- Energy 2.08%
- Government 2.04%
- Semiconductors 1.73%
- Marine 1.62%
- IT & Telecom 1.14%
- Automotive 1.07%
- Plastics 0.14%
- Infrastructure 0.11%



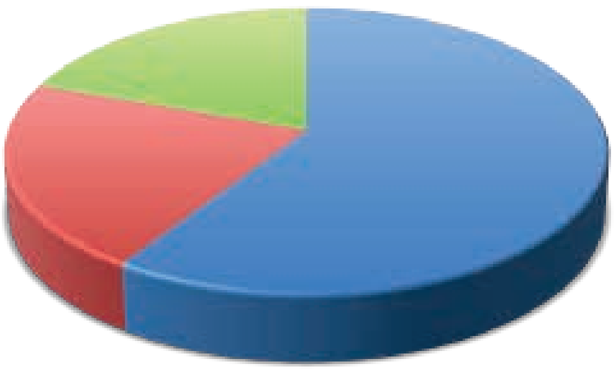
Geographic Diversification



- UK 40.72%
- US 16.38%
- AUSTRALIA 0.16%
- BRAZIL 1.14%
- FRANCE 11.72%
- NETHERLANDS 7.98%

Currency Exposure

- GBP 59.20%
- USD 21.27%
- EUR 19.53%



INVESTMENT MANAGERS' REPORT (CONTINUED)

Significant Transactions Accounting for 5% or more of Net Asset Value

Anaerobic Digestion Plants

One of the most important asset classes within the portfolio is the Group's investments in anaerobic digestion plants. The Group has invested approximately £54.7 million, representing 15.42% of NAV, in leases and project financing transactions for anaerobic digestion plants ("AD Plants"). AD Plants are 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 are financed by the Group are run on agricultural waste as the primary component of the feedstock. The majority of the cash flow generated from operations is derived from long-term, non-cancellable government subsidies related to the production of electricity. 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 over 10 years at rates in excess of 10%. It should be noted that the AD Plants that are farm-based and are primarily sourced with agricultural waste are categorized as agricultural industry exposure as opposed to energy industry exposure because the core business of the Fund's counterparties are not energy-related. Further, as broken out in the Asset Class charts above, AD Plants, Combined Heat and Power Units (CHP), and Wind Turbines would each be energy assets, if a broader definition was applied.

Glass Manufacturing Plant

The largest single investment made by the Group was an approximately £27.2 million investment, representing 7.66% of NAV, in a major glassware manufacturer in France. The lessee is 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 recognized brands. The financing was provided in conjunction with an acquisition and recapitalisation of the company. The lease is secured by all but one of the company's production lines including their large blast furnaces and all the ancillary equipment.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Semiconductor Manufacturing Equipment

After successfully exiting two investments in semiconductor manufacturing and testing equipment with yields between 9.93% and 10.35% per annum, the Group made two new investments in semiconductor manufacturing equipment for two unrelated manufactures of solar photovoltaic microchips and panels. The first investment was for a France-based public company in the approximate amount of £8.8 million that contained an element of VAT financing which was refunded reducing the Group's exposure to approximately £7.2 million. The Group's other investment, of approximately £21.1 million was to finance the expanded capacity of a US-based manufacturer who was acquired by a large publicly traded Chinese conglomerate during the course of the underwriting process. The Group's investment was ultimately guaranteed by the acquirer. The two investments together represent 7.98% of NAV.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Marine Vessels

The Group has provided financing under three separate transactions for marine vessels. The largest of the three investments was in the form of ship mortgages for two Supramax Dry Bulk Carriers built in 2002 and 2003. This one investment of approximately £15.5 million represents 4.36% of NAV. This investment has performed without incident with all payments made on time when due.

The Group has also provided financing for four Jumbo Class Multipurpose Vessels built between 2007 and 2009 with a different operator. This investment of approximately £14.1 million represents 3.96% of NAV. The operator of these vessels has come under pressure as the result of lower than expected charter rates across its entire fleet. As a consequence, this account has occasionally been in arrears but had made all payments and was current as at 30 June 2016. These vessels have been valued within the last 60 days and it has been determined that the investment remains over-collateralised even at distressed disposal levels.

During 2016, the Group made an additional investment of approximately £2 million in a newly built supply vessel subject to a nine year fully amortising lease. The Group's total exposure to marine vessels is approximately 8.32% of NAV as at 30 June 2016, which is a reduced concentration from approximately 15.20% as at 30 June 2015.

Paper Mill

The Group entered into an approximately £20 million sale and leaseback of a paper mill in Scotland for a well-known specialty paper company that was consolidating operations from multiple international plants into the Scottish facility. This investment represents 5.43% of NAV. The company 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. The company is one of the few in the world capable of producing paper stock for currencies. The equipment being financed includes the industrial reel wrappers, the speciality and colour paper manufacturing machines, the bespoke currency paper production equipment, and the business stationary and watermarking tools.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Fundamental Investments

One of the key components of the investment strategy is focusing on transaction sizes which have historically been too large for 'High Street' Funders to underwrite efficiently and too small for larger structured funders to justify their resources in due diligence. Transactions of this nature enhance the Group's portfolio in two ways. Firstly, these transactions tend to be higher yielding than investment opportunities of similar credit quality that are within the comfort zone of traditional lenders. Secondly, the size of these transactions make it possible to increase the overall diversity of the portfolio while being substantial enough that the underlying assets commonly have meaningful secondary market value and liquidity. Examples of these types of investments within the portfolio include multiple leases for plant hire equipment and machine tools used in the automobile manufacturing industry.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Top Ten Holdings

Asset		Investment (£)	Net Yield per Annum	% of NAV	Industry	Asset Class	Region
Glass Factory	EUR	29,585,307 (i)	9.14%	8.34%	Glassware	Manufacturing	France
AD Plant	GBP	24,608,621	9.81%	6.94%	Agriculture	AD	UK
Manufacturing Equipment	USD	22,946,589 (ii)	11.00%	6.47%	Solar	Manufacturing	US
Paper Mill	GBP	19,249,747	9.47%	5.43%	Paper	Paper Mill	UK
Vessels	USD	15,468,380 (iii)	10.28%	4.36%	Transportation	Vessels	UK
IT Infrastructure	EUR	14,251,051 (iv)	9.19%	4.02%	Hospitality	IT & Telecom	Netherlands
Vessels	EUR	14,054,798 (v)	10.81%	3.96%	Transportation	Vessels	Netherlands
Diversified Portfolio Interest	USD	13,190,591 (vi)	9.61%	3.72%	Portfolios	Portfolios	US
Medical Equipment	USD	9,690,583 (vii)	11.26%	2.73%	Medical	Medical	US
Combined Heat & Power Unit	GBP	9,301,239	9.41%	2.62%	Agriculture	CHP	UK

(i) Actual net exposure is £27,196,541 representing 7.66% of NAV
(ii) Actual net exposure is £21,139,328 representing 5.96% of NAV
(iii) Actual net exposure is £13,224,524 representing 3.73% of NAV
(iv) Actual net exposure is £12,309,889 representing 3.47% of NAV
(v) Actual net exposure is £13,408,817 representing 3.78% of NAV
(vi) Actual net exposure is £11,418,088 representing 3.22% of NAV
(vii) Actual net exposure is £8,453,292 representing 2.38% of NAV

The financial statements show the Group's gross position in investments without adjustment for foreign currency hedges. It should be noted, the Group does not adopt hedge accounting under IFRS. In each noted case, the position is offset by a corresponding hedge contract which reduces the exposures as indicated above.

Outlook

The first half 2016 was a period of prolonged uncertainty which began with market volatility across Asia and culminated in a market-unexpected vote for the U.K. to leave the E.U. While businesses tended to hold off borrowing and growth-related decisions leading into the Brexit Referendum, interest rates continued to stay at historically low levels with some additional markets entering into negative rate territory. These macro conditions had a minimal effect on the Group's portfolio and pipeline which evidenced itself with strong share price performance.

Heading into the second half of the year, the climate of uncertainty has become more pronounced. Businesses and lenders are both assessing operations in light of a new relationship between the U.K. and the rest of the world while at the same time the U.S. is holding a presidential election the results of which are likely to have a meaningful market impact. Interest rates in the U.K. are likely to stay low for the foreseeable future but it is reasonable to assume that credit will remain tight and potentially tighten.

It is the opinion of the Investment Managers that the Group is well-positioned to profitably trade under current conditions as well as within the context of whatever the ultimate outcome of the Brexit Referendum and the U.S election. There are multiple underlying factors that are at the foundation of this assessment.

INVESTMENT MANAGERS' REPORT (CONTINUED)

The Group operates on a permanent capital basis. This has enabled the construction of a portfolio with a weighted average remaining term of almost seven years at a projected yield of over 9.5% per annum. The fixed rate and non-cancellable nature of the contracts ensures long-term income streams regardless of the current interest rate environment.

The Group has sufficient deal flow already identified to deploy all of the cash on hand plus the anticipated run-off of the portfolio. Further, tighter credit from banks expands the potential customer base of the Group and sets up an opportunity to increase market share.

The Group's focus on business-essential, mission critical, core assets and equipment means that growth is not necessary for investments to perform but rather the threshold is sustained operations.

The current market gives the Group the venue to prove the investment objective of providing non-correlated performance, which has been the case for 2016. All in all, the Investment Managers expect this to be a period of sustained growth for the Group with the aim of expanding its origination capacity in both the U.S. and the U.K. and further increasing the asset base by calendar year-end.

SQN Capital Management, LLC

21 September 2016

SQN Capital Management (UK) Limited

21 September 2016

DIRECTORS’ REPORT

The Directors present the Annual Report and Financial Statements of the Group for the year ended 30 June 2016.

Board of Directors

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

Peter Niven (Chairman)
John Falla
Carol Goodwin
Christopher Spencer

Directors’ Interests

All Directors held a minor interest in the Company’s share capital during the year ended 30 June 2016 as below. There have been no changes in the interests of the Directors since the year end.

Director	Number of Ordinary Shares	Number of C Shares
Peter Niven	40,000	20,000
John Falla	10,000	9,706
Carol Goodwin	30,000	15,000
Christopher Spencer	10,000	10,000

Notifications of Shareholdings

During the year ended 30 June 2016, the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of the following voting rights as a Shareholder of the Company. When more than one notification has been received from any Shareholder only the latest notification is shown.

Notifications of Shareholdings	Number of Shares	Percentage of total voting rights
Investec Wealth & Investment Limited	42,948,446	11.96%
Schroders plc	36,051,235	10.04%
Sarasin & Partners LLP	18,627,408	5.19%
Rathbone Brothers plc	12,968,751	3.61%

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.

DIRECTORS' REPORT (CONTINUED)

Dividends

The Company targets a 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 were initially declared and paid quarterly with the first ordinary share dividend declared for the period to 30 September 2014, and were declared and paid monthly from January 2015.

Quarterly dividends on the C Shares were declared for the periods to 31 January 2016 and 30 April 2016, with monthly dividends declared for the period from May 2016 onwards.

Refer to Note 13 for details on dividends that the Company has declared and paid to its Shareholders during the year and Note 18 for details on dividends declared and paid after the year end.

Ordinary Share Buybacks

On 19 November 2015 the Directors were granted authority to repurchase 26,829,927 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 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.

2016 AGM

The AGM will be held in Guernsey on 24 November 2016. 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 Address, which can be found on page 69.

Voting on all resolutions at the 2016 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 our website and announced via the Regulatory Information Service.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing 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 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 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 (Guernsey) Law, 2008, as amended ("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 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 and Transparency Rules ("DTR") 4.1.12R and are in compliance with the requirements set out in the Companies Law;
- the 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 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 accept no responsibility for any changes that may have occurred to the Annual Report and 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
21 September 2016

Christopher Spencer
Director
21 September 2016

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, CISE) and unlisted investment funds investing in asset classes including property, hedge funds, emerging markets and private equity and has wide experience of chairing Boards, 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 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, John Laing Infrastructure Fund Limited, Ruffer Investment Company Limited, each of which is listed on the London Stock Exchange and Summit Germany Ltd which is an AIM listed company.

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. 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 2016, the Company has complied with the recommendations of the AIC Code and as such also meets the requirements of the UK 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. 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") Disclosure and Transparency Rules by virtue of the information included in the Corporate Governance section of the Annual Report.

The Board believes that this Annual Report and 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

All Directors were appointed on 28 May 2014. The Directors are:

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

The biographical details of the Directors are provided on page 25.

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. 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.

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 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 Board performance evaluations.

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 above. 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 33 to 35.

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 28.

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 formally reviewed the performance of the Investment Managers and other key service providers to the Group, most recently on 20 May 2016. 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 28.

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 also meet without the Chairman of the Board present in order to review his performance.

During the 2016 Board evaluation on 20 May 2016, all relevant topics were fully discussed and it was agreed that Board meetings were effective. It was concluded that the Board have 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.

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.

Single total figure for the fees paid to Directors for the year ended 30 June 2016:

Director	Fees £	Extra Services (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 currently limit the aggregation of fees payable to the Directors to a total of £200,000 per annum. Extra services are not included in the definition of fees as per the Company's Articles. The extra services fee was paid from the C Share issue costs. Although the aggregate fees do not reach the current aggregate fee limit, the Directors believe it would be prudent to increase the aggregate fees payable to £300,000 to accommodate growth in the Company and any potential new Director appointments in the future. A resolution will be proposed at the AGM in November 2016 to raise the limit.

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 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.

Board Independence, Composition and Diversity

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 four Non-Executive Directors. The biographical details of the Directors holding office at the date of this report are listed on page 25 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. The Board consists of one woman and three men.

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; and is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters.

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. 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.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board believes that its powers of authorisation of 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 can be found within the Directors' Report on pages 22 to 24.

Performance Evaluation

The performance of the Board and the Directors was reviewed by the Remuneration and Nomination Committee in May 2016. 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 company industry.

When a new Director is appointed to the Board, they will be 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. No Directors were appointed during the year.

Attendance at scheduled meetings of the Board and its committees for the year ended 30 June 2016

	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**	**6**	**2**	**2**	**5**
Peter Niven	4	6	6	2	2	5
John Falla	4	8	6	2	2	4
Carol Goodwin	4	8	6	2	2	3
Chris Spencer	4	5	6	2	2	4

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 BNP Paribas Securities Services S.C.A., Guernsey Branch (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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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. 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. The AGM will be attended by at least one Director. 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 Financial Statements, Annual Report and 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 "small 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 17.

AUDIT AND RISK COMMITTEE REPORT

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 Financial Statements, Annual Report and 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 Issues

In relation to the Annual Report and Financial Statements for the year ended 30 June 2016, the following significant issues were considered by the Audit and Risk Committee:

(i) Revenue Recognition

The risk that revenue (classified as "finance income" in the 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 of loans, hire purchase contracts and finance leases. The carrying value of these assets is key to the financial performance of the fund and drives returns to shareholders. The valuation models rely on a number of underlying assumptions and there is a risk is that these values may be misstated due to fraud or error.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

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 Company, 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.

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.

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 Board is responsible for overall risk management with delegation provided to the Audit and Risk Committee.

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 16, 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 and actively monitoring 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.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

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 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, where applicable with the relevant key service providers 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 their assessment of the significant audit risks. For the year ended 30 June 2016 the significant audit risks identified are shown on pages 33 to 34. 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 2016 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

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 Auditor has been the Group's external auditor since incorporation.

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 Auditor is entitled to a fee of £48,440 for their services rendered during the year ended 30 June 2016.

The Audit and Risk Committee recommended to the Board the approval of the fees for audit services for the year ended 30 June 2016 after a review of the level and nature of work to be performed and after being satisfied that the fees were appropriate for the scope of the work required.

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. 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.

The Committee is satisfied with the effectiveness of the audit provided by the Auditor, and is satisfied with their independence. The Committee has therefore recommended to the Board that the Auditor be reappointed as external Auditor for the year ending 30 June 2017, and that a resolution proposing the reappointment of Baker Tilly as the external Auditor should be put to the Shareholders at the 2016 AGM. The Auditor, have indicated their 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.

For and on behalf of the Audit and Risk Committee

Christopher Spencer
Chairman of the Audit and Risk Committee

21 September 2016

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

We have audited the 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 2016 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes. 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.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2016 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.

Audit commentary

A: What has changed in the current year approach.

The approach followed was consistent with the 2015 audit strategy, enhanced in the following areas:

- Heightened review of the investment portfolio in light of additional investments undertaken. This included how we selected our sample and the time spent. As part of this we included elements of unpredictability in our sample selection.
- The Corporate governance review included a further independent expert review including of the viability statement as it became applicable for the first time.

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 Group's control environment established by management to ensure sound operational and financial control and the mitigation of risk.

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

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.

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 discussion 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 Referendum.

- *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

The directors have primary responsibility for ensuring that the financial statements are free from material misstatement or error. 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. It is necessary to consider not only the impact of an error on the financial statements as a whole, but also on the individual accounting items affected. Additionally, the cumulative impact of all unadjusted errors must be considered.

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.

A key element of our annual audit planning is to make an assessment of the risk that the financial statements might contain material errors. We base this assessment on our cumulative knowledge of the Group and our understanding of its activities and the industry sector in which it operates. 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.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather 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. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual (who signs the audit report), to subjective areas of the accounting and reporting process.

In making these assessments and in particular cognisant of the challenges of defining materiality, we considered a threshold of £2,974,000 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 £74,350, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

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

D: Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgment, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit were as listed below. They are consistent with our 2015 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.

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. The investments primarily comprise of loans, hire purchase contracts and 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.

(iii) Compliance

The risk – The Group 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 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. London 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 fund 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.

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

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

Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

We have nothing material to add or draw attention to in relation 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
- 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.

Matters on which we are required to report by exception

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.

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.

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

Under the Listing Rules we are required to review:

- the Directors' Responsibilities Statement, set out on page 24, in relation to long term viability; and

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

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

Date: 21 September 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Year ended 30 June 2016 £	28 May 2014 to 30 June 2015 £
Income			
Finance income		17,709,536	5,722,864
Interest on cash and cash equivalents		486,926	255,455
Other income		1,656,788	631,422
Total income	2.10	**19,853,250**	**6,609,741**
Net unrealised gain on revaluation of investments		288,266	699,601
Net unrealised foreign exchange gain/(loss) on investments		16,626,443	(1,095,379)
Net unrealised foreign exchange (loss)/gain on forward contracts		(10,263,615)	1,704,952
Net realised foreign exchange gain on investments		1,829,076	247,906
Net realised foreign exchange (loss)/gain on forward contracts		(11,005,490)	447,414
Net realised and unrealised gain		**(2,525,320)**	**2,004,494**
Expenses			
Investment management fees	3(a)/4	(2,893,765)	(1,454,088)
Directors' fees and travel expenses	4	(202,593)	(131,856)
Administration and professional fees	3(b)/4	(801,295)	(589,238)
Depreciation	2.9/6	(351,768)	(117,256)
Total operating expenses	4	**(4,249,421)**	**(2,292,438)**
Total comprehensive income for the year/period		**13,078,509**	**6,321,797**
Total comprehensive income for the year/period analysed as follows:			
Attributable to Ordinary Shareholders		11,892,845	6,321,797
Attributable to C Shareholders		1,185,664	-
Total		**13,078,509**	**6,321,797**
Basic and diluted earnings per Ordinary Share (pence)	5.1	6.64	4.47
Basic and diluted earnings per C Share (pence)	5.2	0.66	-

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 2016

	Notes	30 June 2016 £	30 June 2015 £
Non-current assets			
Property, plant and equipment	6	4,631,548	4,983,316
Residual value	2.7	1,041,623	839,012
Investments designated as fair value through profit or loss	7.2	4,373,701	3,548,636
Finance lease and hire-purchase investments	8	62,389,028	17,230,475
Loans and other investments	7.1	205,944,354	72,642,190
		278,380,254	99,243,629
Current assets			
Cash and cash equivalents	2.14/14	87,815,244	75,654,965
Interest receivables	9	2,494,276	1,544,788
Other receivables and prepayments	9	1,974,907	874,840
Investment receivables	9	173,632	399,472
Derivative financial asset	7.2/15	-	1,704,952
		92,458,059	80,179,017
Total assets		**370,838,313**	**179,422,646**
Current liabilities			
Other payables and accrued expenses	10	(794,431)	(567,403)
Derivative financial liability	7.2/15	(15,213,964)	-
		(16,008,395)	(567,403)
Net assets		**354,829,918**	**178,855,243**
Equity			
Share capital	12	353,716,434	176,808,446
Retained earnings		1,113,484	2,046,797
		354,829,918	**178,855,243**
NAV per Share			
- Ordinary Shares	5.1	99.45p	99.93p
- C Shares	5.2	98.24p	-

These Financial Statements were approved and authorised for issue by the Board of Directors on 21 September 2016, 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 2016

		Net Assets Attributable to Shareholders		
	Note	Share Capital £	Retained Earnings £	Total £
Opening balance		176,808,446	2,046,797	178,855,243
Total comprehensive income for the year		-	13,078,509	13,078,509
Transactions with Shareholders, recorded directly in equity				
Issue of shares	12	176,907,988	-	176,907,988
Dividends paid	13	-	(14,011,822)	(14,011,822)
Total transactions with Shareholders		**176,907,988**	**(14,011,822)**	**162,896,166**
Closing balance		**353,716,434**	**1,113,484**	**354,829,918**

FROM 28 MAY 2014 TO 30 JUNE 2015

		Net Assets Attributable to Shareholders		
	Note	Share Capital £	Retained Earnings £	Total £
Balance at inception		-	-	-
Total comprehensive income for the period		-	6,321,797	6,321,797
Transactions with Shareholders, recorded directly in equity				
Issue of shares	12	176,808,446	-	176,808,446
Dividends paid		-	(4,275,000)	(4,275,000)
Total transactions with Shareholders		**176,808,446**	**(4,275,000)**	**172,533,446**
Closing balance		**178,808,446**	**2,046,797**	**178,855,243**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Year ended 30 June 2016 £	28 May 2014 to 30 June 2015 £
Operating activities:			
Total comprehensive income for the year/period		13,078,509	6,321,797
Adjustments for:			
Unrealised gain on investments		(288,266)	(699,601)
Unrealised foreign exchange gain in the year/period		(6,362,828)	(609,573)
Depreciation	6	351,768	117,256
Realised foreign exchange (gain)/loss on investments		(1,829,076)	247,906
Increase in interest receivable		(949,488)	(1,544,788)
Decrease/(increase) in investment receivables		225,840	(399,472)
Increase in other receivables and prepayments		(1,100,067)	(874,840)
(Decrease)/increase in investment payables		(128,164)	130,000
Increase in other payables and accrued expenses	10	355,192	437,403
Acquisition of investments	6/7/8	(203,357,736)	(112,069,949)
Disposals/amortisation of investment principal during the year/period	6/7/8	42,613,143	12,113,595
Net cash outflow from operating activities		**(157,391,173)**	**(96,830,266)**
Cash flow from financing activities			
Share issue (net proceeds)	12	176,907,988	176,808,446
Dividends paid	13	(14,011,822)	(4,275,000)
Net cash flows provided by financing activities		**162,896,166**	**172,533,446**
Net increase in cash and cash equivalents		**5,504,993**	**75,703,180**
Cash and cash equivalents at start of the year/period		75,654,965	-
Effect of exchange rate changes on cash and cash equivalents		6,655,286	(48,215)
Cash and cash equivalents at end of the year/period		**87,815,244**	**75,654,965**

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 listed its Ordinary Shares on the London Stock Exchange on 14 July 2014. The Company's registered office is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

In November 2015, the Group raised additional capital by issuing C Shares, net proceeds of £176,907,988 were raised through the issue of 180,000,000 C Shares. C Shares are listed separately on the Main Market of the London Stock Exchange and were admitted on 9 November 2015. C Shares have a separate portfolio and the terms and timing of the conversion of C Shares to Ordinary Shares will be announced at a later date (refer to Note 12 for further details).

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 2.5 for further details).

2. Accounting Policies

2.1 Basis of Preparation

The Financial Statements have been prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") together with the interpretations of the International Accounting Standards and Standing Interpretations Committee as approved by the International Accounting Standards Committee ("IASC") and endorsed by the European Union ("EU") which remain in effect. They give a true and fair view of the Group's affairs and comply with the Company (Guernsey) Law 2008, as amended.

These Financial Statements have been prepared on a going concern basis. 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 Financial Statements, it is appropriate to adopt the going concern basis in preparing the Financial Statements.

2.2 New Standards, Amendments and Interpretations Not Adopted in these Financial Statements

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

IFRS	Effective for periods beginning on or after
IFRS 10 – Consolidated Financial Statements (amendment)	1 January 2016
IFRS 12 – Disclosure of Interests in Other Entities (amendment)	1 January 2016
IAS 16 – Property, Plant and Equipment (amendment)	1 January 2016
IAS 7 – Statement of Cash Flows (amendment)	1 January 2017
IFRS 15 – Revenue from Contracts with Customers	1 January 2018
IFRS 9 – Financial Instruments	1 January 2018
IFRS 16 – Leases	1 January 2019

The Directors have not yet fully assessed the impact that these new standards will have on the Financial Statements of the Group, however their initial opinion is that the impact will not be significant. The new standards will be applied to periods on or after the effective date.

2.3 Functional and Presentation Currency

Items included in the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.4 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 in the Statement of Comprehensive Income.

2.5 Consolidation

Refer to Note 1 for details on the Subsidiaries.

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, 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 Company 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 IE and does not qualify for the IFRS 10 consolidation exemption. The Subsidiaries have therefore been consolidated into these Financial Statements.

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

If there is objective evidence that an impairment loss 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.

2.7 Finance Leases

The Group, as lessor, categorises finance leases as a lease arrangement 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). Under such arrangements, at the commencement of the lease term, the Group records a finance lease in the Statement of Financial Position as a receivable, at an amount equal to the net investment in the lease.

The net investment in the lease is equal to the gross investment in the lease (minimum lease payments receivable by the Group under the finance lease 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

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 residual 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.

2.8 Operating Leases

The Group categorises operating leases 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).

2.9 Property, Plant and Equipment

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2.10 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.

2.11 Interest Income and Expenses

Interest income and expenses are recognised in the Statement of Comprehensive Income on an accruals basis at the effective interest rate.

2.12 Issue Costs

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

2.13 Dividends Payable

The Group pays sustainable dividends to Shareholders subject to the solvency test prescribed by Guernsey Law. Refer to Note 13 for details of dividends announced during the year and when they were paid.

2.14 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, 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.

2.15 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 pay an annual fee of £1,200.

2.16 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 7.2 and 16.

2.17 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of the 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 Investment Managers make certain assumptions about residual values (Note 2.7), useful life of equipment (Note 2.9), and asset impairment (Note 2.6 c).

Equity Holding

During the year ended 30 June 2016, the Group provided (or committed to provide) asset finance facilities in the form of construction finance and hire purchase investments to five investee companies.

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 Directors 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 Option throughout the period and as at 30 June 2016 is £nil.

2.18 Comparatives

The comparatives in the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow are for the period from 28 May 2014 to 30 June 2015, which was not a year-long period, and so are not entirely comparable to the current year, particularly as the prior period was the initial period during which the Group commenced trading and was in the process of acquiring the portfolio and before the launch of the C Share.

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, 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 17 for details on fees paid during the year to the Investment Managers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 as follows:

On first £300 million	0.08%
On £300 million - £500 million	0.06%
Any amount greater than £500 million	0.04%

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 up to seven Guernsey subsidiaries.

c) Registrar Agreement

Capita Registrars (Guernsey) Limited has been appointed as registrar of the Group pursuant to the registrar agreement dated 16 June 2014. The fee is charged at a rate of £1.60 per holder of Ordinary 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 ("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 to receive 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 C Shares which were issued in November 2015.

4. Operating Expenses

	30 June 2016 £	30 June 2015 £
Investment management fees	2,893,765	1,454,088
Administration and custody fees	254,707	110,219
Company secretarial fees	78,479	62,487
Directors' fees and travel expenses	202,593	131,856
Depreciation	351,768	117,256
Audit fees	48,440	40,000
Brokerage fees	46,087	43,299
Public relation fees	46,070	39,843
Registrar fees	42,661	20,092
Legal fees	15,674	54,190
Professional fees	108,917	22,058
Restructuring fees	-	84,445
Other expenses	160,260	112,605
Total	**4,249,421**	**2,292,438**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Earnings per Share and NAV per Share

5.1 Ordinary Shares

The calculation of basic earnings per Ordinary Share is based on the operating profit attributable to Ordinary Shares of £11,892,845 (30 June 2015: £6,321,797) and on the weighted average number of Ordinary Shares in issue during the year of 178,985,507 Ordinary Shares (30 June 2015: 141,501,791).

The calculation of NAV per Ordinary Share is based on a NAV attributable to Ordinary Shares of £177,996,266 (30 June 2015: £178,855,243) and the number of shares in issue at 30 June 2016 of 178,985,507 Ordinary Shares (30 June 2015: 178,985,507).

5.2 C Shares

The calculation of basic earnings per C Share is based on the operating profit attributable to C Shares of £1,185,664 and on the weighted average number of C Shares in issue during the year of 180,000,000 C Shares.

The calculation of NAV per C Share is based on a NAV attributable to C Shares of £176,833,652 and the number of C Shares in issue at 30 June 2016 of 180,000,000 C Shares.

6. Property, Plant and Equipment

Property, Plant and Equipment comprises plant and machinery originally subject to a hire purchase agreement which has been re-leased to an alternative third party under an operating lease. The assets have a remaining useful life of 13.5 years.

The carrying amount is detailed in the table below:

	30 June 2016 £	30 June 2015 £
Cost		
Opening balance	5,100,572	-
Additions during the year/period	-	5,100,572
Closing balance	**5,100,572**	**5,100,572**
Accumulated depreciation		
Opening balance	(117,256)	-
Depreciation during the year/period	(351,768)	(117,256)
Net book value	**4,631,548**	**4,983,316**

7. Financial Instruments

7.1 Loans and Other Investments

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

30 June 2016	Loans £	Construction Finance £	Receivables £	Total £
Opening balance	47,664,651	22,131,934	2,845,605	72,642,190
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)
Reclassification	-	(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**

In respect of the above table, £20,290,025 of advances were reclassified from the construction finance category to additions in the finance lease and hire-purchase investments category (Note 8).

30 June 2015	Loans £	Construction Finance £	Receivables £	Total £
Opening balance at inception	-	-	-	-
Purchases during the period	46,734,159	44,291,953	3,370,683	94,396,795
Principal amortisation during the period	(6,340,770)	-	(525,078)	(6,865,848)
Reclassification	7,970,493	(22,160,019)	-	(14,189,526)
Realised foreign exchange gain on investments	228,611	-	-	228,611
Unrealised foreign exchange loss on revaluation	(927,842)	-	-	(927,842)
Closing balance	**47,664,651**	**22,131,934**	**2,845,605**	**72,642,190**

In respect of the above table, £22,160,019 of advances were reclassified from the construction finance category as follows: £7,970,493 to additions in the loans category (as detailed in the above table) and £14,189,526 to additions in the finance leases category (Note 8).

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.

7.2 Fair Value Investments

The Group's accounting policy on fair value measurements is discussed in Note 2.6 (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 table below analyses the investments and foreign exchange instruments at the end of the reporting year by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2016	Level 1 £	Level 2 £	Level 3 £	Total £
Financial Assets				
Designated at fair value through profit and loss	-	-	4,373,701	4,373,701
Finance lease residual value	-	-	1,041,623	1,041,623
Equity holding	-	-	-	-
Financial Liabilities				
Derivative liability	-	(15,213,964)	-	(15,213,964)
Total Fair Value Investments	**-**	**(15,213,964)**	**5,415,324**	**(9,798,640)**

30 June 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Financial Assets				
Designated at fair value through profit and loss	-	-	3,548,636	3,548,636
Finance lease residual value	-	-	839,012	839,012
Derivative asset	-	1,704,952	-	1,704,952
Total Fair Value Investments	**-**	**1,704,952**	**4,387,648**	**6,092,600**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	30 June 2016 £	30 June 2015 £
Opening balance	4,387,648	-
Additions during the year/period	183,821	8,932,851
Principal amortisation / disposals during the year/period	(94,916)	(5,428,175)
Realised foreign exchange gain on investments	9,258	302,693
Unrealised foreign exchange gain/(loss) on revaluation	929,513	580,279
Closing balance	**5,415,324**	**4,387,648**

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 £4,373,701 (30 June 2015: £3,548,638) 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 by 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 time frame required to conduct a sale, and the associated costs that are not passed on to the end-user.

Equity Holding

The equity holdings as detailed in note 2.17 are valued by the Directors, 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 Manager and such other factors as the Directors, 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 are reassessed on an ongoing basis by the Board.

7.3 Valuation Process

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

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

30 June 2015 Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease Participation	3,548,636	Principal balance	Third party appraisal
Residual value	839,012	Market approach	In place value / secondary market value

8. Finance Lease and Hire-Purchase Investments

The Group's investments include a portfolio of leases of plant and machinery leased under 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.

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 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 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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 June 2015	Finance Lease £	Total £
Opening balance	-	-
Additions during the year	3,639,732	3,639,732
Reclassified construction finance investments	14,189,526	14,189,526
Principal amortisation during the year	(598,783)	(598,783)
Closing balance	**17,230,475**	**17,230,475**

There are no comparatives for hire purchase as this investment was acquired for the first time during the year ended 30 June 2016.

Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the year of £1,041,623 (30 June 2015: £839,012).

During the year, a residual investment was sold for £94,916.

The following table summarises the changes in finance lease investments:

	30 June 2016 £	30 June 2015 £
Non-current receivables		
Finance leases – net receivables	20,497,468	15,393,445
Unearned finance income	6,742,928	5,485,147
	27,240,396	**20,878,592**
Current receivables		
Finance leases – net receivables	3,164,737	1,837,030
Unearned finance income	2,185,453	1,614,785
	5,350,190	**3,451,815**
Net receivables from finance leases		
No later than 1 year	3,164,738	1,837,030
Later than 1 year and no later than 5 years	13,558,940	9,015,446
Later than 5 years	6,938,527	6,377,999
	23,662,205	**17,230,475**
Unearned future income on finance leases	8,928,381	7,099,932
Gross investment in finance leases	**32,590,586**	**24,330,407**
Reconciliation		
No later than 1 year	5,350,191	3,451,815
Later than 1 year and no later than 5 years	19,068,415	13,447,859
Later than 5 years	8,171,980	7,430,733
Gross investment in finance leases	**32,590,586**	**24,330,407**

The following table summarises the changes in hire purchase investments:

	30 June 2016 £
Non-current receivables	
Hire purchase – net receivables	36,138,508
Unearned future income	17,943,256
	54,081,764
Current receivables	
Hire purchase – net receivables	2,588,315
Unearned future income	3,645,603
	6,233,918
Net receivables from hire purchase	
No later than 1 year	2,588,315
Later than 1 year and no later than 5 years	14,961,767
Later than 5 years	21,176,741
	38,726,823
Unearned future income on hire purchase	21,588,859
Gross investment in hire purchase	**60,315,682**
Reconciliation	
No later than 1 year	6,233,918
Later than 1 year and no later than 5 years	26,271,712
Later than 5 years	27,810,052
Gross investment in hire purchase	**60,315,682**

In the financial statements for the period ended 30 June 2015, the category was named Finance Lease Receivables. The category has been updated due to the addition of the hire-purchase investments during the year.

9. 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)

10. Other Payables and Accrued Expenses

	30 June 2016 £	30 June 2015 £
Investment management fees	312,856	147,126
Administration and secretarial fees	56,104	13,445
Audit fees	39,889	40,000
Custody fees	-	1,667
Printing fees	4,972	6,000
Brokerage fees	18,625	11,096
Rental reserve	353,741	136,145
Other payables	6,408	81,924
Investment payables	1,836	130,000
	794,431	**567,403**

Investment payables of £1,836 (30 June 2015: £130,000) represent amounts due for investments purchased that have been contracted for but not settled at the reporting date.

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

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

11. Commitments and Contingent Liabilities

As at 30 June 2016, the Group had committed to invest a further £39,584,941 (30 June 2015: £54,533,506). These commitments are classified as “hard commitments” of £39,584,941 (30 June 2015: £17,948,998) which represent investments for which the documentation is finalised. As at 30 June 2016, there were no “soft commitments” (30 June 2015: £36,584,508) which represent investments at varying stages of documentation.

The Group does not have any contingent liabilities.

12. Share Capital

The authorised share capital of the Company is represented by an unlimited number of shares of no par value. 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 2016	Stated Capital 30 June 2016 £	Number of Shares 30 June 2015	Stated Capital 30 June 2015 £
Ordinary Shares	178,985,507	176,808,446	178,985,507	176,808,446
C Shares*	180,000,000	176,907,988	-	-
Total	**358,985,507**	**353,716,434**	**178,985,507**	**176,808,446**

Share Movements	Number	Gross Proceeds £	Issue Costs £	Net Proceeds £
Balance at the start of the year	178,985,507	180,000,000	(3,191,554)	176,808,446
Ordinary Shares issued during the year	-	-	-	-
C Shares issued during the year*	180,000,000	180,000,000	(3,092,012)	176,907,988
Balance at end of the year	**358,985,507**	**360,000,000**	**(6,283,566)**	**353,716,434**

* On 4 November 2015, the Board announced that the Company had raised £180,000,000 through the issue of 180,000,000 C Shares. The proceeds net of issue costs of £3,092,012 (1.72% of the gross proceeds), amounted to £176,907,988. The C Shares were admitted to the Main Market of the London Stock Exchange on 9 November 2015. The terms and timing of the conversion of C Shares to Ordinary Shares will be announced at a later date. The uninvested proceeds were held in cash as at 30 June 2016.

13. Dividends

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 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**
C Shares				
9 November 2015 to 31 January 2016	22 February 2016	21 March 2016	0.3p	540,000
1 February to 30 April 2016	23 May 2016	20 June 2016	0.4p	720,000
Total				**1,260,000**
Grand Total				**14,011,822**

The dividends for the months ended May 2016 and June 2016 had an ex-dividend date after the year end and are detailed in Note 18.

14. Capital Management Policies and Procedures

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

The Group's total capital at 30 June 2016 was £354,829,918 (2015: £178,855,243) 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, monitor and review the broad structure of the Group's capital on an ongoing basis.

The Group has no externally imposed capital requirements.

15. Segmental Reporting

The Group has two reportable segments, Ordinary Shares and C Shares. Each Share Class has its own portfolio, is listed separately on the Main Market of the London Stock Exchange and the 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.

For the period ended 30 June 2015, there was only one reportable segment and so no comparatives are provided.

The below condensed Statement of Comprehensive Income details the breakdown between the two reportable segments for the year ended 30 June 2016:

	Ordinary Share £	C Share £	Total £
Total income	16,484,602	3,368,648	19,853,250
Net realised and unrealised gain	(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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The below condensed Statement of Financial Position details the breakdown between the two reportable segments as at 30 June 2016:

	Ordinary Share £	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**

16. 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 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) 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.

(b) 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.

(c) 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.

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

(e) On-going Portfolio Management – ensures that if a problem starts to arise it is immediately 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.

(f) 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.

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 Company Secretary, in close cooperation with the Directors and the Investment Managers, 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 those banks used by the Group.

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

During the year ended 30 June 2016, certain finance investments (two secured loans and a finance lease) were restructured resulting in repayment terms being amended.

As at 30 June 2016, the Group continues to hold these investments at their combined carrying amount of £19,201,474. The Directors do not consider these investments to be impaired subsequent to the restructuring of the financing agreement.

The Group holds one investment (a construction finance loan) for which interest recognition was suspended as of 31 May 2016. The Directors do not consider this investment to be impaired due to the security held and consider the full carrying amount of £119,588 to be recoverable.

(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 monitor the Group's liquidity risk, and the Directors review it.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(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.

Currency Risk

The functional and presentational currency of the Group is Pound 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.

At 30 June 2016, the currency profile of those financial assets and liabilities was:

	GBP £	USD £	EUR £	Total £
Investments	129,959,636	77,624,753	70,795,865	278,380,254
Income receivable	1,845,261	527,925	121,090	2,494,276
Cash and cash equivalents	82,140,948	492,118	5,182,178	87,815,244
Other receivables and prepayments	1,845,578	250,916	52,045	2,148,539
Forward currency contracts	(15,213,964)	-	-	(15,213,964)
Other payables and accrued expenses	(794,431)	-	-	(794,431)
Total net foreign currency exposure	**199,783,028**	**78,895,712**	**76,151,178**	**354,829,918**

At 30 June 2015, the currency profile of those financial assets and liabilities was:

	GBP £	USD £	EUR £	Total £
Investments	48,030,340	39,342,551	11,870,738	99,243,629
Forward currency contracts	1,704,952	-	-	1,704,952
Income receivable	611,939	834,889	97,960	1,544,788
Cash and cash equivalents	71,483,637	3,838,595	332,733	75,654,965
Other receivables and prepayments	960,228	274,338	39,746	1,274,312
Other payables and accrued expenses	(567,403)	-	-	(567,403)
Total net foreign currency exposure	**122,223,693**	**44,290,373**	**12,341,177**	**178,855,243**

Sensitivity analysis is based on the Group's monetary foreign currency instruments held at 30 June 2016:

Currency	Increase/(decrease) in the exchange rate	Impact on Net Assets £ Plus 5%	Impact on Net Assets £ Less 5%
USD	5%	(3,756,939)	4,152,406
EUR	5%	(3,626,247)	4,007,957

Sensitivity analysis is based on the Group's monetary foreign currency instruments held at 30 June 2015:

Currency	Increase/(decrease) in the exchange rate	Impact on Net Assets £ Plus 5%	Impact on Net Assets £ Less 5%
USD	5%	(2,109,065)	2,331,072
EUR	5%	(587,675)	649,536

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 2016, the Group had the following open forward foreign exchange contracts:

Buy/Sell Currency	Notional Foreign Currency	Notional 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)	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2015, the Group had the following open forward foreign exchange contracts:

Buy/Sell Currency	Notional Foreign Currency	GBP	Fair Value / GBP Equivalent	Settlement Date Month/Year
EUR/GBP	482,850	342,091	(6,951)	July 2015
GBP/EUR	486,183	344,543	2,362	July 2015
GBP/USD	22,469,450	14,291,616	8,287	July 2015
EUR/GBP	579,420	410,940	(3,010)	August 2015
GBP/USD	54,193,239	34,484,403	181,277	September 2015
GBP/EUR	23,097,084	16,438,310	1,522,987	January 2016
Total			**1,704,952**	

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, but will affect the value of the investment. Interest rate risk is generally greater for investments with longer maturities.

Certain fixed income 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.

17. 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. Details on the Investment Management Agreement are included in Note 3.

The Investment Managers

The Group is party to an Investment Management Agreement with the Investment Managers under which the Investment Managers are entitled to payment of management fees based on the aggregate of NAVs under management and structuring fees based on the value of new investments. During the year, the management fees due to the Investment Managers amounted to £2,893,765 (30 June 2015: £1,454,088) and an additional £1,409,927 (30 June 2015: £769,889) was paid in structuring fees. At 30 June 2016, £312,856 (30 June 2015: £147,126) of the management fees was still payable to the Investment Managers.

Loan to Summit Asset Management

During the year, the Group provided an additional loan of £42,762 to Summit Asset Management Limited ("Summit") to finance the construction of a biomass renewable energy generating station (the "Plant") that is the subject of asset purchase and equipment lease agreements made between Summit and the developers. The loan finance provided was applied by Summit to finance the development and construction of the Plant and the loans are secured by rights over the Plant and related leases together with related security.

The Group is entitled to receive interest on the principal amount of the loans equal to the finance charges payable under the related lease. This financing structure provided an interim solution that allowed the Group to acquire these investments shortly following the initial public offering. Summit was the Company's sub-investment manager up to 21 January 2015.

On or prior to completion of construction, the Group will acquire ownership of the Plant and the related lease.

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.

Share Interest

Neil Roberts, a Director of the UK Investment Manager holds 100,000 Ordinary Shares and 50,000 C Shares in the Company as at 30 June 2016 (30 June 2015: 100,000 Ordinary Shares).

During the year, Tim Spring, a Director of the UK Investment Manager, purchased 73,085 Ordinary Shares and 74,800 C Shares in the Company.

The table below details the Ordinary Shares and C Shares held by the Directors in the Company as at 30 June 2016:

Director	Number of Ordinary Shares	Number of C Shares
Peter Niven	40,000	20,000
John Falla	10,000	9,706
Carol Goodwin	30,000	15,000
Christopher Spencer	10,000	10,000

The table below details the Ordinary Shares and C Shares held by the Directors in the Company as at 30 June 2015:

Director	Number of Ordinary Shares	Number of C Shares
Peter Niven	40,000	-
John Falla	10,000	-
Carol Goodwin	30,000	-
Christopher Spencer	10,000	-

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. Further details can be found in Note 7.2.

SQN Asset Finance (Ireland) DAC

During the year, the Group acquired €42,670,000 of bonds due 12 May 2018 which were issued by SQN Asset Finance (Ireland) DAC, an unconsolidated structured entity in the Republic of Ireland. The Investment Managers act as investment advisors to this entity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Events Occurring After the Reporting Period

On 21 June 2016, the Company declared a dividend of 0.6042p per Ordinary Share and 0.2p per C Share, for the month ended 31 May 2016. This dividend was paid to the Shareholders on 25 July 2016.

On 20 July 2016, the Company declared a dividend of 0.6042p per Ordinary Share and 0.33p per C Share, for the month ended 30 June 2016. This dividend was paid to the Shareholders on 22 August 2016.

On 18 August 2016, the Company declared a dividend of 0.6042p per Ordinary Share and 0.4167p per C Share, for the month ended 31 July 2016. This dividend will be paid to the Shareholders on 19 September 2016.

On 21 September 2016, the Company declared a dividend of 0.6042p per Ordinary Share and 0.4861p per C Share, for the month ended 31 August 2016. This dividend will be paid to the Shareholders on 24 October 2016.

19. Ultimate Controlling Party

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

ADMINISTRATION

Non-Executive Directors (appointed 28 May 2014)

Peter Niven (Chairman of the Board)

John Falla (Chairman of Management Engagement Committee)

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

SINE QUA NON

Latin: without which it could not be