SQN ASSET FINANCE INCOME FUND LIMITED

Annual Report and Audited Consolidated Financial Statements
for the year ended 30 June 2019

GROUP HIGHLIGHTS FOR THE YEAR ENDED 30 JUNE 2019

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

4.0% per Ordinary Share **7.1%** per 2016 C Share	**(4.1)%** Ordinary Share **(7.3)%** 2016 C Share	**£451 million**
NAV total return per share for the year ended 30 June 2019 (dividends reinvested at NAV)	Share price discount to NAV as at 30 June 2019	Market capitalisation of Ordinary Shares and 2016 C Shares as at 30 June 2019
9.5% Ordinary Share **9.6%** 2016 C Share	**8.0%** Ordinary Share **7.8%** 2016 C Share	**109.8** Ordinary Share **64.5** 2016 C Share
Average weighted yield of invested portfolio as at 30 June 2019	Dividend yield for the twelve months based on the share price as at 30 June 2019	Weighted average remaining term of invested portfolio (in months)

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FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

Financial Highlights

Net Asset Value ("NAV") Total Return
The NAV total return details the change in NAV from the start of the relevant period and assumes that dividends paid to shareholders are reinvested at NAV. The NAV total return achieved by the Group is detailed in the table below:

Period	Ordinary shares	2016 C shares
Year to 30 June 2019	4.00%	7.07%
3 year annualised[1]	5.95%	-
Since inception	33.33%	9.20%

Ongoing Charges
Ongoing charges reflect those expenses which are likely to recur in the foreseeable future and which relate to the operation of the Group, excluding the costs of acquisition or disposal of investments, finance charges, gains or losses arising on investments, Ordinary Shares and 2016 C Shares.

Ongoing charges are a measure, expressed as a percentage of NAV, based on actual costs incurred in the year as being the best estimate of future costs excluding any non-recurring fees divided by the average NAV of the Company during the year, in accordance with the Association of Investment Companies (the "AIC") methodology. The ongoing charges for the year ended 30 June 2019 were 1.21% (30 June 2018: 1.11%).

Dividend History
The Company targets an annual dividend of 7.25 pence per Ordinary Share and 2016 C Share. Please refer to note 14 for details on dividends paid during the year and prior year.

[1]NAV total return annualised over a 3 year period from 1 July 2016 to 30 June 2019.

FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY (CONTINUED)

Financial Highlights (Continued)

Return of Capital
The Group repurchased 321,316 Ordinary Shares during the year for a total cost of £295,529. The repurchased Ordinary Shares are being held in treasury.

Performance Summary

Sterling in millions, except per share data and number of shares in issue	**30 June 2019**	**30 June 2018**
Number of Shares in Issue		
- Ordinary Shares	356,263,825	356,585,141
- 2016 C Shares	138,924,222	138,924,222
NAV		
- Ordinary Shares	£338.14	£348.47
- 2016 C Shares	£136.35	£135.62
NAV per share		
- Ordinary Shares	94.91p	97.72p
- 2016 C Shares	98.15p	97.62p
Share Price[1]		
- Ordinary Shares	91.00p	90.80p
- 2016 C Shares	91.00p	93.79p
Market Capitalisation[1]		
- Ordinary Shares	£324.20	£323.78
- 2016 C Shares	£126.42	£130.30
Earnings per share		
- Ordinary Shares	4.06p	5.92p
- 2016 C Shares	6.75p	1.96p
Dividend paid per share[2]		
- Ordinary Shares	6.65p	7.85p
- 2016 C Shares	6.19p	2.31p
Comprehensive income before dividends	£23.85	£24.63
Investments	£435.21	£398.81
Cash and cash equivalents	£24.67	£76.80
Weighted average yield[3]		
- Ordinary Shares	9.50%	9.89%
- 2016 C Shares	9.62%	9.32%
Weighted average remaining term[3]		
- Ordinary Shares	109.77 months	108.81 months
- 2016 C Shares	64.47 months	47.67 months

[1] Source: Bloomberg
[2] Refer to note 14 for further details on the dividends paid during the year and prior year. During the year ended 30 June 2019, 11 dividends were paid (30 June 2018: 13 dividends were paid).
[3] Of the invested portfolio

COMPANY OVERVIEW

The investment objective and policy of the Company is set out on pages 7 to 8 of this report.

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

Details of other service providers are provided on page 101.

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.

INVESTMENT POLICY (CONTINUED)

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

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

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.

A resolution in regard to a revised investment policy will be placed before shareholders at the Annual General Meeting (the "AGM") on 21 November 2019.

CHAIRMAN'S STATEMENT

Five years ago the Group was created to provide a high level of monthly income to investors through investments in a diversified portfolio of asset finance and equipment lease transactions. During the intervening years, the Group has paid an annual dividend of 7.25 pence per share on a monthly basis, has maintained an overall target return on the Ordinary Shares of between 8% and 10% over the longer term and has delivered a 33.3% net asset value total return. Since being fully invested, our total return has been on target.

Each investment that the Group makes is secured by collateral that is intended to provide downside protection in the event of a default. This strategy has been proven effective for the asset finance and equipment leasing industry and for the Investment Managers in particular.

The Board believes there is a positive outlook for our progress to continue and improve over the long-term.

Our shorter term performance, over the financial year to 30th June 2019, at 4.0% for the Ordinary Shares and 7.1% for the 2016 C Shares was lower than both our historic performance and our target. It is, of course, disappointing to fall short of our target and I address this and the current income shortfall on the Ordinary Shares below. The Investment Managers' Report provides more detail on the performance of each share class.

Underlying investment performance remains strong. We invest in long term assets and the temptation is, of course, to review the performance of these over short term time frames. I believe that this is a mistake. The evidence for the robustness of the portfolio comes from our concluded transactions. Approximately 20% of the original portfolio has now matured or been repaid and this component has achieved a weighted average yield of over 11.5%. This compares to our target yield of approximately 9.5% which is necessary to cover the 7.25 pence per share monthly dividend and generate some modest capital growth. Much of that yield premium is realised on the eventual conclusion of deals and I would suggest that this must be remembered when analysing the current income shortfall dealt with below.

In my Statement last year, I committed the Board to three things:

- seeking to meet the Group objectives in full;
- that the level of dividends paid to shareholders would be continued; and
- that dividend cover would be enhanced.

On the first two objectives we have met the challenge, but I have to admit that dividend cover on the Ordinary Shares has been a more difficult nut to crack. It is this issue that lies at the heart of the below trend performance seen in the past year.

Inevitably, given the variety and occasional idiosyncrasies of the assets in which we invest, there are going to be times when we hit a "bump in the road". This will result in the Investment Managers having to undertake remedial work to ensure the asset gets back on track as quickly as possible. However, it can also lead us to impair positions and to suspend income for a time, even if, over the longer term, that income is restored and the remedial work can lead to enhanced returns. We have experienced a number of such "bumps in the road" more recently, including additional post year end impairments in these financial statements of £3.2 million against two of the Group's anaerobic digestion ("AD") plants, which are again referred to the Investment Managers' Report.

The most high profile of these assets is Suniva, which I have discussed in the past and which accounts for around 7% of the NAV of the Ordinary Shares. The road to recovery on Suniva continues to develop and the Investment Managers' hard work and attention to detail has achieved much in the last year. They continue to have conviction that we will achieve a full recovery. The detail of progress on this is also documented in the Investment Managers' Report.

CHAIRMAN'S STATEMENT (CONTINUED)

We have confidence in the eventual, successful resolution of Suniva and the other remediations. Indeed, I would emphasise that a number encountered previously have recently been restructured and are now proceeding well. Snoozebox and the Arizona Hospital, in particular, are two very good examples of the Investment Managers' skill in smoothing these "bumps" and making good progress on getting deals back on track. With our current cases, the Investment Managers are working hard to remediate the positions, but in the meantime we have prudently suspended income until their fortunes are reversed and we can see them back on track. This is at the heart of the short term income shortfall.

The dividend on the Ordinary Shares is expected to remain uncovered until such time as there is a resumption of the income currently suspended on certain investments. Whilst the Investment Managers and the Board will continue to seek to resolve these matters in as early a timeframe as possible, the exact timing currently remains uncertain. That said, and recognising the importance of income to our investors, the Board intends to continue to pay the annual 7.25 pence per share for each class on a monthly basis, even when not fully covered. The Board and the Investment Managers believe that this policy remains sustainable as the shortfall in income from certain transactions is expected to be recognised on their conclusion. Any immediate lack of dividend cover and the corresponding impact on NAV should be viewed over the long term where suspended income is recaptured either through additional collateral or successful restructuring and potentially higher yields.

Against this background, in May 2019, the Board announced a further deferral of the conversion of the 2016 C Shares until the progress being achieved was able to lead to greater clarity on the timing and components of the recovery from Suniva.

As a result of the above and in light of the fully invested nature of the 2016 C Share portfolio, the Group intends to continue to operate the 2016 C Shares, with its fully covered dividend and smaller average investment size, as an independent listed portfolio for 18 to 24 months or until there is greater clarity on the matters mentioned above, relating to the ordinary shares.

At year end, the Group was essentially fully invested apart from cash set aside to meet potential margin requirements on foreign exchange hedges, together with some proceeds accumulating from repayments received over the prior months awaiting reinvestment.

With both portfolios essentially fully invested, material new investments are not expected over the coming year. Rather, an important focus for the coming year will be on some of the AD plant investments that, in aggregate, form a material component of the portfolio. As they reach steady-state, full output, as all are expected to achieve in the near future, the opportunity exists to refinance or sell these. The Group holds equity positions in all of these plants and, until full and stable output is achieved, our accounting policy is not to recognise value in these equity holdings. We believe that some will be more successful than others but, in aggregate, we are optimistic that value uplift will be achieved. Thereafter, reinvestment of the proceeds is expected to be in smaller lot sizes which will increase the portfolio diversification.

At year end, both the Ordinary and 2016 C Class shares were trading at a discount to their respective NAVs resulting in dividend yields of around 8%. Whilst the Board and the Investment Managers would like to see the shares trading closer to NAV or at a slight premium, the downward pressure on the share prices has been driven by a combination of an isolated seller, together with the consequences of a falling NAV on the back of the suspension of income on certain assets. We are optimistic that, once that overhang is fully cleared, we will see a more positive movement in the share prices particularly as dividend cover improves in the Ordinary Shares. As surplus cash flows permit, the Board intends to engage in more active share repurchases, although we wish to be prudent with cash reserves ahead of clarity over Brexit.

CHAIRMAN'S STATEMENT (CONTINUED)

All asset markets evolve and the leasing, asset finance and project finance markets which are at the heart of the Company's investments are no different. In part driven by accounting standard changes, particularly IFRS16 operating lease changes, we believe that it is appropriate to slightly expand the investment mandate to include additional assets as primary collateral under secured loans. This will broaden the investment universe available to the Group and enable the Investment Managers to build even more robust collateral packages. The Company's main focus will remain on asset finance and equipment leasing but will, for the future, allow for the inclusion of receivables, service contracts, grants, and other tangible and financial assets including the new service-based products developing whereby the lessee is becoming equipment agnostic, paying instead for products or services delivered. The Investment Managers have seen similar evolutions in the past and believe that it is important that the Group remain nimble to capitalise on the best opportunities in the sector. We believe that this will enhance the opportunities for attractive reinvestments in due course whilst retaining the core focus of the Group. A resolution to this effect will be placed before shareholders at the forthcoming AGM and the Board recommends that you vote in favour of this resolution.

Membership of this Board is a very time-consuming commitment and we are keenly aware of the need to plan for the future particularly with three of the Directors, including myself, having been with the Group since inception. We are therefore commencing a programme of Board refreshment. This will see Christopher Spencer step down as Chairman of the Audit and Risk Committee following the next AGM, handing that responsibility to John Falla. Christopher will remain on the Board for a further period but at the same time we have started the formal process of identifying a replacement member of the Board to bring a new perspective to the work we do and for a time we will therefore have a Board of 5 non-executive Directors until Christopher steps down.

We have also recently completed a formal process which will see the current auditors, Baker Tilly Channel Islands Limited, replaced by Deloitte LLP at the next AGM. Baker Tilly have successfully seen the Group through its first five years and the Board is grateful for their professionalism during that time.

Looking forward, the UK and the world faces much uncertainty. Whilst such concerns can cloud our perspective, the Company is well positioned to weather such uncertainties. Despite bumps in the road, the overall portfolio is performing well and has wide diversification, the collateral that secures our positions remains robust and we are set to continue to deliver consistent and attractive returns. In a world where it seems likely that interest rates will remain lower for longer than anyone expected, such a stable and attractive income stream is more valuable than ever.

Over the coming year, the Board and the Investment Managers are keenly focused on improving dividend cover, growing NAV and supporting the share price with all the options that are available to us.

The Group's horizon is long-term by the very nature of its assets and both the Board and the Investment Managers thank our loyal investor base that have invested on that basis.

Peter Niven
Chairman
27 September 2019

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 2019 consisted of 356,263,825 Ordinary Shares and 138,924,222 2016 C Shares of no par value. The share capital of the Company is represented by an unlimited number of shares of no par value. All shares hold equal voting rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up.

The Company repurchased 321,316 Ordinary Shares during the year for a total cost of £295,529. The repurchased Ordinary Shares are being held in treasury. As at 30 June 2019, 1,443,682 Ordinary Shares are being held in treasury.

Please refer to note 13 for further information.

Subsidiaries
The Company's subsidiaries are detailed in note 1.

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

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

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

STRATEGIC REPORT (CONTINUED)

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

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

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

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

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

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

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

Other risks
The Directors wish to draw the attention of shareholders to the other risks as set out in the Company's Prospectus, which is available on the website www.sqnassetfinance.com. Refer to note 17 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 and desire to continue in operation for the foreseeable future. After analysing the following, the Directors believe that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements:

- Working capital – As at 30 June 2019, there was a working capital surplus. The Directors noted that as at 30 June 2019 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 shares redeemed, and there will therefore be no cash flows out of the Company in this respect. Please see page 30 for details on the continuation resolution.

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

Viability Statement

The Directors have assessed the viability of the Company over a three-year period. This statement explains how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, taking into account the Company's current position and principal risks. The principal risks faced by the Group are described on page 13.

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

The three-year period is consistent with the outlook period used in economic and other medium term forecasts prepared for the Directors by the Investment Managers and is the outlook period generally used by the Board in considering the Company's strategies. The review also considers the market opportunities for the investment of capital, the anticipated portfolio redemptions and the ability to raise third party funds.

This statement is made on the assumption that continuation votes will be passed throughout the period under assessment (see Life of the Company section on page 30).

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a three-year period.

STRATEGIC REPORT (CONTINUED)

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

Financial Review
At 30 June 2019, the Net Assets of the Group amounted to £474,492,470 (30 June 2018: £484,088,140).

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

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

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

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

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

- Underlying portfolio performance, including:

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

INVESTMENT MANAGERS' REPORT

At 30 June 2019, the Group was just shy of five full years of operations having its initial public offering in July 2014.

For the fifth year in a row, total income was up, this year by 16.14% to £39.7 million on an investment base of £435.2 million. Net profit was relatively flat at £23.9 million after taking a cautionary impairment on two assets in the workout phase which are expected to perform over the long-term (see later). Without the non-cash impairment charges, net profit would have been up almost 10%.

All of the income growth was attributable to the 2016 C Share portfolio which increased net profit by 179% to £9.4 million. Net profit from the Ordinary Share portfolio was down 31.65% or £6.7 million, half of which was a result of the impairment charges and the balance was driven by the cash drag on reserves required for currency hedges, expenses related to the Suniva recovery, and the temporary income suspension on certain transactions during the workout phase. Subsequent to year end, the cash drag has been reduced and the majority of the Suniva recovery expenses, which are potentially recoverable under the parental guarantee, have already been incurred. Additionally, one of the larger assets in workout was resolved with an approximate £900,000 excess return above the original projected yield (see later). Based on performance to date and the Investment Managers' long experience, this is a process that is expected to recur as assets in the workout phase with either suspended income and/or impairment charges are resolved and returns are recaptured.

As evidence of the point above, the weighted average yield on concluded transactions is in excess of 11.5% which includes several outperforming transactions that were, at one time, transactions subject to forbearance or restructuring before the Group realised an attractive return. It is important to keep in context that the average gross yield required to cover the dividend is 9.5% with 89% of the portfolio invested. In other words, even with more than 10% of cash on hand or on reserve for hedging, there is more than a 2% cushion on dividend cover when analysed retrospectively and actual investment performance is measured over the life of the investment rather than when measured period to period before final investment results are achieved.

In line with the above, the Ordinary Shares had a dividend cover of 61%. This should be viewed simply as a timing mismatch as the portfolio is expected to generate a total return sufficient to cover the dividend over the long-term with the yields on certain transactions being shifted to the back-end as a result of the income suspension and impairment policy being implemented, just as the concluded transactions have proved.

For this reason and as noted in the Chairman's Statement, the Company intends to continue to pay the 7.25% dividend on both share classes, even if it has a medium-term negative effect on NAV, as long as the outlook remains positive.

Dividend cover for the 2016 C Shares was 110% for the year as that portfolio benefited from lower foreign currency exposure requiring hedging and with no investments, to date, requiring additional management.

At the year end, cash on hand was £14.3 million in the Ordinary Shares (4.2% of Ordinary Share net assets) and £10.4 million in the 2016 C Shares (7.6% of 2016 C Share net assets).

INVESTMENT MANAGERS' REPORT (CONTINUED)

Portfolio

Investments in the Ordinary Share portfolio were spread over 16 different industries while the 2016 C Share portfolio has exposure to 10 different industries.

The Ordinary Shares had investments in 15 different asset classes while the 2016 C Shares had investments in 9 different asset classes.

Top Ten Investments in the Ordinary Share Portfolio at 30 June 2019

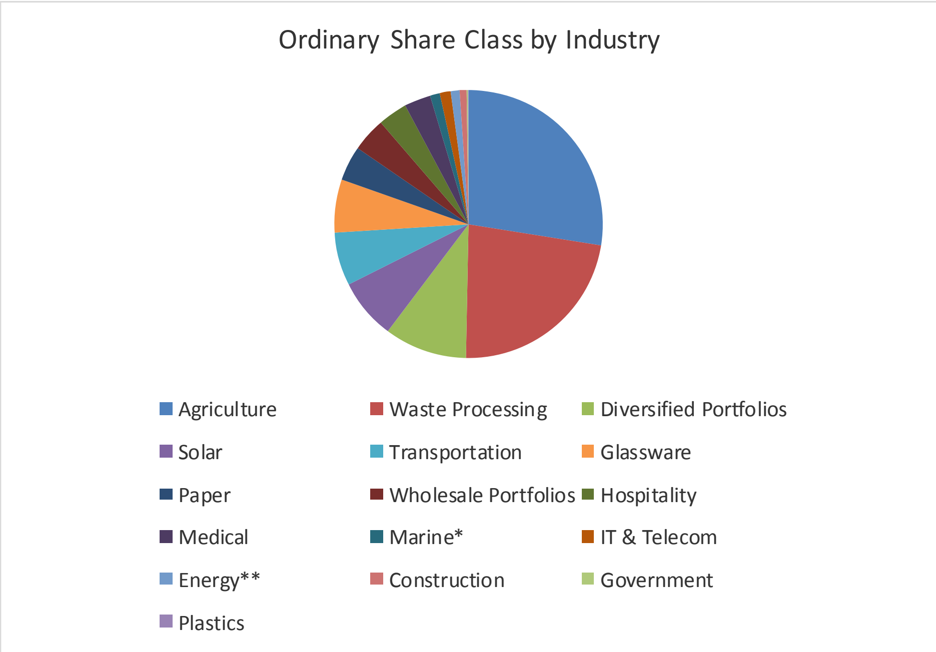
	Asset	Currency	NAV PBO including residual values (£)	Industry
1	AD Plant at Hartlepool	GBP	36,522,686	Waste Processing
2	Diversified Portfolios	USD	31,845,801	Diversified Portfolios
3	AD Plant at Imperial Park	GBP	27,404,828	Waste Processing
4	AD Plant at Donegal	GBP	24,094,998	Agriculture
5	Solar Manufacturing Equipment (Suniva)	USD	22,952,719	Solar
6	Glass Manufacturing Plant	EUR	20,593,469	Glassware
7	AD Plant at Peterhead	GBP	19,627,263	Agriculture
8	Combined Heat and Power Units	GBP	16,778,909	Agriculture
9	Marine Vessels	USD	15,326,187	Transportation
10	Paper Mill	GBP	13,237,242	Paper
	Total		**228,384,102**	

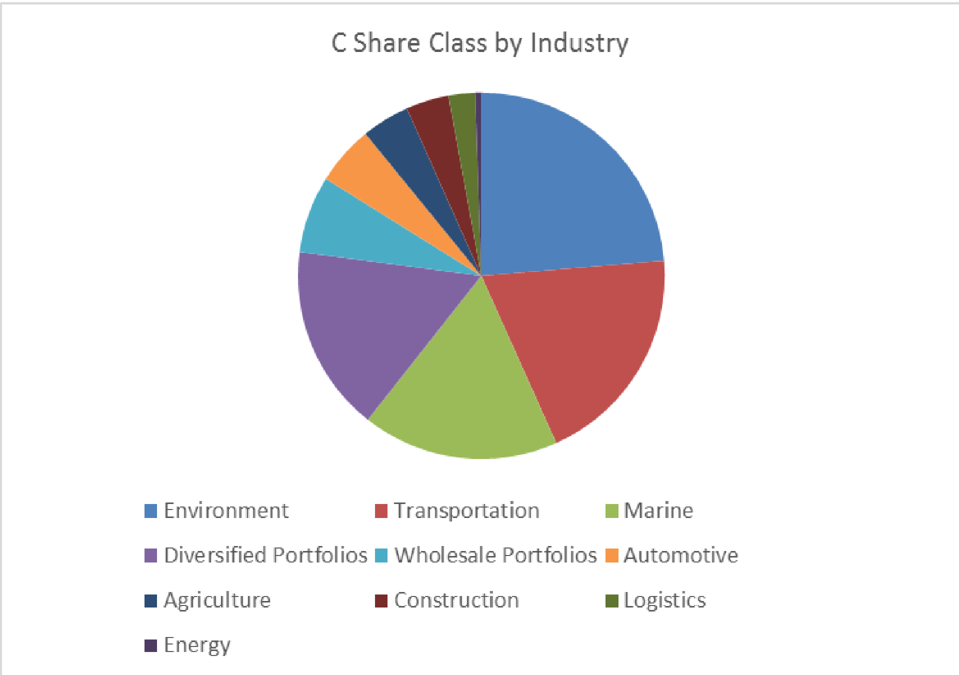
Top Ten Investments in the 2016 C Share Portfolio at 30 June 2019

	Asset	Currency	NAV PBO including residual values (£)	Industry
1	Waste Processing Equipment	GBP	19,387,351	Environment
2	Remotely Operated Vehicles ("ROVs")	GBP	16,650,380	Marine
3	Marine Vessels	USD	16,565,725	Transportation
4	Diversified Portfolios	USD	9,839,014	Diversified Portfolios
5	Wholesale Lending Arrangements	GBP	8,412,692	Wholesale Portfolios
6	Diversified Portfolios	GBP	7,658,417	Diversified Portfolios
7	Automotive Manufacturing Equipment	EUR	6,461,613	Automotive
8	Helicopters	EUR	5,898,208	Transportation
9	Infrastructure Equipment	GBP	5,215,292	Agriculture
10	Waste Processing Equipment	GBP	5,017,877	Environment
	Total		**101,106,569**	

INVESTMENT MANAGERS' REPORT (CONTINUED)

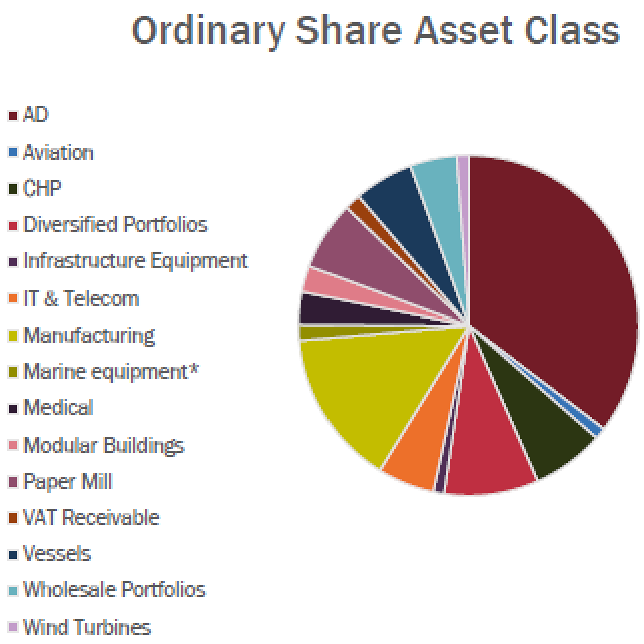
Industry Charts

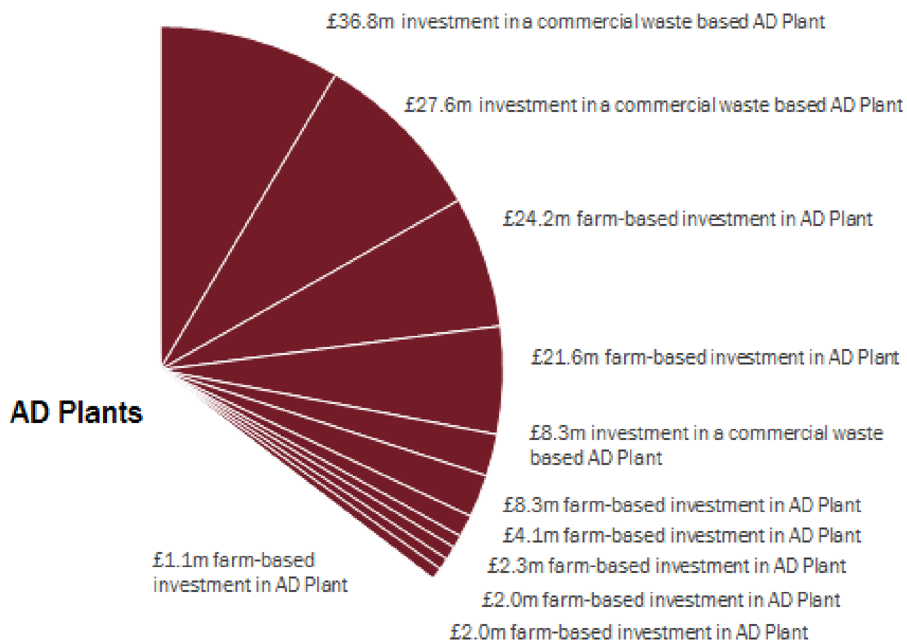




INVESTMENT MANAGERS' REPORT (CONTINUED)

Asset Class Charts





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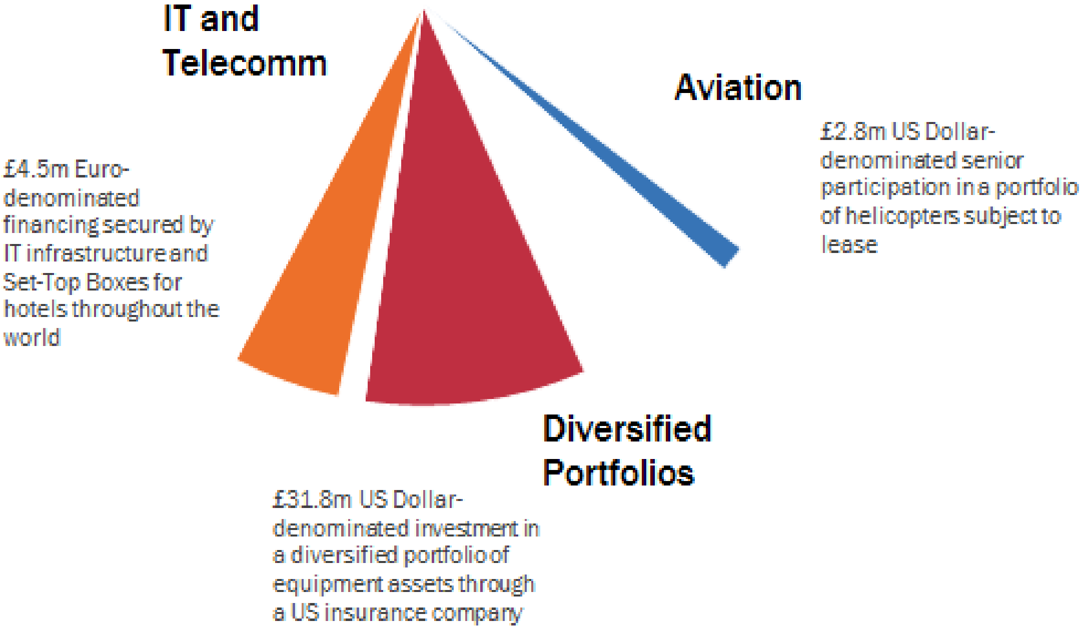

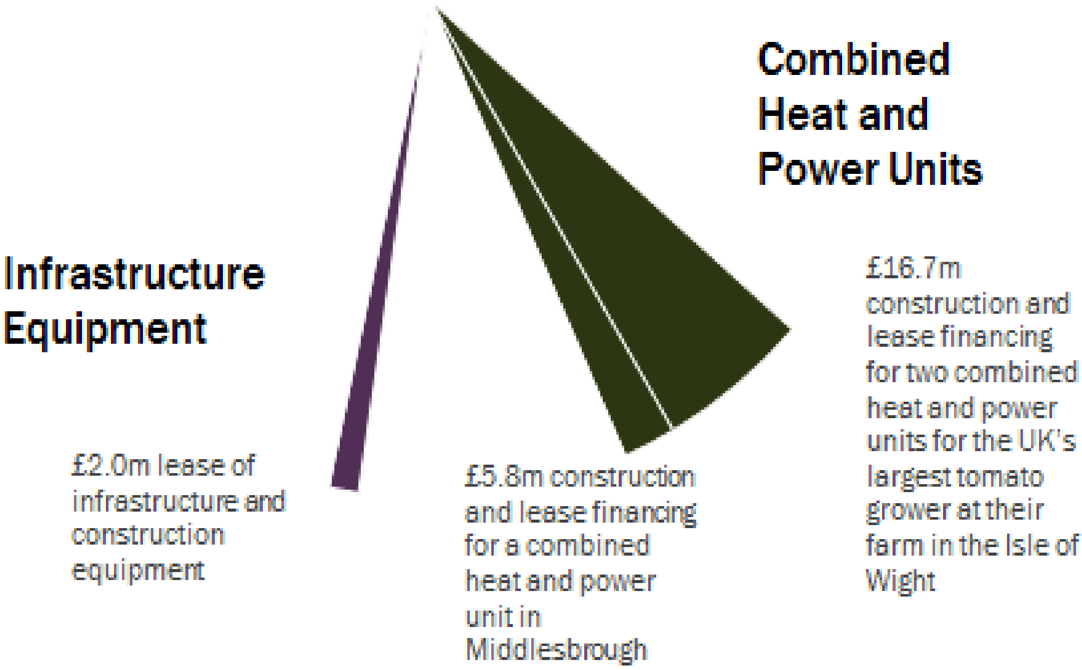

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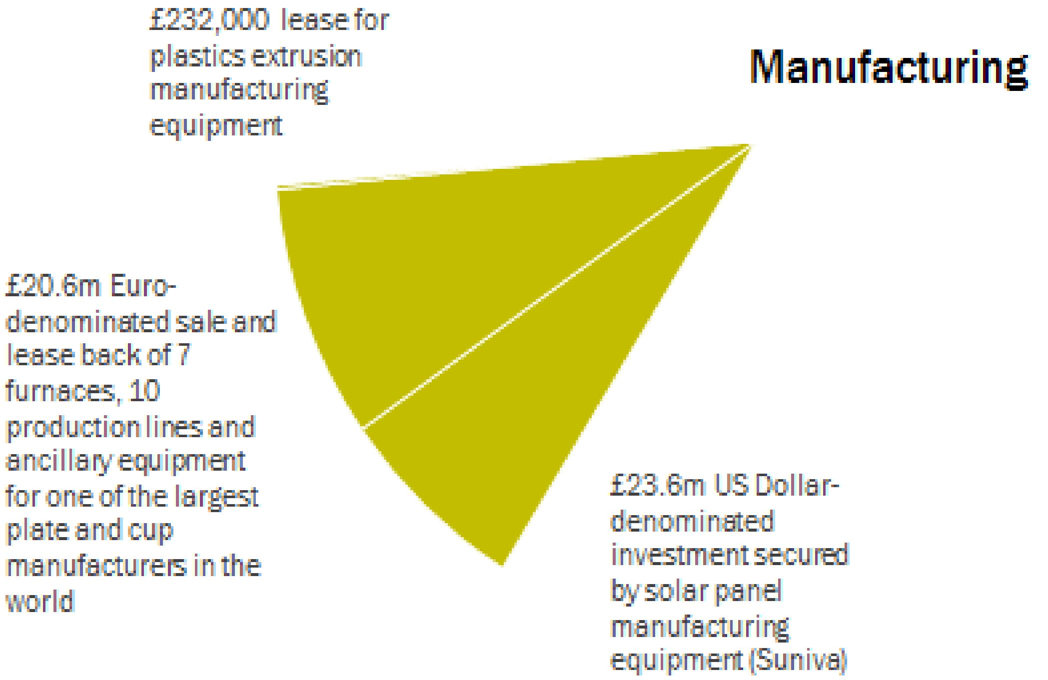

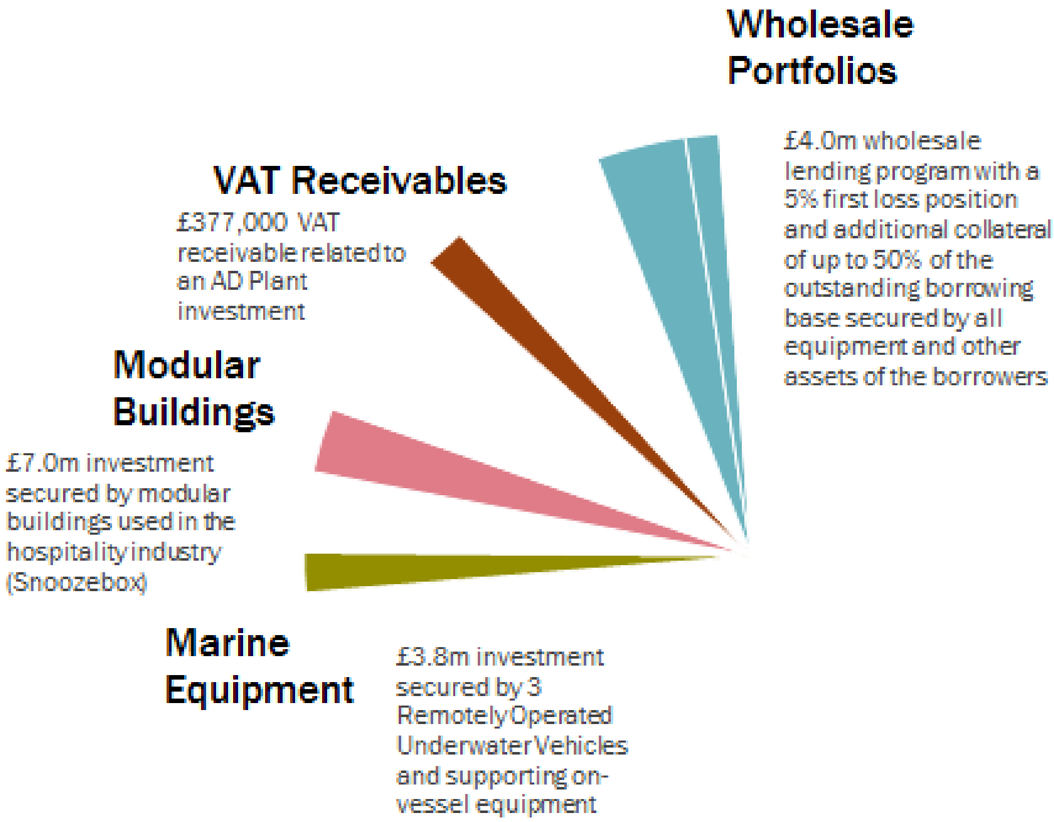

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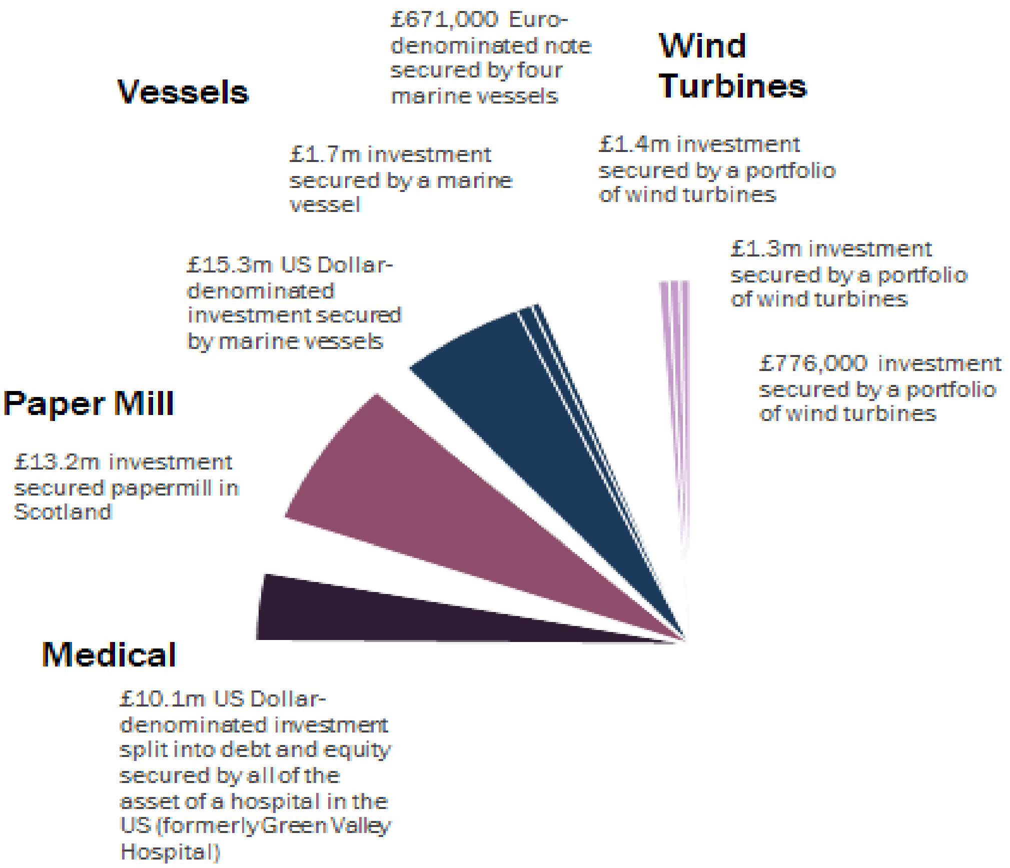
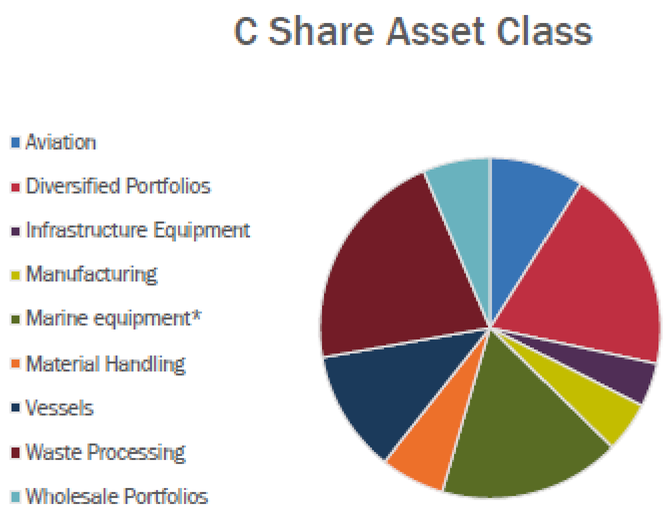
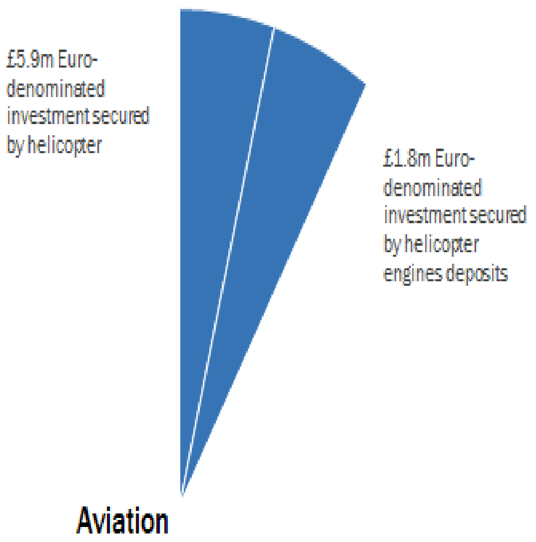
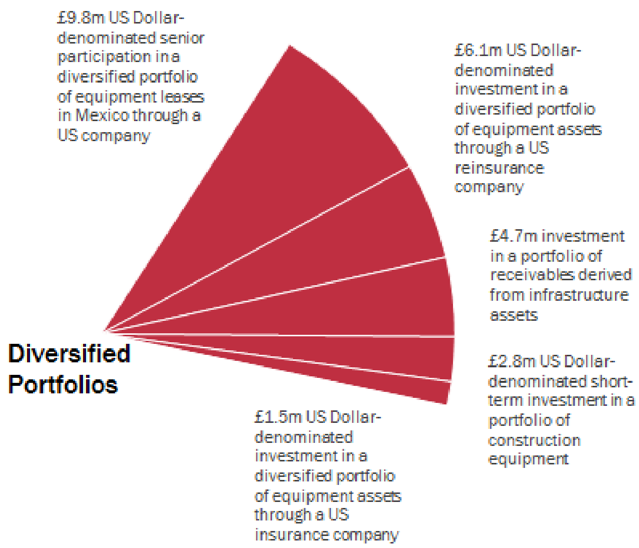
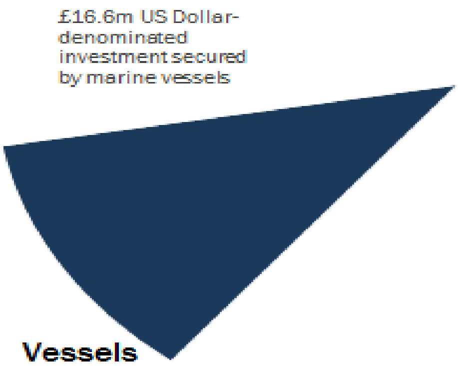


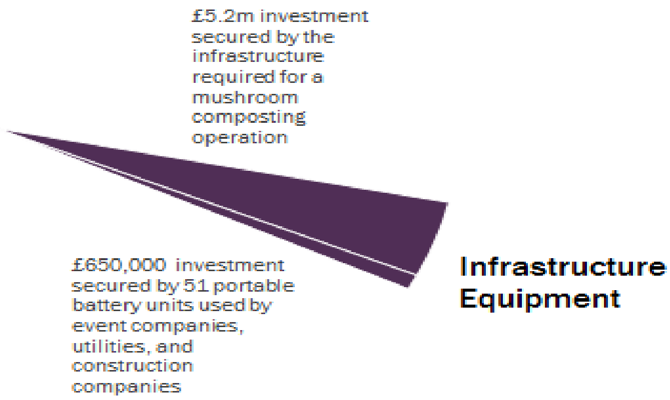


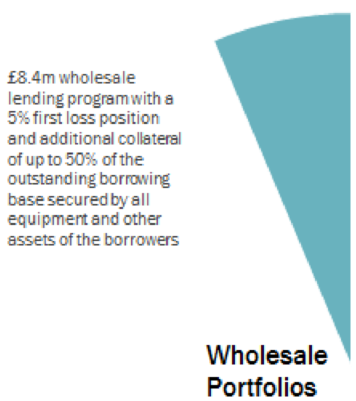
INVESTMENT MANAGERS' REPORT (CONTINUED)

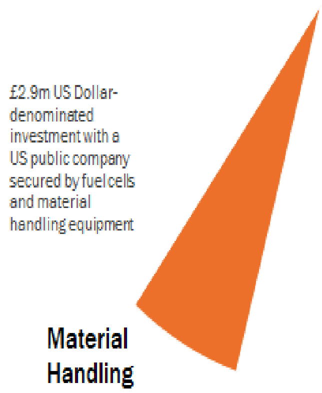


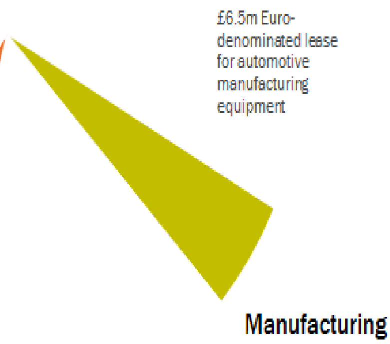




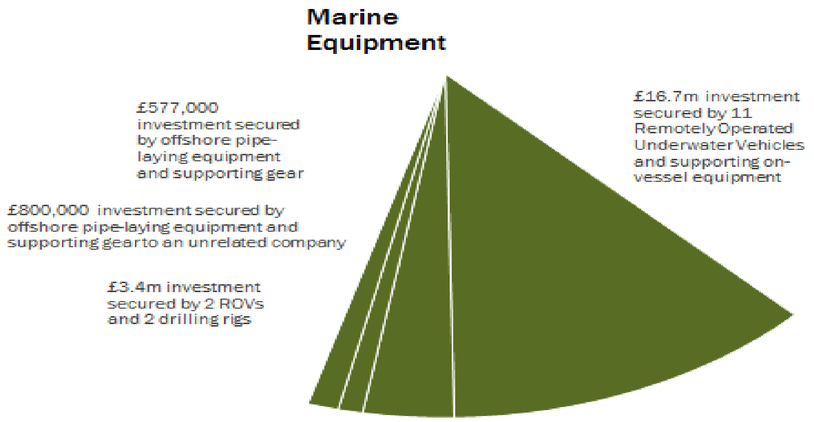


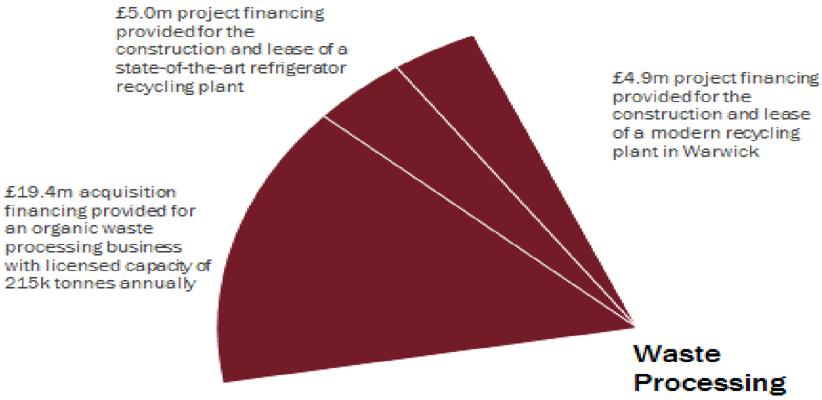






INVESTMENT MANAGERS' REPORT (CONTINUED)





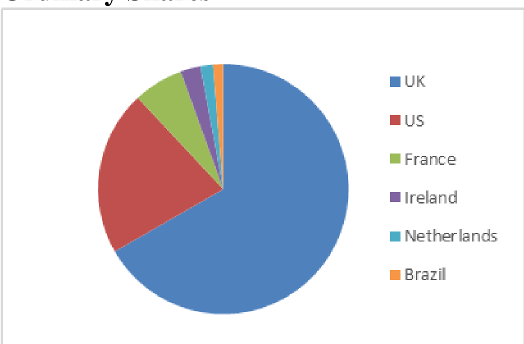
Average Transaction Size and Duration

Ordinary Shares Average Transaction Size – £9.2 million
2016 C Shares Average Transaction Size – £6.5 million

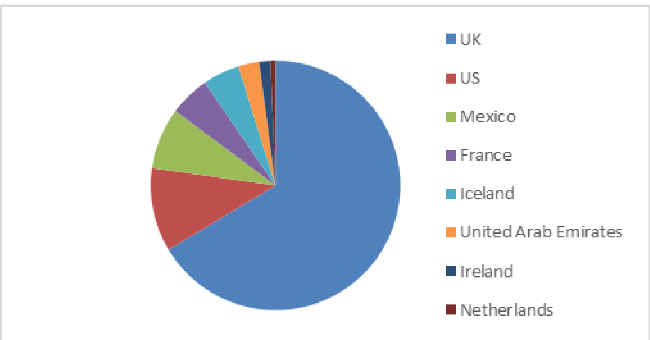
Ordinary Shares Weighted Average Remaining Term – 109.8 months
2016 C Shares Weighted Average Remaining Term – 64.5 months

Geographic Diversification

Ordinary Shares



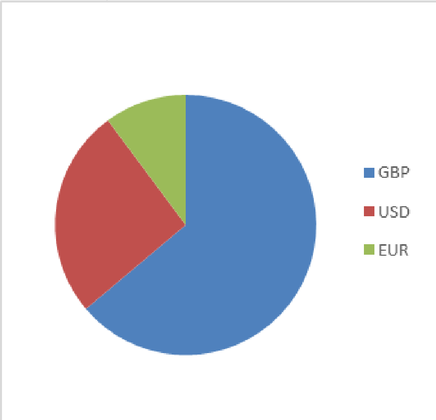
2016 C Shares



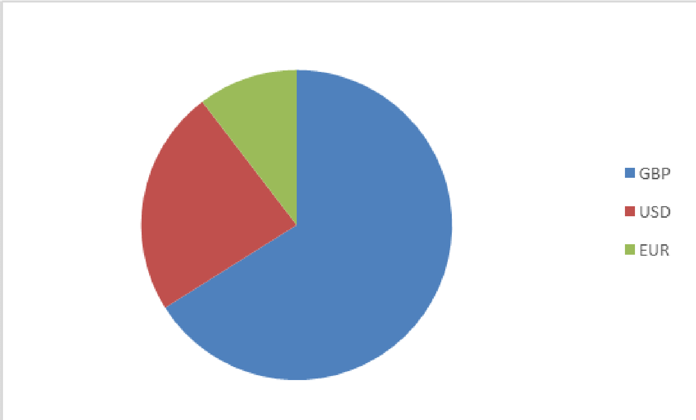
INVESTMENT MANAGERS' REPORT (CONTINUED)

Currency Diversification

Ordinary Shares



2016 C Shares



Specific Investment Details

AD plants make up the largest asset class concentration accounting for 29% of the Group's assets and 41% of the Ordinary Share portfolio. The Group has made a total of fifteen investments in AD plants. Four investments have been monetised for yields of 11.4%, 11.7%, 12.6%, and 20.0%, the latter being an investment that went into default and required a complicated workout. All four investments outperformed the initial projected returns with the highest yield coming from the investment requiring a workout in the earliest phase. Over the next 12 to 18 months there are expected to be additional sales and refinancings in this segment of the portfolio which should continue to generate attractive returns.

The Ordinary Share portfolio has eleven remaining investments in AD plants, all of which are project financings. Project financing requires more active management than straightforward equipment leases but, as evidenced by the performance to date, have potential upside not usually available in traditional leases.

All of the remaining AD plants are built and operational. Six are in the ramp-up phase which often involves continuous refinement until the plants reach optimum output. This process frequently takes longer than anticipated and occasionally requires additional capital which can affect the overall economics of the investment. As a result, the Group may suspend income and/or impair the positions until the overall returns are achieved. This is the position on two AD plants, where an additional post year end impairment in these financial statements of £3.2 million was made.

One of the AD plants that the Group has provided financing for in Scotland has been impaired as at 30 June 2019 by a further £1.7 million under IFRS 9 making a total £2.0 million to reduce the carrying value to £19.6 million. The impairment charge was assessed after delays in reaching the manufacturer's warranted level, which required modifications to the plant and additional capital investment.

Another of the Group's AD plant investments, which has been operating at the manufacturer's warranted level, has suffered from high feedstock costs which has reduced its profitability and therefore its value. A further impairment under IFRS 9 of £1.6 million has been taken which increases the total impairment to £2.1 million and reduces the carrying value to £6.2 million.

In addition to the actively managed AD plants, there were six investments in the Ordinary Share portfolio that required varying degrees of engagement at year-end. The 2016 C Share portfolio did not have any investments requiring material involvement of the Investment Managers.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Specific Investment Details (Continued)

- Suniva: progress continues on the £25.5 million Suniva recovery after the company emerged from bankruptcy and entered into two new leases with the Group. The first lease is for certain assets that allow the new owners to pursue the distribution of already-collected tariffs for the benefit of Suniva and the broader solar panel manufacturing industry. This lease provides quarterly payments of $130,000. The second lease has a payment schedule that is tied to the amount of tariffs ultimately received by Suniva. The first payment under the first lease was made on time, subsequent to year end. During the year, the Company received $2.5 million from the sale of the Debtor-in-Possession Loan which the Company provided. No payment is due on the second lease until the tariffs are received by Suniva.

  The Group is also pursuing the guarantee provided by Suniva's former parent company. The case is being heard in a New York Court with a trial date set for late November 2019 or early December 2019. To date, the Group has prevailed in every motion put before the court on this matter. In the vast majority of cases, a settlement is reached before the trial date. The judge and counsel on both sides are advocating a settlement but, with one settlement conference completed, the Group is yet to receive a response from the board of directors of the guarantor with regard to continuing settlement discussions.

- Telecom Towers: The Group made an investment in a portfolio of telecommunication towers which have been subject to a workout for an extended period of time. The portfolio is relatively small which has prevented an early sale process. The operator has been exploring refinancing while increasing the size of the portfolio in order to attract larger buyers. While income continues to accrue for the borrower, the Group has suspended the recognition of income at the full amount until the £5.0 million position is closed.

- The Group provided financing secured by a portfolio of Integrated Set Top Cable and Internet Boxes (and all related receivables) on lease or under service agreements with 1,400 different customers representing approximately 2,200 hotels and 230,000 hotel rooms.

  The borrower entered into a sale agreement with a larger entity which, after an extended period, did not complete. The business experienced a temporary disruption and loss of a number of customers but was subsequently acquired by a European private equity firm which is working with the Group to restructure the outstanding balance that had already been amortised more than 50% from the initial investment. The Group does not expect any impairment of the £8.7 million investment value.

- The Group entered into a sale and leaseback of a paper mill in Scotland operated by a well-known speciality paper company that was consolidating operations from multiple international plants into the Scottish facility. The lessee has faced financial difficulties stemming from a decrease in gross margins as well as a decrease in credit terms available through its public parent company. The business was in the process of being restructured at year-end with an expected management buyout to take place at the end of the third quarter or beginning of the fourth quarter of 2019. Subsequent to year-end, the management buyout was concluded and the Group is due to receive £11.9 million by the end of January 2020 in cash and reducing the outstanding exposure to £3.8 million in an agreement that generated an approximately £900,000 premium and a yield 45 basis points higher than originally projected. The new £3.8 million lease is fully covered by available collateral.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Specific Investment Details (Continued)

- The Group entered into a lease with a UK-based commercial construction company with an international heavy plant hire division. The lessee entered administration following which an MBO team took the majority of the assets financed on a new lease contract. There remains £601,000 of equipment (subject to title challenge) not yet re-deployed.

- The Group provided financing under a programme with the lessor of domestic central heating/hot water system boilers. The advance rate is between 92.5% and 94% of a seasoned portfolio but has an assignment of 100% of the underlying leases and service agreements. The investment is further secured by floating and fixed charges over all of the assets of the lessor. The borrower has experienced a lower level of cash flow than initially projected based on lower sales volumes following a mild winter in 2018/2019. This is expected to be a temporary situation and the Group is working with the borrower on a solution that accommodates the reduced cash flow but still covers the £9.2 million outstanding amount due to the Group along with all interest.

Completed Transactions during the Year

During the year, twelve investments, amounting to almost £23 million, were either settled, sold, or reached maturity. All of the investments, which delivered a weighted average IRR in excess of 11.5%, were part of the Ordinary Share portfolio. The one transaction that underperformed was a small lease for construction and infrastructure equipment that went into administration and the assets were liquidated in the secondary market. This lease generated a nominal positive return as shown in the table below.

Asset	Investment Amount	Yield
Wind Turbines	£485,116	12.0%
Wind Turbines	£610,639	14.6%
Wind Turbines	£670,967	14.4%
Wind Turbines	£618,822	14.2%
Wind Turbines	£1,144,460	13.5%
Wind Turbines	£1,075,596	13.4%
Wind Turbines	£1,127,027	13. 8%
Marine Support Equipment	£1,010,000	11.2%
Vessels	£13,255,609	9.1%
IT & Telecom	£908,039	9.4%
Infrastructure Equipment	£439,920	2.6%
Anaerobic Digestion Facility	£1,605,531	12.6%
Total	£22,951,726	

INVESTMENT MANAGERS' REPORT (CONTINUED)

Outlook

In the five years since the Group was launched, a large number of lenders have entered the market. Equipment leasing and asset finance, once a speciality product, has now become part of the offerings of financial institutions with broader mandates and greater flexibility than the Group. Equipment leasing and asset finance specialists who rely on bank borrowings or capital markets have benefited from lower rates which has made them more dominant in their niche markets. This has created a more competitive environment for the Group and has shifted the risk profile of opportunities in the yield range required by the Group.

The Investment Managers have confidence in the portfolio, as constructed to date, to deliver current income and returns as intended over the long-term. In the medium term, as a result of the changing market conditions set out above, reinvestment yields are expected to come under pressure while the universe of appropriate transactions available to fit the Group's narrow requirements diminishes. Based on the Investment Managers' experience, this is not expected to be the long-term reality but will take several years to revert to the norm which will only happen after a credit market correction.

It is an increasingly common market perception that the end of the credit cycle is approaching. In preparation and in response to changing market conditions, the Investment Managers believe that by slightly expanding the investment mandate to include additional assets as primary collateral under secured loans, that it will broaden the investment universe available to the Group and enable the Investment Managers to build even more robust collateral packages and continue to deliver attractive returns to investors. The Group's focus will remain on asset finance and equipment leasing but will allow for the inclusion of receivables, service contracts, grants, and other tangible and financial assets including the new service-based products developing (partly as a result of the IFRS16 operating lease changes) whereby the lessee is becoming equipment agnostic, paying instead for product or services delivered.

The Investment Managers expect that macroeconomic conditions will have an effect on short-term dividend cover and the Group's policies on income suspension and impairments will have negative short-term effects on NAV despite the portfolio remaining on target to deliver target income and overall return. With a strong and seasoned team in place and with the ability to further enhance the security packages supporting investments, the Investment Managers look forward to a market that it expects will present attractive opportunities to firms and well-positioned to capitalise on them, even in a recessionary environment or with tightening liquidity.

SQN Capital Management, LLC
27 September 2019

SQN Capital Management (UK) Limited
27 September 2019

DIRECTORS' REPORT

The Directors present the Annual Report and Audited Consolidated Financial Statements of the Group for the year ended 30 June 2019.

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

Peter Niven (Chairman)
John Falla
Christopher Spencer
Paul Meader

The biographical details of the Directors in office at the year-end are provided on page 33.

Directors' Interests
The Directors held the following interests in the Company's share capital at the year end:

Director	Number of Ordinary Shares	Number of 2016 C Shares
Peter Niven	79,858	3,860
John Falla	19,637	3,829
Christopher Spencer	19,929	3,845
Paul Meader[1]	47,000	-

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

Notifications of Shareholdings
The Company had been notified in accordance with Chapter 5 of the Disclosure Guidance and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of the following shareholders that had an interest of greater than 5% in the Company's issued share capital as at 30 June 2019:

	Percentage of total voting rights (%)
Schroders PLC	12.28
Investec Wealth & Investment Limited	12.21
CCLA Investment Management Limited	5.34

Between 1 July 2019 and 26 September 2019, no additional notifications were received.

[1] The shares are held in the name of Sarah Kingwell, the spouse of Paul Meader.

DIRECTORS' REPORT (CONTINUED)

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

Life of the Company
The Company has an indefinite life. At the AGM held on 20 November 2017, a resolution was passed that the Company will continue its business as a closed-ended investment company (the ''Continuation Resolution''). The Directors are required to hold a Continuation Resolution every three years, with the next one proposed at the AGM in 2020. In the event that a Continuation Resolution is not passed, the Directors shall formulate proposals to be put to shareholders as soon as is practicable but, in any event, by no later than six months after the Continuation Resolution is not passed, to reorganise, unitise or reconstruct the Company or for the Company to be wound up with the aim of enabling shareholders to realise their holdings in the Company.

Dividends
The Company targets a total annual dividend of 7.25 pence per Ordinary Share and 2016 C Share. The dividend target is a target only and there can be no guarantee that this will be achieved. Dividends are declared and paid monthly for Ordinary Shares and 2016 C Shares.

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

Ordinary Share Buybacks
At the AGM held on 20 November 2018, the Directors were granted authority to repurchase 53,403,947 Ordinary Shares and 20,824,741 2016 C Shares (being equal to 14.99% of the number of Ordinary Shares and 2016 C Shares in issue) for cancellation or to be held as treasury shares. This authority will expire at the forthcoming AGM. The Directors intend to seek annual renewal of this authority from the shareholders. Pursuant to this authority, and subject to the Companies (Guernsey) Law, 2008, as amended ("Companies Law") and the discretion of the Directors, the Company may purchase Ordinary Shares and 2016 C 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 and 2016 C 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 under a Directors' and Officers' liability insurance policy.

DIRECTORS' REPORT (CONTINUED)

2019 AGM
The AGM will be held in Guernsey on 21 November 2019. The notice for the AGM sets out the ordinary and special resolutions to be proposed at the meeting. Separate resolutions are proposed for each substantive issue.

The Articles of the Company state that fourteen clear days' notice of the AGM of the Company is required. It is, however, the intention of the Board that the Notice of AGM is issued to shareholders so as to provide at least twenty business days' notice of the meeting. The Directors welcome communication with all shareholders and can be contacted in writing at the Company's registered office, which can be found on page 101.

Voting on all resolutions at the AGM is by poll. The proxy votes cast, including details of votes withheld are disclosed to those in attendance at the meeting and the results are published on the website www.sqnassetfinance.com and announced via the Regulatory News Service.

Directors' Statement of Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year.

Under company law the Directors must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period.

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

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its Consolidated Financial Statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the website www.sqnassetfinance.com, and for the preparation and dissemination of the Consolidated Financial Statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' REPORT (CONTINUED)

Directors' Statement of Responsibilities (Continued)

Responsibility statement of the directors in respect of the Annual Report and financial statements

We confirm that to the best of our knowledge:

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

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

By order of the Board

Peter Niven	**Christopher Spencer**
Chairman	Director
27 September 2019	27 September 2019

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 LSE listed and unlisted investment funds investing in asset classes including leasing, property, emerging markets and private equity with wide experience of chairing Boards and Audit and Management Committees. He is also a director of ABTA's Guernsey captive insurance entity. Peter is a Fellow of the Institute of Bankers, a Fellow of the Institute of Directors and a Chartered Director.

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

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

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, which is listed on the London Stock Exchange and Summit Germany Ltd which is an AIM listed company.

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

CORPORATE GOVERNANCE REPORT

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

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

Throughout the year ended 30 June 2019, the Company has complied with the recommendations of the AIC Code and as such also meets the requirements of the UK Code and by default the Guernsey Code, except to the extent highlighted below:

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

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

The Group complies with the corporate governance statement requirements pursuant to the UK Financial Conduct Authority's ("FCA") 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 Consolidated Financial Statements presents a fair, balanced and understandable assessment of the Group's position and prospects, and provides the information necessary for shareholders to assess the Group's performance, business model, strategy, principal risks and uncertainties.

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 33 and demonstrate a breadth of investment, accounting, banking and professional experience.

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 Board is currently in the process of recruiting an additional director, although a suitable candidate has not yet been selected.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Independence, Composition and Diversity (Continued)
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.

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 Director.

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

Board and Committees
The Board has established three committees:

- the Audit and Risk Committee;
- the Management Engagement Committee, and
- the Remuneration and Nomination Committee.

Due to the size and nature of the Company, all Directors have been appointed to all Committees. The responsibilities of these Committees are described below. Each Committee reports to and is subject to the oversight of the Board. Terms of reference for each Committee have been approved by the Board and are available in full on the website www.sqnassetfinance.com.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board and Committees (Continued)

Board

Responsibilities:

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

Audit and Risk Committee

Delegated Responsibilities:

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

Management Engagement Committee

Delegated Responsibilities:

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

Remuneration and Nomination Committee

Delegated Responsibilities:

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board and Committees (Continued)

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

Christopher Spencer will step down as the Chairman of the Audit and Risk Committee following the 2019 AGM and will be replaced by John Falla.

Management Engagement Committee
John 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 36.

The Management Engagement Committee carries out its review of the Group's key advisers and service providers through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of their appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's shareholders.

The Management Engagement Committee reviewed the performance of the Investment Managers and other key service providers on 23 May 2019. 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
Paul Meader 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 36.

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 Remuneration and Nomination Committee may also meet without the Chairman of the Board present in order to review his performance.

Performance Evaluation
The performance of the Board and the Directors was reviewed by the Remuneration and Nomination Committee in May 2019. The Committee discussed various areas, including the process and style of meetings, investment matters, strategy, governance and shareholder value. In addition, the Committee reviewed the performance of the Chairman in his role and evaluated his contributions. It was concluded that the Board have a good and complementary range of skills and competency and that Board meetings were effective and all relevant topics were fully discussed. 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 all Directors felt well prepared and able to participate fully at Board meetings and had a good understanding of the investments and markets in which the company operates.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

Advisers to the Remuneration and Nomination Committee
An external review of Directors' remuneration was undertaken by Optimus Group Limited ("Optimus") during 2018.

Annual Report on Remuneration
Subsequent to the external review carried out by Optimus, Director fees were increased effective 1 October 2018. In October 2018, each Director also received a one off payment of £10,000 in regard to the significant volume of work carried out during the year.

The Group paid the following fees to the Directors for the year ended 30 June 2019:

Director	Fees £
Peter Niven	77,500
Christopher Spencer	65,625
John Falla	55,625
Paul Meader	55,625
Total	**254,375**

The Company's Articles limit the aggregation of fees payable to the Directors to a total of £300,000 per annum. Extra services are not included in the definition of fees as per the Company's Articles.

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.

Directors' Appointment, Retirement 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. The dates of their letters of appointment are shown below:

Director	Date Appointed
Peter Niven	28 May 2014
Christopher Spencer	28 May 2014
John Falla	28 May 2014
Paul Meader	18 August 2017

The Articles of the Company require that all Directors submit themselves for election by shareholders at the first opportunity following their appointment. The Articles of the Company also require the Directors to retire by rotation on a three-yearly basis. 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Directors' Appointment, Retirement and Policy on Payment of Loss of Office (Continued)
Any Director may resign in writing to the Board at any time. Directors are not entitled to payment for loss of office.

Tenure of Non-Executive Directors
The Board has adopted a policy on tenure that is considered appropriate for an investment company.

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.

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

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 Baker Tilly CI Audit Limited (the "Auditor"). Advisers to the Group also prepare reports for the Board from time to time on relevant topics and issues.

The Directors attend relevant seminars and events to allow them to continually refresh their skills and knowledge and keep up with changes within the investment management industry.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

Attendance at scheduled meetings of the Board and its committees for the year ended 30 June 2019

	Quarterly Board	NAV & Dividend Meetings	Audit & Risk Committee	Remuneration & Nomination Committee	Management Engagement Committee
Number of meetings during the year	**4**	**10**	**6**	**3**	**2**
Peter Niven	4	9	6	3	2
John Falla	4	9	6	3	2
Chris Spencer	4	9	6	3	2
Paul Meader	4	10	6	3	2

In addition to these meetings, 3 ad-hoc meetings were held during the year covering various Group matters. Investment meetings form part of other meetings.

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

The Board receives and considers reports regularly from the Investment Managers, with ad hoc reports and information supplied to the Board as required. The Investment Managers take decisions as to the purchase and sale of individual investments, within the delegated authority established by the Board. The Board meet with the Investment Managers on an ad-hoc basis to discuss and approve investment decisions as necessary. The Investment Managers comply with the risk limits as determined by the Board and have systems in place to monitor cash flow and the liquidity risk of the Group.

The Investment Managers and the Administrator also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Managers and Administrator attend each Board meeting as required, enabling the Directors to probe further on matters of concern. The Directors have access to the advice and service of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Investment Managers and the Administrator operate in a supportive, co-operative and open environment.

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

AIFM Remuneration
The total fees paid to the Investment Managers by the Company are disclosed in note 18. In accordance with Article 22 of the AIFM Directive and Article 107 of the AIFM Regulations, the AIFM must make certain disclosures in respect of the remuneration paid to its staff. The AIFM has identified four staff as falling within the scope of the disclosure requirements (the "Identified Staff"). The Identified Staff are senior management of the AIFM's managerial functions and a Compliance Officer in the compliance function. The remuneration amount paid to all of the Identified Staff of the AIFM in respect of their work with the AIFM for the 12 month period to 30 June 2019 was US$860,000 (equivalent to £675,736).

AUDIT AND RISK COMMITTEE REPORT

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

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 or Administrator 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 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 Annual Report and Consolidated Financial Statements and the Interim Report and Consolidated Financial Statements concentrating on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the Auditor;
- in relation to the UK Corporate Governance Code and AIC Code, whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; and
- any correspondence from regulators in relation to the quality of the Group's financial reporting.

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

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

Significant Risks
In relation to the Annual Report and Consolidated Financial Statements for the year ended 30 June 2019, the following significant issues were considered by the Audit and Risk Committee:

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

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

(ii) Investment Portfolio
The investment portfolio primarily comprises loans, hire purchase contracts and finance leases. The carrying value of these assets is key to the financial performance of the Group and drives returns to shareholders.

Where a valuation model is utilised, such a model relies upon on a number of inputs, such as underlying assumptions and estimates, and inherent within any such matter of judgement is the risk that the eventual outcome will differ from that contained within these financial statements.

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

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

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

(iv) Fraud Risk
The risk of fraud due to management override of controls.

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

(v) Related Parties and Consolidation
The Company has a number of subsidiaries and affiliated entities.

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

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

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

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

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

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

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

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

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

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

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

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

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

Emerging Risks
During the year, the Audit and Risk Committee considered the Group's exposure to emerging risks and identified the following:

- Global trade war, including disruption to supply chains.
- UK political risk, including risks of nationalisation, capital controls, overseas asset financing restrictions and loss of market access through changing regulations.
- Risk of global recession.

Based on current information, the Audit and Risk Committee does not consider any of these to be likely to lead to a material impact on the Group's operations or financial performance. The Audit and Risk Committee will continue to review these and future emerging risks on a regular basis and report to shareholders.

External Audit
The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Audit and Risk Committee received a detailed audit plan from the Auditor identifying its assessment of the significant audit risks. For the year ended 30 June 2019, the significant audit risks identified are shown on page 43. 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 2019, the Audit and Risk Committee was satisfied that there had been appropriate focus and challenge on the significant and other key areas of audit risk and assessed the quality of the audit process to be good.

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

The Audit and Risk Committee considers the reappointment of the Auditor, including the rotation of the audit engagement partner, and assesses their independence on an annual basis. The Auditor is required to consider rotation of the engagement partner responsible for the audit every five years. The current audit engagement partner, Ewan Spraggon, has overseen the audit of the Company for five audit cycles and hence is due to step down in 2019. The Auditor has been the Group's external auditor since incorporation.

Audit Tender
The Audit and Risk Committee reviews the objectivity and effectiveness of the audit process on an annual basis and considers the audit tendering provisions of the UK Code in determining whether the Company should put the audit engagement out to tender. There are no contractual obligations restricting the Committee's choice of external auditor and the external auditor is not indemnified by the Group.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

Audit Tender (Continued)
At the recommendation of the Audit and Risk Committee and with the agreement of the Board, the audit was put out for tender post the 30 June 2019 year end. A request for proposal was sent to four audit firms, including the existing Auditor. One firm declined to respond because of a perceived conflict. The remaining three firms provided written submissions to the committee and, on the basis of these submissions, all three firms were asked to present to the Audit and Risk Committee on 16 September 2019. Based upon these presentations, the Audit and Risk Committee recommended and the Board resolved that Deloitte LLP be appointed as the Company's auditors with effect from the conclusion of the 2019 AGM and that a resolution to that effect be presented to the forthcoming AGM of the Company.

The Audit and Risk Committee and the Board would like to thank Baker Tilly Channel Islands for the work they have ably performed on the audit of the Company from its inception up to and including this set of Consolidated Financial Statements.

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

The Auditor is remunerated as follows for their services rendered during the year ended 30 June 2019:

	£
Audit of the Group’s financial statements	48,561
Interim review of the Group’s financial statements	9,657
Total audit related services	58,218

The Auditor did not provide any non-audit services during the year.

For and on behalf of the Audit and Risk Committee

Christopher Spencer
Chairman of the Audit and Risk Committee
27 September 2019

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

Opinion

We have audited the consolidated financial statements of SQN Asset Finance Income Fund Limited (referred to as "the company" and together with its subsidiaries as "the Group") for the year ended 30 June 2019 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 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable Guernsey law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion

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

Audit commentary

A: What has changed in the current year approach?

The approach followed was consistent with the 2018 audit strategy, further enhanced in the following areas:

- Heightened review and development of our approach to the audit of the investment portfolio. As part of this we included additional procedures to confirm the rights to future cashflows.
- Heightened review of the monitoring process over plant property and equipment to confirm assets were not carried at more than the recoverable amount.

B: An overview of the scope of our audit

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

For purposes of the Group, management includes those 3rd parties such as the investment managers and administrator to whom the board has delegated responsibility for key operations and day to day functions. Where possible, we seek to validate and subsequently place reliance on the controls that are in place, in order to increase the efficiency of our audit work. Our audit comfort comes from evaluating and validating how management monitor and control the business and financial risks.

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

B: An overview of the scope of our audit (Continued)

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

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 portfolio of the Group (from deal sourcing, due diligence to recognition in the financial statements). We obtained this understanding from discussions/meetings with the administrator, the investment manager(s) and the board as well as review of relevant documentation provided.

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

- *Year end:* Based on our understanding of the businessand results of the work 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.

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

C: Our application of materiality (Continued)

In making these assessments and in particular cognisant of the challenges of defining materiality, we considered a threshold of £9,550,000 to be an indicator of materiality for the financial statements as a whole. This threshold was based on using 2% of net assets. Net assets was chosen as the basis to determine materiality because it has a significant impact on the opinions and decisions of the users of the financial statements.

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 £95,500, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

D: Key audit matters

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

The key matters listed below are consistent with our 2018 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) Investment portfolio

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

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

D: Key audit matters (Continued)

(ii) Investment portfolio (Continued)

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 schedules and carrying values were in line with relevant IFRS requirements. We had discussions with and made inquiries of the investment managers around the portfolio quality as part of our audit procedures.

iii) Compliance

The risk - The Group is required to comply with a number of rules and regulations including London Listing Rules, Transparency Rules, the Corporate Governance Code and other applicable 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) Management override of internal controls

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

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

(v) Related parties

The risk - The Company has a number of subsidiaries and affiliated entities. In addition a number of shares have been issued/redeemed with 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.

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

Conclusions relating to principal risks, going concern and viability statement

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

- the directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the director's explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

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

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

We have nothing to report in respect of the following:

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

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

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

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

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

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

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 14 in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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

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

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on pages 31 to 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Baker Tilly CI Audit Limited
Chartered Accountants
St. Sampsons, Guernsey
Date: 27 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Notes	Year ended 30 June 2019 £	Year ended 30 June 2018 £
Income			
Finance income		37,377,741	33,300,234
Interest on cash and cash equivalents		116,646	370,856
Other income		2,207,135	513,338
Total income	2.6	**39,701,522**	**34,184,428**
Net unrealised loss on revaluation of investments		(1,045,607)	(742,152)
Net unrealised foreign exchange loss on investments		(5,569,828)	(2,404,813)
Net unrealised foreign exchange gain/(loss) on forward contracts		5,297,285	(686,366)
Net realised gain on investments		653,423	1,197,803
Net realised foreign exchange gain/(loss) on investments		10,244,783	(1,982,655)
Net realised foreign exchange (loss)/gain on forward contracts		(11,514,905)	4,136,615
Net realised and unrealised loss		**(1,934,849)**	**(481,568)**
Expenses			
Investment management fees	3a	(4,642,340)	(4,532,845)
Directors' fees		(254,375)	(207,959)
Other operating expenses	3b,4	(2,877,025)	(1,149,593)
Depreciation	7	(1,734,573)	(748,993)
Impairment\expected credit loss provision	8,9	(4,407,824)	(2,437,876)
Total operating expenses		**(13,916,137)**	**(9,077,266)**
Profit and total comprehensive income for the year		**23,850,536**	**24,625,594**
Profit and total comprehensive income for the year analysed as follows:			
Attributable to Ordinary shareholders		14,479,333	21,183,259
Attributable to 2016 C shareholders		9,371,203	3,442,335
Total		**23,850,536**	**24,625,594**
Basic and diluted earnings per Ordinary Share	5	4.06p	5.92p
Basic and diluted earnings per 2016 C Share	5	6.75p	1.96p

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 2019

	Notes	30 June 2019 £	30 June 2018 £
Non-current assets			
Residual value of finance lease investments	2.4,8.2	404,618	517,558
Property, plant and equipment	7	14,352,680	13,761,155
Loans and other investments	8.1	314,080,556	278,772,166
Investments designated at fair value through profit or loss	8.2	2,790,263	3,402,690
Finance lease and hire-purchase investments	9	98,005,257	102,015,428
Equity	8.2	5,581,419	-
		435,214,793	398,468,997
Current assets			
Cash and cash equivalents	2	24,669,165	76,795,524
Interest receivables	10	6,586,560	4,488,981
Other receivables and prepayments	10	3,734,314	12,125,032
Investment receivables	10	7,754,584	2,202,754
		42,744,623	95,612,291
Total assets		**477,959,416**	**494,081,288**
Current liabilities			
Investment payables		(39,055)	(154,312)
Derivative financial liabilities	8.2,17	(2,477,541)	(6,184,723)
Other payables and accrued expenses	11	(950,350)	(3,654,113)
		(3,466,946)	(9,993,148)
Net assets		**474,492,470**	**484,088,140**
Equity			
Share capital	13	488,893,790	489,189,319
Retained reserves		(14,401,320)	(5,101,179)
		474,492,470	**484,088,140**
NAV per Share			
- Ordinary Shares	6	94.91p	97.72p
- 2016 C Shares	6	98.15p	97.62p

These Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 27 September 2019, 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 2019

	Notes	Share Capital £	Retained Reserves £	Total £
As at 1 July 2018		**489,189,319**	**(5,101,179)**	**484,088,140**
Impact of transition to IFRS 9	2.1/17.1	-	(876,318)	(876,318)
As at 1 July 2018 – revised for the application of IFRS 9		**489,189,319**	**(5,977,497)**	**483,211,822**
Total comprehensive income for the period		-	23,850,536	23,850,536
Transactions with shareholders				
Ordinary Shares repurchased	13	(295,529)	-	(295,529)
Dividends paid	14	-	(32,274,359)	(32,274,359)
Total transactions with shareholders		(295,529)	(32,274,359)	(32,569,888)
As at 30 June 2019		**488,893,790**	**(14,401,320)**	**474,492,470**

For the year ended 30 June 2018

	Notes	Share Capital £	Retained Earnings £	Total £
As at 1 July 2017		**530,606,210**	**2,297,355**	**532,903,565**
Total comprehensive income for the year		-	24,625,594	24,625,594
Transactions with shareholders				
Ordinary Shares repurchased	13	(1,031,187)	-	(1,031,187)
2016 C Share capital redemption	13	(40,385,704)	-	(40,385,704)
Dividends paid	14	-	(32,024,128)	(32,024,128)
Total transactions with shareholders		**(41,416,891)**	**(32,024,128)**	**(73,441,019)**
As at 30 June 2018		**489,189,319**	**(5,101,179)**	**484,088,140**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	Year ended 30 June 2019 £	Year ended 30 June 2018 £
Cash flow from operating activities:			
Total comprehensive income for the year		23,850,536	24,625,594
Adjustments for:			
Unrealised loss on revaluation of investments		1,045,607	742,152
Unrealised foreign exchange loss		272,543	3,091,179
Depreciation	7	1,734,573	748,993
Realised foreign exchange (gain)/loss on investments		(10,244,783)	1,982,655
Realised gain on investments		(653,423)	(1,197,803)
Increase in interest receivable		(2,097,579)	(639,982)
Increase in investment receivables		(5,551,830)	(1,326,303)
Decrease/(increase) in other receivables and prepayments		8,390,718	(8,315,940)
(Decrease)/increase in investment payables		(115,257)	79,366
(Decrease)/increase in other payables and accrued expenses	11	(2,703,763)	2,480,087
Acquisition of investments	7,8,9	(102,028,039)	(79,395,855)
Amortisation of investment principal	8,9	62,443,519	47,734,214
Impairment/expected credit loss provision	8,9	4,510,604	2,437,876
Net cash outflow from operating activities		**(21,146,574)**	**(6,953,767)**
Cash flow from financing activities			
Ordinary Shares repurchased	13	(295,529)	(1,031,187)
2016 C Share capital redemption	13	-	(40,385,704)
Dividends paid	14	(32,274,359)	(32,024,128)
Net cash used in financing activities		**(32,569,888)**	**(73,441,019)**
Net decrease in cash and cash equivalents		**(53,716,462)**	**(80,394,786)**
Cash and cash equivalents at start of the year		76,795,524	154,568,616
Effect of exchange rate changes on cash and cash equivalents		1,590,103	2,621,694
Cash and cash equivalents at end of the year		**24,669,165**	**76,795,524**

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

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

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

The investments made with 2016 C Shares net proceeds are accounted for and managed as a separate pool of assets in accordance with the Company's investment policy until the conversion of 2016 C Shares to Ordinary Shares. The conversion of the 2016 C Shares to Ordinary Shares has been delayed primarily due to the Suniva investment in the Ordinary Share class, to allow for an agreement to be reached with the guarantor or until the court orders an enforcement action which will quantify the amount of the recovery from the guarantee and allow the Group to assess the timing and the amounts required from the other recovery sources, if any, to achieve a full recovery. The terms and timing of the conversion of the 2016 C Shares to Ordinary Shares will be announced at in due course. Expenses are split between Ordinary Shares and 2016 C Shares in proportion to their respective NAV.

On 1 May 2018, the Company announced that the speed of deployment on the investment of the 2016 C Share proceeds had been slower than anticipated and a capital return would be made to shareholders. On 25 May 2018, the Group made a compulsory redemption of 41,075,778 2016 C Shares on a pro rata basis amongst all the holders on the 2016 C Share register. The Investment Managers made a contribution to the capital return of £425,455, equivalent to the management fees earned on the excess capital since admission of the 2016 C Share to 31 March 2018 (no management fee was paid on the excess capital in April 2018). The contribution was payable in equal instalments over a 12 month period from May 2018 to April 2019.

During the year, 321,316 Ordinary Shares were repurchased and are being held in treasury. In total 1,443,682 Ordinary Shares are held in treasury.

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

2. Accounting Policies

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

2.1 Basis of Preparation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

(b) Statement of Compliance
The Audited Consolidated Financial Statements for the year ended 30 June 2019 have been prepared in accordance with IFRS. They give a true and fair view of the Group's affairs and comply with the Company (Guernsey) Law 2008, as amended.

The Company applies, for the first time, *IFRS 9 – Financial Instruments* ("IFRS 9") and *IFRS 15 – Revenue from Contracts with Customers* ("IFRS 15"). These standards do not result in a restatement of previous financial statements. The nature and effect of these changes are disclosed below.

IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement
IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and requires financial assets to be classified into two categories: those measured at fair value and those measured at amortised cost. The determination is made on initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The main change is that, in cases where the fair value is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss.

IFRS 9 Impairment Requirements
The impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model and were applicable to the Group from 1 July 2018 (refer to note 2.3 (d) and 17.1 for more information).

Loans, receivables and construction finance continue to be measured at amortised cost. Residual value, equity and lease participation continue to be measured at fair value through profit or loss. Derivative assets are measured at fair value through profit or loss and not held for trading. Finance lease and hire purchase receivables are subject to the IFRS 9 impairment model.

The Group has not restated prior periods, however the classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 July 2018. The difference between the carrying amounts in the 30 June 2018 consolidated financial statements and those determined under IFRS 9 at the date of initial application have been included in opening retained reserves in these Consolidated Financial statements.

The Board and the Investment Managers reviewed each of the Group's investments for signs of impairment using the IFRS 9 impairment model as at 30 June 2018 and during the year ended 30 June 2019. Below is a summary of the impairment/expected credit loss provision:

Impairment as at 30 June 2018	£2.4 million
Impact of transition to IFRS 9	£0.9 million
Impairment/movement in expected credit loss provision during the year ended 30 June 2019	£4.5 million
Impairment/expected credit loss provision as at 30 June 2019	£7.8 million

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

IFRS 9 Impairment Requirements (Continued)
Please refer to note 17.1 for further details on the Group's adoption of IRFS 9 and the credit loss provision as at 30 June 2018 and during the year ended 30 June 2019.

IFRS 15 replaces IAS 11 – Construction Contracts, IAS 18 – Revenue and Related Interpretations
The Board has undertaken an assessment of the impact of IFRS 15 on the Group's financial statements and concluded there is no material impact on the Group's Consolidated Financial Statements.

(c) New Standards, Amendments and Interpretations

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

	Effective for periods beginning on or after
IFRS 16 – Leases	1 January 2019
IFRS 17 – Insurance contracts	1 January 2021

IFRS 16 will supersede IAS 17 – Leases and specifies how to recognise, measure, present and disclose leases. As a lessor, the Group will continue to classify leases as operating leases or finance leases. IFRS 16's approach to lessor accounting is substantially unchanged from IAS 17.

IFRS 17 supersedes IFRS 4 - Insurance Contracts and requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.

The Board has undertaken an assessment of the impact of IFRS 16 and IRFS 17 on the Group's Consolidated Financial Statements and concluded that there will be no material impact.

(d) Functional and Presentation Currency
Items included in the Consolidated Financial Statements are measured using Sterling as the currency of the primary economic environment in which the Group operates (the "Functional Currency"). The Consolidated Financial Statements are presented in Sterling, which is the Group's presentation currency.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

(e) Consolidation (Continued)

IFRS 10.27 – An IE is an entity that:

a. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
b. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
c. measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

a. it has more than one investment;
b. it has more than one investor;
c. it has investors that are not related parties of the entity; and
d. it has ownership interests in the form of equity or similar interests.

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

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

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

In the normal course of business, the Board, under the advice of the Investment Managers, make certain assumptions about residual values (note 2.4 and 8.2), useful life of equipment (note 2.5), and asset impairment/credit loss provision (note 2.3(c) and 17.1).

2.2 Foreign Currency Translation

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets

a) Classification and Measurement
Financial assets are classified into the following specified categories: financial assets at fair value and amortised cost. The classification depends on the nature and purpose of the financial and the contractual cash flow characteristics of the instrument 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, can be designated at fair value through profit or loss ("FVTPL") or through other comprehensive income. The Group's fair value financial assets are designated at FVTPL at inception.

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. Changes in fair value of financial assets at FVTPL are recorded in profit or loss in the Statement of Comprehensive Income.

Amortised cost
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as amortised cost using the effective interest method, less any impairment/expected credit losses.

Income is recognised on an effective interest basis for debt instruments, other than those financial assets classified at FVTPL. Gains and losses are recognised in profit or loss 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
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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets (Continued)

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.

d) Impairment Requirements
The Group applies the impairment requirements in IFRS 9 and utilises the expected credit loss model. The expected credit loss model applies to financial assets that are debt instruments (such as bank deposits, loans, debt securities and trade receivables) recorded at amortised cost or at fair value through other comprehensive income, plus lease receivables under IAS 17, contract assets and loan commitments and financial guarantee contracts that are not measured at FVTPL.

Impairment of financial assets is recognised in 3 stages (refer to note 17.1 for more information).

Stage 1 recognises 12 months expected credit losses at the time of acquisition. Stage 2 recognises full lifetime expected credit losses when credit risk is no longer considered low.

Stage 3 recognises full lifetime expected credit losses and the financial asset is credit-impaired. The Group will assess the following events when deciding if a financial asset is credit impaired:

- significant financial difficulty of the issuer or borrower;
- a breach of contract, such as a default or past-due event;
- the lenders for economic or contractual reasons relating to the borrower's financial difficulty granted the borrower a concession that would not otherwise be considered;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for the financial asset because of financial difficulties;
- the purchase or origination of a financial asset at a deep discount that reflects incurred credit losses;
- the delinquency status of each account; or
- the value of the equipment or assets relative to all outstanding obligations in the case of defaults.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.3 Financial Assets (Continued)

If a financial asset is impaired or has expected credit losses, the carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss in the Statement of Comprehensive Income.

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

2.4 Finance Lease and Hire-Purchase Investments

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

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

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

The Group applies the principles of IFRS 9 to lease receivables with respect to the derecognition and impairment provisions.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.5 Property, Plant and Equipment

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

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

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

2.6 Income

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

2.7 Expenses

Expenses are recognised in profit or loss in the Statement of Comprehensive Income on an accruals basis.

2.8 Issue Costs

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

2.9 Dividends Payable

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

2.10 Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.11 Taxation

Profits arising in the Company and the subsidiaries are subject to tax in Guernsey at the standard rate of 0%.

2.12 Derivative Financial Instruments

The Group makes use of derivative financial instruments to manage its exposure to foreign exchange rate risk including, but not restricted to the use of foreign exchange forward contracts. A derivative with a positive fair value is recognised as a financial asset and a derivative with a negative fair value is recognised as a financial liability. Further details on derivative financial instruments are disclosed in notes 8.2 and 17.4.

2.13 Equity Holdings

As at 30 June 2019, the Group had provided (or committed to provide) asset finance facilities in the form of construction finance and hire purchase investments to three anaerobic digestion plants (30 June 2018: four anaerobic digestion plants).

In addition to these finance arrangements, the Group acquired an 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 Associates and Joint Ventures (IAS 28) – as, although the Group holds greater than 20% of the voting power in each of the investees, the Board judge that the Group does not have significant influence due to the following factors for each investment:

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

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

During the year, one Call Option was exercised by the developers which resulted in a gain of £160,586 (30 June 2018: two Call Options were exercised by the developers which resulted in a gain of £154,567).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.13 Equity Holdings (Continued)

The Group holds an effective 25% shareholding in two holding companies. The Group has not accounted for these equities using IAS 28 as the assets and liabilities are insignificant.

During the year, the Group acquired a minority shareholding in an investee company. The Group has not accounted for this equity using IAS 28 as it holds less than 20% of the equity and does not have significant influence.

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 all the above detailed equity holdings throughout the period and as at 30 June 2019 is £nil.

During the year, the Group entered into a transaction in regard to one of its secured loans, whereby it acquired a minority shareholding in an investee company and a new secured loan. The Group has not accounted for this equity using IAS 28 as it holds less than 20% of the equity and does not have significant influence. The fair value of the equity as at 30 June 2019 was £5,581,419.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 discretionary investment management services to the Company. The Investment Managers are together entitled to a management fee which is calculated and accrued monthly and payable monthly in arrears at the following rate per annum of the Group's NAV:

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

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

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

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

b) Administration and Custodian Agreement
The Company has engaged the services of the Administrator to provide administration and custodian services. The Administrator is entitled to receive:

- an annual administration fee based on the Group's gross issue proceeds on a tiered percentage basis;
- an annual fee of £36,000 for performing the function of Company Secretary plus fees for ad-hoc Board meetings;
- an annual fee of £10,000 for the provision of compliance services;
- an annual fixed fee of £5,000 for each Guernsey Subsidiary (up to seven Guernsey subsidiaries); and
- a fee of £10,000 for each share launch.

c) Registrar Agreement
Link Market Services (Guernsey) Limited are registrar of the Company pursuant to the Registrar Agreement dated 14 December 2018. There is a fixed fee of £46,500 per annum, plus disbursements.

d) Broker Agreements
Winterflood Securities Limited are entitled to an annual brokerage and advisory fee of £45,000 and commission fees of 1% and 0.1% 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 2016 C Shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Other Operating Expenses

	30 June 2019	30 June 2018
	£	£
Administration and secretarial fees	471,415	503,246
Audit fees[1]	58,218	57,196
Brokerage fees	47,654	47,129
Public relation fees	56,265	40,000
Registrar fees	74,689	101,041
Legal fees[2]	1,808,634	-
Professional fees	128,662	89,064
Transaction fees	36,427	68,001
Other expenses	195,061	243,916
Total	**2,877,025**	**1,149,593**

5. Basic and Diluted Earnings per Share

30 June 2019	Ordinary Shares	2016 C Share
Total comprehensive income for the year	£14,479,333	£9,371,203
Weighted average number of shares in issue during the year	356,267,014	138,924,222
Basic and diluted earnings per share	4.06p	6.75p

30 June 2018	Ordinary Shares	2016 C Share
Total comprehensive income for the year	£21,183,259	£3,442,335
Weighted average number of shares in issue during the year	357,575,972	175,948,690
Basic and diluted earnings per share	5.92p	1.96p

[1]The Auditor provided no non-audit services for the years ended 30 June 2019 and 30 June 2018.
[2]The legal fees relate to expensed legal fees in regard to the Suniva investment and are in addition to the financing detailed in note 13.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. NAV per Share

30 June 2019	**Ordinary Shares**	**2016 C Shares**
NAV	338,138,895	136,353,575
Number of shares in issue at year end	356,263,825	138,924,222
NAV per share	94.91p	98.15p

30 June 2018	**Ordinary Shares**	**2016 C Shares**
NAV	£348,466,944	£135,621,196
Number of shares in issue at year end	356,585,141	138,924,222
NAV per share	97.72p	97.62p

7. Property, Plant and Equipment

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

a) a hire purchase investment which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 10.5 years (30 June 2018: 11.5 years).
b) a finance lease which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 12 years (30 June 2018: 13 years).
c) a finance lease which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 7 years (30 June 2018: 8 years).
d) a hire purchase investment which was re-leased to an alternative third party under an operating lease during the year ended 30 June 2019. The asset has a remaining useful life of 4 years.

The carrying amount is detailed in the table below:

	30 June 2019	**30 June 2018**
Cost	**£**	**£**
Opening balance	**15,422,228**	**7,130,681**
Additions during the year	27,271	674,824
Reclassified investments	2,298,827[1]	7,616,723[2]
Closing balance	**17,748,326**	**15,422,228**
Accumulated depreciation		
Opening balance	**(1,661,073)**	**(912,080)**
Depreciation during the year	(1,734,573)	(748,993)
Closing balance	**(3,395,646)**	**(1,661,073)**
Net book value	**14,352,680**	**13,761,155**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial Instruments

8.1 Loans and Other Investments

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

30 June 2019	Loans	Construction Finance	Receivables	Total
	£	£	£	£
Opening balance	**155,259,686**	**125,483,865**	**466,491**	**281,210,042**
Advances and purchases during the year	55,921,220	41,786,316	-	97,707,536
Principal amortisation during the year	(42,892,364)	(3,948,243)	(391,446)	(47,232,053)
Reclassified investments[1]	12,726,000	(21,011,527)	-	(8,285,527)
Reclassified investments[2]	(6,244,482)	-	-	(6,244,482)
Realised foreign exchange gain on investments	6,956,513	3,189,580	-	10,146,093
Realised gain on investments	(107,267)	-	(75,045)	(182,312)
Unrealised foreign exchange loss on revaluation	(3,870,970)	(1,925,992)	-	(5,796,962)
Closing balance	**177,748,336**	**143,573,999**	**-**	**321,322,335**
Impairment/expected credit loss provision[3]				
Opening balance	**(2,437,876)**	**-**	**-**	**(2,437,876)**
Impact of transition to IFRS 9	(124,085)	(531,045)	(233)	(655,363)
Impairment/movement of expected credit loss provision during the year	(114,826)	(4,033,947)	233	(4,148,540)
Closing balance	**(2,676,787)**	**(4,564,992)**	**-**	**(7,241,779)**
Closing balance	**175,071,549**	**139,009,007**	**-**	**314,080,556**

[1] This item relates to advances in the Construction Finance investments category that were reclassified as additions in the Loans, Finance Lease and Hire-Purchase investment categories in the sum of £12,726,000, £4,958,954 and £3,326,573 respectively, as detailed in the table and note 9.
[2] This item relates to an investment that has been reclassified to the Equity investments category following a restructuring. Please refer to notes 8.2 and 17.1(d) for additional information.
[3] Refer to note 17.1 for further details on the impairment/expected credit loss provision.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial Instruments (Continued)

8.1 Loans and Other Investments (Continued)

30 June 2018	Loans	Construction Finance	Receivables	Total
	£	£	£	£
Opening balance	**143,465,130**	**109,273,777**	**5,555,907**	**258,294,814**
Advances and purchases during the year	34,263,467	31,494,301	-	65,757,768
Principal amortisation during the year	(18,625,872)	(6,501,915)	(5,200,159)	(30,327,946)
Reclassified investments[1]	-	(8,408,584)	-	(8,408,584)
Realised foreign exchange loss on investments	(3,030,426)	299,112	639,819	(2,091,495)
Realised gain on investments	83,906	-	90,975	174,881
Unrealised foreign exchange loss on revaluation	(896,519)	(672,826)	(620,051)	(2,189,396)
Closing balance	**155,259,686**	**125,483,865**	**466,491**	**281,210,042**
Impairment[2]	(2,437,876)	-	-	(2,437,876)
Closing balance	**(2,437,876)**	**-**	**-**	**(2,437,876)**
Closing balance	**152,821,810**	**125,483,865**	**466,491**	**278,772,166**

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.

[1] This item relates to advances in the Construction Finance investments category that were reclassified as additions in the Finance Lease and Hire-Purchase investment categories in the sum of £5,649,673 and £2,758,911 respectively, as detailed in note 9.
[2] This item relates to an impairment made against one of the investments held by the Group, please refer to note 17.1 for further details.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial Instruments (Continued)

8.2 Fair Value Investments

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

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

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

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

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

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

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

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 following table details the Company's fair value hierarchy.

30 June 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Financial assets				
Designated at fair value through profit or loss (Lease Participation)	-	-	2,790,263	2,790,263
Finance lease residual value	-	-	404,618	404,618
Equity holding	-	-	5,581,419	5,581,419
Total financial assets	**-**	**-**	**8,776,300**	**8,776,300**
Financial liabilities				
Derivative liabilities	-	(2,477,541)	-	(2,477,541)
Total financial liabilities	**-**	(2,477,541)	**-**	(2,477,541)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial Instruments (Continued)

8.2 Fair Value Investments (Continued)

30 June 2018	Level 1	Level 2	Level 3	Total
	£	£	£	£
Financial assets				
Designated at fair value through profit or loss (Lease Participation)	-	-	3,402,690	3,402,690
Finance lease residual value	-	-	517,558	517,558
Equity holding	-	-	-	-
Total financial assets	**-**	**-**	**3,920,248**	**3,920,248**
Financial liabilities				
Derivative liabilities	-	(6,184,723)	-	(6,184,723)
Total financial liabilities	**-**	**(6,184,723)**	**-**	**(6,184,723)**

The Lease Participation investment represents a single participation investment in a portfolio of leases. The carrying value of £2,790,263 (30 June 2018: £3,402,690) 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.

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

	30 June 2019	30 June 2018
	£	£
Opening balance	**3,920,248**	**5,863,402**
Additions during the year	73,991	46,429
Additions during the year (non cash)	61,410	-
Principal amortisation during the year	(1,089,737)	(2,034,980)
Reclassified investments[1]	6,244,482	-
Unrealised loss on revaluation	(1,107,017)	(742,152)
Unrealised foreign exchange gain/(loss) on revaluation	227,134	(215,417)
Realised gain on investments	347,099	894,126
Realised foreign exchange gain on investments	98,690	108,840
Closing balance	**8,776,300**	**3,920,248**

[1] This item relates to an investment that has been reclassified from the Loans investments category following a restructuring. Please refer to notes 8.1 and 17.1(d) for additional information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial Instruments (Continued)

8.2 Fair Value Investments (Continued)

Information about the Secondary Market for Level 3 Investments
The Investment Managers make assumptions about the residual value of certain assets and equipment. As determined by the Investment Managers, the residual value is a function of the in-place value and/or the secondary market value of the equipment or assets.

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

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

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

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

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

8.3 Valuation Process

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

30 June 2019

Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	2,790,263	Principal balance	Third party appraisal
Finance lease residual value	404,618	Market approach	In place value / secondary market value
Equity holding	5,581,419	Market approach	EBTIDA growth rate
Equity holding[1]	-	Market approach	Market value

[1]Equity investments held at nil value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Financial Instruments (Continued)

8.3 Valuation Process (Continued)

30 June 2018

Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	3,402,690	Principal balance	Third party appraisal
Finance lease residual value	517,558	Market approach	In place value / secondary market value
Equity holding[1]	-	Market approach	Market value

Sensitivity Analysis

Lease participation	**30 June 2019**		**30 June 2018**	
	£ Increase of 3 months	**£ Decrease of 3 months**	**£ Increase of 3 months**	**£ Decrease of 3 months**
Months to sell asset after lease expiry	(2,293)	2,327	(19,552)	22,395
Total	**(2,293)**	**2,327**	(19,552)	22,395

Equity Holding	**30 June 2019**		**30 June 2018**	
	£ Increase of 2%	**£ Decrease of 2%**	**£ Increase of 2%**	**£ Decrease of 2%**
Discount rate	(839,739)	919,730	-	-
EBITDA growth rate	212,880	(212,880)	-	-
Total	**(626,859)**	**706,850**	**-**	**-**

9. Finance Lease and Hire-Purchase Investments

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

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

[1]Equity investments held at nil value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance Lease and Hire-Purchase Investments (Continued)

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

30 June 2019	**Finance Lease**	**Hire-Purchase**	**Total**
	£	**£**	**£**
Opening balance	48,306,606	53,708,822	102,015,428
Additions during the year	3,965,305	253,936	4,219,241
Reclassified Construction Finance investments[1]	4,958,954	3,326,573	8,285,527
Reclassified to Property, Plant and Equipment[2]	-	(2,298,827)	(2,298,827)
Realised gain/(loss) on investment	496,573	(7,937)	488,636
Principal amortisation during the year	(8,351,844)	(5,769,885)	(14,121,729)
Closing balance	**49,375,594**	**49,212,682**	**98,588,276**
Impairments/expected credit loss provision			
Opening balance	**-**	**-**	**-**
Impact of transition to IFRS 9	(188,860)	(32,095)	(220,955)
Impairment/movement of expected credit loss provision during the year	(19,652)	(342,412)	(362,064)
Closing balance	**(208,512)**	**(374,507)**	**(585,019)**
Closing balance	**49,167,082**	**48,838,175**	**98,005,257**

30 June 2018	**Finance Lease**	**Hire-Purchase**	**Total**
	£	**£**	**£**
Opening balance	**51,287,178**	**52,262,047**	**103,549,225**
Additions during the year	4,935,621	7,981,213	12,916,834
Reclassified Construction Finance investments[1]	5,649,673	2,758,911	8,408,584
Reclassified Property, Plant and Equipment investment[2]	(7,616,723)	-	(7,616,723)
Realised gain on investment	151,927	(23,131)	128,796
Principal amortisation during the year	(6,101,070)	(9,270,218)	(15,371,288)
Closing balance	**48,306,606**	**53,708,822**	**102,015,428**

Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the year of £404,618 (30 June 2018: £517,558).

During the year ended 30 June 2019, seven residual investments were sold for £212,915. During the year ended 30 June 2018, a residual investment was sold for £178,376.

[1] This item relates to advances that previously appeared in the Construction Finance investment category in note 8.1 and have been reclassified as Finance Lease or Hire-Purchase Investments. The item has been reclassified as construction was completed during the year.
[2] This item relates to an investment that has been reclassified to the Property, Plant and Equipment investments category. Please refer to note 7 for additional information.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance Lease and Hire-Purchase Investments (Continued)

The following table summarises the changes in finance lease investments:

	30 June 2019 £	30 June 2018 £
Non-current receivables		
Finance leases – net receivables	42,490,379	44,730,947
Unearned future finance income[1]	22,380,566	25,003,982
	64,380,945	**69,734,929**
Current receivables		
Finance leases – net receivables	6,676,703	3,575,659
Unearned future finance income[1]	4,446,005	4,649,462
	11,122,708	**8,225,121**
Gross investment in finance leases	**75,993,653**	**77,960,050**

Net receivables from finance leases		
No later than 1 year	6,676,703	3,575,659
Later than 1 year and no later than 5 years	16,303,029	17,953,407
Later than 5 years	26,187,350	26,777,540
	49,167,082	**48,306,606**
Unearned future income on finance leases[1]	26,826,571	29,653,444
Gross investment in finance leases	**75,993,653**	**77,960,050**

Reconciliation		
No later than 1 year	11,122,708	8,225,120
Later than 1 year and no later than 5 years	29,993,154	32,116,646
Later than 5 years	34,877,791	37,618,284
Gross investment in finance leases	**75,993,653**	**77,960,050**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance Lease and Hire-Purchase Investments (Continued)

The following table summarises the changes in hire purchase investments:

	30 June 2019 £	30 June 2018 £
Non-current receivables		
Hire purchase – net receivables	42,866,877	48,375,473
Unearned future income[1]	18,367,364	20,356,040
	61,234,241	**68,731,513**
Current receivables		
Hire purchase – net receivables	5,971,298	5,333,349
Unearned future income[1]	4,393,900	4,957,271
	10,365,198	**10,290,620**
Gross investment in hire purchase	**71,599,439**	**79,022,133**
Net receivables from hire purchase		
No later than 1 year	5,971,298	5,333,348
Later than 1 year and no later than 5 years	21,162,392	25,388,828
Later than 5 years	21,704,485	22,986,646
	48,838,175	**53,708,822**
Unearned future income on hire purchase[1]	22,761,264	25,313,311
Gross investment in hire purchase	**71,599,439**	**79,022,133**
Reconciliation		
No later than 1 year	10,365,198	10,290,619
Later than 1 year and no later than 5 years	33,314,362	39,186,137
Later than 5 years	27,919,879	29,545,377
Gross investment in hire purchase	**71,599,439**	**79,022,133**

10. Receivables

Interest Receivables
Interest receivables represent accrued interest receivable on leases and loans.

The Group has financial risk management policies in place to monitor 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Receivables (Continued)

Other Receivables and Prepayments

	30 June 2019	30 June 2018
	£	£
Funds transferred for new investment[1]	-	5,385,692
Debtor-in-possession financing (refer to note 12)	1,715,250	3,547,077
UK VAT	79,429	1,288,393
Prepaid transaction fees	784,564	669,002
Restructuring costs	199,939	374,670
Investment management fees[2]	-	390,000
Other receivables	955,132	470,198
	3,734,314	**12,125,032**

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.

11. Other Payables and Accrued Expenses

	30 June 2019	30 June 2018
	£	£
Investment management fees	378,308	383,035
Administration and secretarial fees	74,499	76,396
Audit fees	50,000	42,900
Printing fees	20,000	19,945
Brokerage fees	7,755	7,375
Rental reserve	131,885	452,998
Other payables	287,903	93,270
Director fees	-	47,500
Dividend payable[3]	-	2,530,694
	950,350	**3,654,113**

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

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

[1]On 29 June 2018 the Group transferred funds to SQN Asset Finance (Ireland) DAC to finance a new loan that commenced post year end on 2 July 2018.
[2]As detailed in note 1 and in regard to the 2016 C Share capital return, £425,455 of management fees were receivable from the Investment Managers, which was paid in 12 equal instalments from May 2018 to April 2019.
[3]The dividend for May 2018 went ex-dividend on 28 June 2018 and was included in the financial statements for the year ended 30 June 2018 as a payable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Commitments and Contingent Liabilities

As at 30 June 2019, the Group had committed to invest a further £22,170,760 (30 June 2018: £64,673,807). These commitments are classified as 'hard commitments' of £15,836,289 (30 June 2018: £38,968,807) which represent investments for which the documentation is finalised and 'soft commitments' of £6,334,472 (30 June 2018: £25,705,000) which represent investments at varying stages of documentation.

The Group provided debtor-in-possession financing for a US solar manufacturing company, in order to protect the Group's interest in the equipment that secures its loan. US$2.18 million remained outstanding as at 30 June 2019 (equivalent to £1.72 million) (30 June 2018: US$4.68 million).

The Group did not have any contingent liabilities as at 30 June 2019 and 30 June 2018.

13. Share Capital

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

The 2016 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 2016 C Shares to Ordinary Shares. The terms and timing of the conversion of 2016 C Shares to Ordinary Shares will be announced at a later date. The un-invested proceeds were held in cash and on fixed deposit as at 30 June 2019. Expenses are split between Ordinary Shares and 2016 C Shares.

Share Buybacks
On 20 November 2018 the Directors were granted authority to repurchase 53,403,947 Ordinary Shares and 20,824,741 2016 C Shares (being equal to 14.99% of the number of Ordinary Shares and 2016 C Shares in issue) for cancellation or to be held as treasury shares. This authority will expire at the forthcoming AGM. The Directors intend to seek annual renewal of this authority from shareholders. Pursuant to this authority, and subject to Companies Law and the discretion of the Directors, the Company may purchase Ordinary Shares and 2016 C 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 Ordinary Shares and 2016 C Shares.

During the year, 321,316 Ordinary Shares were repurchased and are being held in treasury. Nil 2016 C Shares were repurchased during the year. As at 30 June 2019, 1,443,682 shares are held in treasury.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Share Capital (Continued)

The Company's share capital is denominated in Sterling.

	30 June 2019		30 June 2018	
	Number of Shares in Issue	Stated Capital	Number of Shares in Issue	Stated Capital
		£		£
Ordinary Shares[1]	356,263,825	352,389,718	356,585,141	352,685,247
2016 C Shares	138,924,222	136,504,072	138,924,222	136,504,072
Total	**495,188,047**	**488,893,790**	**495,509,363**	**489,189,319**

Issued Share Movements

	30 June 2019		30 June 2018	
	Number	Stated Capital	Number	Stated Capital
		£		£
Balance at the start of the year	**495,509,363**	**489,189,319**	**537,707,507**	**530,606,210**
Ordinary Shares repurchased[1]	(321,316)	(295,529)	(1,122,366)	(1,031,187)
Redemption of 2016 C Shares[2]	-	-	(41,075,778)	(40,385,704)
Balance at the end of the year	**495,188,047**	**488,893,790**	**495,509,363**	**489,189,319**

[1] The number of shares in issue does not include 1,443,682 treasury shares.

[2] On 1 May 2018, the Company announced that the speed of deployment on the investment of the 2016 C Share proceeds had been slower than anticipated and a capital return would be made to shareholders. On 25 May 2018, the Group made a compulsory redemption of 41,075,778 2016 C Shares on pro rata basis amongst all the holders of 2016 C Shares on the 2016 C Share register.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Dividends

The Company targets a dividend of 7.25 pence per Ordinary Share and 2016 C Share. The dividend target is a target only and there can be no guarantee that this will continue to be achieved or that any dividends will be paid. Dividend payments to Shareholders will be subject to the Company being able to satisfy the solvency test immediately after payment of such dividend.

The dividend for May 2018 went ex-dividend on 28 June 2018 and was paid to shareholders on 16 July 2018. During the year, a dividend of 7.25 pence was paid on the Ordinary Shares (0.6042 pence per Ordinary Share was accrued in the prior year and paid on 16 July 2018). During the year, a dividend of 6.46 pence was paid on the 2016 C shares (0.2708 pence per 2016 C Share was accrued in the prior year and paid on 16 July 2018).

The table below details the dividends declared and paid by the Company to its shareholders each month from June 2018 to April 2019.

Period	Announcement Date	Payment Date	Amount per Share	Amount
Ordinary Shares				**£**
1 to 30 June 2018	23 July 2018	16 August 2018	0.6042p	2,152,546
1 to 31 July 2018	21 August 2018	17 September 2018	0.6042p	2,152,546
1 to 31 August 2018	21 September 2018	17 October 2018	0.6042p	2,152,546
1 to 30 September 2018	19 October 2018	19 November 2018	0.6042p	2,152,546
1 to 31 October 2018	21 November 2018	17 December 2018	0.6042p	2,152,546
1 to 30 November 2018	21 December 2018	21 January 2019	0.6042p	2,152,546
1 to 31 December 2018	28 January 2019	1 March 2019	0.6042p	2,152,546
1 to 31 January 2019	25 February 2019	29 March 2019	0.6042p	2,152,546
1 to 28 February 2019	21 March 2019	26 April 2019	0.6042p	2,152,546
1 to 31 March 2019	23 April 2019	24 May 2019	0.6042p	2,152,546
1 to 30 April 2019	24 May 2019	28 June 2019	0.6042p	2,152,546
Total				**23,678,006**
2016 C Shares				**£**
1 to 30 June 2018	23 July 2018	16 August 2018	0.3333p	463,036
1 to 31 July 2018	21 August 2018	17 September 2018	0.4167p	578,897
1 to 31 August 2018	21 September 2018	17 October 2018	0.6042p	839,380
1 to 30 September 2018	19 October 2018	19 November 2018	0.6042p	839,380
1 to 31 October 2018	21 November 2018	17 December 2018	0.6042p	839,380
1 to 30 November 2018	21 December 2018	21 January 2019	0.6042p	839,380
1 to 31 December 2018	28 January 2019	1 March 2019	0.6042p	839,380
1 to 31 January 2019	25 February 2019	29 March 2019	0.6042p	839,380
1 to 28 February 2019	21 March 2019	26 April 2019	0.6042p	839,380
1 to 31 March 2019	23 April 2019	24 May 2019	0.6042p	839,380
1 to 30 April 2019	24 May 2019	28 June 2019	0.6042p	839,380
Total				**8,596,353**
Grand Total				**32,274,359**

The Dividends for May 2019 and June 2019 had an ex-dividend date after the year end and are detailed in note 19.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Dividends (Continued)

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

Period	Announcement Date	Payment Date	Amount per Share	Amount
Ordinary Shares				**£**
1 to 31 May 2017	21 June 2017	19 July 2017	0.6042p	2,161,269
1 to 30 June 2017	21 July 2017	18 August 2017	0.6042p	2,161,269
1 to 31 July 2017	21 August 2017	19 September 2017	0.6042p	2,161,269
1 to 31 August 2017	21 September 2017	19 October 2017	0.6042p	2,161,269
1 to 30 September 2017	20 October 2017	17 November 2017	0.6042p	2,161,269
1 to 31 October 2017	21 November 2017	19 December 2017	0.6042p	2,161,269
1 to 30 November 2017	21 December 2017	23 January 2018	0.6042p	2,161,269
1 to 31 December 2017	22 January 2018	19 February 2018	0.6042p	2,161,269
1 to 31 January 2018	21 February 2018	19 March 2018	0.6042p	2,161,269
1 to 28 February 2018	21 March 2018	18 April 2018	0.6042p	2,161,269
1 to 31 March 2018	20 April 2018	21 May 2018	0.6042p	2,161,269
1 to 30 April 2018	23 May 2018	18 June 2018	0.6042p	2,154,487
1 to 31 May 2018	21 June 2018	16 July 2018	0.6042p	2,154,487
Total				**28,082,933**
2016 C Shares				**£**
1 April 2017 to 30 June 2017	21 July 2017	18 August 2017	0.3000p	540,000
1 to 31 July 2017	21 August 2017	19 September 2017	0.1042p	187,560
1 to 31 August 2017	21 September 2017	19 October 2017	0.1500p	270,000
1 to 30 September 2017	20 October 2017	17 November 2017	0.1500p	270,000
1 to 31 October 2017	21 November 2017	19 December 2017	0.1667p	300,060
1 to 30 November 2017	21 December 2017	23 January 2018	0.1667p	300,060
1 to 31 December 2017	22 January 2018	19 February 2018	0.1667p	300,060
1 to 31 January 2018	21 February 2018	19 March 2018	0.1667p	300,060
1 to 28 February 2018	21 March 2018	18 April 2018	0.2083p	374,940
1 to 31 March 2018	20 April 2018	21 May 2018	0.2083p	374,940
1 to 30 April 2018	23 May 2018	18 June 2018	0.2500p	347,308
1 to 31 May 2018	21 June 2018	16 July 2018	0.2708p	376,207
Total				**3,941,195**
Grand Total				**32,024,128**

15. Capital Management Policies and Procedures

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

The Group's total capital at 30 June 2019 was £474,492,470 (30 June 2018: £484,088,140) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Capital Management Policies and Procedures (Continued)

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

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

The Group has no externally imposed capital requirements.

16. Segmental Reporting

There are two reportable segments as at 30 June 2019: Ordinary Shares and 2016 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.

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

For the year ended 30 June 2019	**Ordinary Shares**	**2016 C Shares**	**Total**
	£	**£**	**£**
Total income	28,655,655	11,045,867	39,701,522
Net realised and unrealised (loss)/gain	(1,953,748)	18,899	(1,934,849)
Total operating expenses	(12,222,574)	(1,693,563)	(13,916,137)
Profit and total comprehensive income for the year	**14,479,333**	**9,371,203**	**23,850,536**

For the year ended 30 June 2018	**Ordinary Shares**	**2016 C Shares**	**Total**
	£	**£**	**£**
Total income	28,833,198	5,351,230	34,184,428
Net realised and unrealised loss	(158,328)	(323,240)	(481,568)
Total operating expenses	(7,491,611)	(1,585,655)	(9,077,266)
Profit and total comprehensive income for the year	**21,183,259**	**3,442,335**	**24,625,594**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Segmental Reporting (Continued)

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

30 June 2019	**Ordinary Share**	**2016 C Share**	**Total**
	£	**£**	**£**
Non-current assets	311,580,138	123,634,655	**435,214,793**
Current assets	29,803,534	12,941,089	**42,744,623**
Total assets	**341,383,672**	**136,575,744**	**477,959,416**
Current liabilities	(3,244,777)	(222,169)	(3,466,946)
Net assets	**338,138,895**	**136,353,575**	**474,492,470**
Equity	**338,138,895**	**136,353,575**	**474,492,470**

30 June 2018	**Ordinary Share**	**2016 C Share**	**Total**
	£	**£**	**£**
Non-current assets	328,478,714	69,990,283	**398,468,997**
Current assets	29,084,959	66,527,332	**95,612,291**
Total assets	**357,563,673**	**136,517,615**	**494,081,288**
Current liabilities	(9,096,729)	(896,419)	(9,993,148)
Net assets	**348,466,944**	**135,621,196**	**484,088,140**
Equity	**348,466,944**	**135,621,196**	**484,088,140**

17. Financial Risk Management

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

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:

(i) 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.

(ii) 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.

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

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

(v) 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.

(vi) Records Management – 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.

The Investment Managers, in close cooperation with the Directors and the Administrator, coordinate the Group's risk management.

Additional risks arising from the Group's activities listed in order of severity and likelihood and the policies for managing each of these risks are summarised below and have been applied throughout the year.

17.1. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.1. Credit Risk (Continued)

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

BNP Paribas Securities Services S.C.A., Guernsey Branch, as Custodian (which is the bank used by the Group), is a branch of BNP Paribas whose credit rating is A+ with Standard & Poor's.

The IFRS 9 impairment requirements are based on an expected credit loss model. Impairment of financial assets is recognised in stages:

Stage 1 - as soon as a financial instrument is originated or purchased, 12-month expected credit losses are recognised in profit or loss and a loss allowance is established. This serves as a proxy for the initial expectations of credit losses. For financial assets, interest revenue is calculated on the gross carrying amount (i.e. without deduction for expected credit losses).

Stage 2 - if the credit risk increases significantly and is not considered low, full lifetime expected credit losses are recognised in profit or loss. The calculation of interest revenue is the same as for Stage 1.

Stage 3 - if the credit risk of a financial asset increases to the point that it is considered credit-impaired, interest revenue is calculated based on the amortised cost (i.e. the gross carrying amount less the loss allowance). Financial assets in this stage will generally be assessed individually. Lifetime expected credit losses are recognised on these financial assets.

The effect of the Group adopting IFRS 9 on the carrying amounts of financial assets as at 1 July 2018 relates solely to the new impairment requirements.

The table below details expected Impairment/credit loss provision ("ECL") of financial assets in each stage:

30 June 2019

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Finance Lease and Hire Purchase	60,516,906	38,071,370	-	98,588,276
Impairment/ECL	(35,098)	(547,921)	-	(583,019)
Total (net of the Impairment/ECL)	**60,481,808**	**37,523,449**	**-**	**98,005,257**
Loans and other investment	193,743,237	97,657,281	29,921,817	321,322,335
Impairment/ECL	(112,586)	(3,038,855)	(4,090,338)	(7,241,779)
Total (net of the Impairment/ECL)	**193,630,651**	**94,618,426**	**25,831,479**	**314,080,556**
Total Impairment/ECL	**(147,684)**	**(3,586,776)**	**(4,090,338)**	**(7,824,798)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.1. Credit Risk (Continued)

The table below details the ECL of financial assets in each stage if IFRS 9 had been applied for the year ended 30 June 2018:

30 June 2018 (Unaudited)

	Stage 1	Stage 2	Stage 3	Total
Finance Lease and Hire Purchase	74,054,596	27,960,832	-	**102,015,428**
Impairment /ECL	(46,200)	(174,755)	-	**(220,955)**
Total (net of the Impairment/ECL)	**74,008,396**	**27,786,077**	**-**	**101,794,473**
Loans and other investment	163,681,046	117,528,996	-	**281,210,042**
Impairment /ECL	(84,027)	(3,009,212)[1]	-	**(3,093,239)**
Total (net of the Impairment/ECL)	**163,597,019**	**114,519,784**	**-**	**278,116,803**
Total Impairment/ECL	**(130,227)**	**(3,183,967)**	**-**	**(3,314,194)**

(a) Stage 1

The Directors, after taking advice from and consulting with the Investment Managers, consider these financial assets to have a low probability of default.

During the year, there were no movements from Stage 2 to Stage 1 (based on classifications if IFRS 9 had been applied as at 30 June 2018).

(b) Stage 2

The Directors, after taking advice from and consulting with the Investment Managers, consider these financial assets to have a higher probably of default than stage 1.

[1]There was impairment under IAS39 on one of the Group's investments in the 30 June 2018 financial statements of £2,437,876.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.1. Credit Risk (Continued)

(b) Stage 2 (Continued)

Ref	Industry	Carrying Amount (£ 000)	Description
(b) 1	Manufacturing	22,953	An investee business to which the Group has provided a secured loan entered chapter 11 bankruptcy in the USA as a result of being unable to compete with an overcapacity of foreign imports. The investee business sought relief under the Trade Act of 1974, Import Relief for Domestic Industries and on 8 February 2018, the US government implemented protective tariffs intended to restore the viability of the investee's industry and of the investee in particular. As at 30 June 2019, the Group continues to hold this finance investment (a secured loan) and the Directors believe that the full recovery of the principal balance outstanding will be achieved. This is expected to be through the lease, supported by the tariffs, or sale of the investee's equipment and by pursuing the guarantee. The Group has examined the minimum expected recovery under the lease or sale of the investee's equipment and considering the potential time required to realise the recovery, the Group has reflected an impairment of £2.5 million to the investment to account for the risk adjusted time value of money. There is no income accruing on the investment.
(b) 2	IT & Telecom	4,206	This finance investment (a variable loan) has been classified as stage 2 as at 30 June 2019. Income was suspended during the year and as at 30 June 2019, interest in the sum of £736,263 is past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £37,344 as at 30 June 2019.
(b) 3	Anaerobic Digestion	[illegible]36,523	This finance investment (construction finance) has been classified as stage 2 as at 30 June 2019. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £230,184 as at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.1. Credit Risk (Continued)

(b) Stage 2 (Continued)

Ref	Industry	Carrying Amount (£ 000)	Description
(b) 4	Anaerobic Digestion	24,470	This finance investment (construction finance) has been classified as stage 2 as at 30 June 2019. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £153,897 as at 30 June 2019.
(b) 5	Anaerobic Digestion	27,405	This finance investment (a finance lease) has been classified as stage 2 as at 30 June 2019. As at 30 June 2019, interest and lease repayments in the sum of £2,499,385 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £188,077 as at 30 June 2019.
(b) 6	Anaerobic Digestion	4,037	This finance investment (construction finance) has been classified as stage 2 as at 30 June 2019. Income on the investment was suspended during the year and as at 30 June 2019, interest in the sum of £280,367 is past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £54,655 as at 30 June 2019.

During the period, four financial assets would have moved from Stage 1 to Stage 2 (based on classifications if IFRS 9 had been applied as at 30 June 2018).

(b) 7	Hospitality	4,448	This finance investment (a variable loan) under IFRS 9 would have been classified as stage 1 as at 30 June 2018 and moved to stage 2 as at 30 June 2019. As at 30 June 2019, interest and loan repayments in the sum of £4,225,954 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £33,402 as at 30 June 2019.
(b) 8	Paper	13,237	This finance investment (hire purchase) under IFRS 9 would have been classified as stage 1 as at 30 June 2018 and moved to stage 2 as at 30 June 2019. Income was suspended during the year and as at 30 June 2019, interest and lease repayments in the sum of £1,242,384 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £36,295 as at 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.1. Credit Risk (Continued)

(b) Stage 2 (Continued)

Ref	Industry	Carrying Amount (£ 000)	Description
(b) 9	Construction	301	This finance investment (hire purchase) under IFRS 9 would have been classified as stage 1 as at 30 June 2018 and moved to stage 2 as at 30 June 2019. The investment was restructured during the year and the majority of the assets were re-leased as an operating lease. Income on the investment was suspended during the year. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £300,840 as at 30 June 2019. For further details refer to the description in ref (d) 5.
(b) 10	Wholesale Portfolios	9,148	This finance investment (hire purchase) under IFRS 9 would have been classified as stage 1 as at 30 June 2018 and moved to stage 2 as at 30 June 2019. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £23,126 as at 30 June 2019.

(c) Stage 3

During the year, two financial assets would have moved from Stage 2 to Stage 3 (based on classifications if IFRS 9 had been applied as at 30 June 2018).

Ref	Industry	Carrying Amount (£ 000)	Description
(c) 1	Anaerobic Digestion	19,627	This finance investment (construction finance) has been classified as stage 2 as at 30 June 2019. Income on the investment was suspended during the year. The Directors, after taking advice from and consulting with the Investment Managers, have applied an impairment of £2,011,699 as at 30 June 2019.
(c) 2	Anaerobic Digestion	6,204	This finance investment (secured loan) has been classified as stage 2 as at 30 June 2019. The Directors, after taking advice from and consulting with the Investment Managers, have applied an impairment of £2,078,639 as at 30 June 2019.

(d) Restructurings

During the year, five investments totalling £52,540,068 (30 June 2018: 5 investments totalling £41,052,100) were restructured resulting in repayment terms being amended. As at year end, the Group continues to hold them at the carrying value in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.1. Credit Risk (Continued)

(d) Restructurings (Continued)

The table below details the investments that have been restructured:

Ref	Industry	Carrying Amount (£ 000)	Description
(d) 1	Environment	4,855	This finance investment (a finance lease) was restructured during the year, resulting in payment terms being amended. The finance lease has been classified as stage 1 as at 30 June 2019 and is now performing.
(d) 2	Automotive	6,462	This finance investment (a secured loan) was restructured during the year, resulting in payment terms being amended. The secured loan has been classified as stage 1 as at 30 June 2019 and is now performing.
(d) 3	Agriculture	845	This finance investment (construction finance) was restructured during the year, resulting in the interest rate being adjusted. The construction finance has been classified as stage 2 as at 30 June 2019 and income was suspended during the year.
(d) 4	Agriculture	19,784	This finance investment (construction finance) was restructured during the year, resulting in the interest rate being adjusted. The construction finance has been classified as stage 2 as at 30 June 2019.
(d) 5	Glassware	20,594	This finance investment (a secured loan) was restructured during the year, resulting in payment terms being amended. As at 30 June 2019, interest and loan repayments in the sum of £1,552,937 were past due by more than 30 days. Outstanding interest was received post year end and the deal was re-profiled in with outstanding capital amounts added back to the principal balance outstanding. The secured loan has been classified as stage 1 as at 30 June 2019 and is now performing.
		52,540	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.2. 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 will be required to satisfy margin calls in respect of a foreign exchange forward if Sterling subsequently depreciates relative to the agreed contractual rate of the forward contract.

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

17.3. 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.4 Market Risk (Continued)

Currency Risk (Continued)

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

30 June 2019	**GBP**	**USD**	**EUR**	**Total**
	£	**£**	**£**	**£**
Investments	270,268,057	116,520,447	48,426,289	435,214,793
Cash and cash equivalents	20,371,486	3,320,324	977,355	24,669,165
Interest receivables	4,555,079	2,031,481	-	6,586,560
Investment receivables, other receivables and prepayments	6,794,658	2,002,646	2,691,594	11,488,898
Investment payables, other payables and accrued expenses	(989,405)	-	-	(989,405)
Derivative financial liabilities	(2,477,541)	-	-	(2,477,541)
Total net foreign currency exposure	**298,522,334**	**123,874,898**	**52,095,238**	**474,492,470**
Percentage of total	**62.91%**	**26.11%**	**10.98%**	**100.00%**

30 June 2018	**GBP**	**USD**	**EUR**	**Total**
	£	**£**	**£**	**£**
Investments	225,642,759	106,888,448	65,937,790	398,468,997
Cash and cash equivalents	68,359,572	6,771,204	1,664,748	76,795,524
Interest receivables	1,441,101	754,787	2,293,093	4,488,981
Investment receivables, other receivables and prepayments	3,228,100	4,116,129	6,983,557	14,327,786
Investment payables, other payables and accrued expenses	(3,778,140)	(30,285)	-	(3,808,425)
Derivative financial liabilities	(6,184,723)	-	-	(6,184,723)
Total net foreign currency exposure	**288,708,669**	**118,500,283**	**76,879,188**	**484,088,140**
Percentage of total	**59.64%**	**24.48%**	**15.88%**	**100.00%**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.4. Market Risk (Continued)

Currency Risk (Continued)

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

Currency	30 June 2019		30 June 2018	
	£	£	£	£
	Increase of 5%	Decrease of 5%	Increase of 5%	Decrease of 5%
USD	(6,960,438)	6,960,438	(5,925,014)	5,925,014
EUR	(2,604,762)	2,604,762	(3,843,959)	3,843,959

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 2019, 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	9,940,000	8,581,435	(317,128)	July 2019
GBP/EUR	9,731,217	8,431,126	(285,374)	August 2019
GBP/USD	3,612,931	2,845,903	11,353	August 2019
GBP/USD	58,525,358	45,925,389	102,867	September 2019
GBP/USD	43,000,847	32,704,693	(948,055)	October 2019
GBP/EUR	40,644,401	35,318,582	(1,178,771)	October 2019
GBP/USD	49,712,762	38,941,229	137,567	December 2019
			(2,477,541)	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. Financial Risk Management (Continued)

17.4. Market Risk (Continued)

Currency Risk (Continued)

As at 30 June 2018, 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/USD	105,521,498	74,806,700	(5,086,049)	July 2018
GBP/EUR	57,470,940	50,429,935	(407,636)	July 2018
GBP/USD	14,600,724	10,749,659	(290,718)	August 2018
GBP/USD	6,186,957	4,661,661	(6,536)	September 2018
GBP/EUR	13,160,000	11,650,079	(15,765)	September 2018
GBP/USD	27,689,331	20,677,843	(198,000)	October 2018
GBP/EUR	15,192,238	13,296,758	(180,019)	October 2018
			(6,184,723)	

Interest Rate Risk

Most of the Group's investments receive a fixed rate of interest. The value of fixed income securities usually rise and fall in response to changes in market interest rates. Declining interest rates generally increase the value of existing instruments, and rising interest rates generally decrease the value of existing instruments. Changes in value usually will not affect the amount of interest income or final principal repayments, but could affect the market value of the investment prior to maturity. Interest rate risk is generally greater for investments with longer maturities.

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

As explained in note 2.3 (a), most of the Group's investments are carried at amortised cost, not fair value, and changes in the theoretical market value (there is no liquid market for such investments) will not be reflected in the carrying value of the investments unless the investments are considered to be impaired.

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

18. Related Party Transactions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Related Party Transactions (Continued)

The Investment Managers

The Company is party to an Investment Management Agreement with the Investment Managers under which the Investment Managers are entitled to the payment of management fees based on the Group's NAV. During the year, the management fees due to the Investment Managers amounted to £4,642,340 (30 June 2018: £4,532,845). At 30 June 2019, £378,308 (30 June 2018: £383,035) of the management fees was payable to the Investment Managers and £nil (30 June 2018: £390,000) was receivable from the Investment Managers, refer to notes 1, 10 and 11 for further information.

Under the Investment Management Agreement, the Investment Managers are also entitled to structuring fees, which are based on the value of new investments (these are not paid by the Group). During the year, structuring fees of £170,761 (30 June 2018: £415,444) were received by the Investment Managers.

The Investment Managers also receive commitment fees, that are paid by investees direct (these are not paid by the Group). During the year, commitment fees of £594,726 (30 June 2018: £402,810) were received by the Investment Managers.

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

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

SQN Helo, LLC

SQN Helo is a special purpose company owned by SQN Portfolio Acquisition Company, LLC and SQN AIF IV, L.P., both being investment funds managed by the US Investment Manager. SQN Helo was established to purchase and hold legal ownership of a portfolio of leases and related assets. The carrying value of the investment is £2,790,263 (30 June 2018: £3,402,690) and further details can be found in note 8.2.

SQN Asset Finance (Ireland) DAC

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

	30 June 2019	**30 June 2018**
EUR denominated bonds	€40,318,780	€41,873,813[1]
USD denominated bonds	$32,007,519	$22,273,980[1]
GBP denominated bonds	£66,797,828	£25,089,897[1]

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

[1]Comparatives were restated to disclose the principal balance and not the total drawings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. Related Party Transactions (Continued)

Share Interest

The table below details the Ordinary Shares and 2016 C Shares held by Directors of the UK Investment Manager in the Company:

	30 June 2019		30 June 2018	
Director	**Number of Ordinary Shares**	**Number of 2016 C Shares**	**Number of Ordinary Shares**	**Number of 2016 C Shares**
Neil Roberts	149,645	45,734	149,645	45,734
Tim Spring	162,816	61,802	162,816	61,802

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

	30 June 2019		30 June 2018	
Director	**Number of Ordinary Shares**	**Number of 2016 C Shares**	**Number of Ordinary Shares**	**Number of 2016 C Shares**
Peter Niven	79,858	3,860	79,858	3,860
John Falla	19,637	3,829	19,637	3,829
Christopher Spencer	19,929	3,845	19,929	3,845
Paul Meader[1]	47,000	-	47,000	-

19. Events After the Reporting Period

Adjusting events

Subsequent to the year end, the Group made an impairment on two investments:

- An impairment on an anaerobic digestion investment in the sum of £2,078,639, an increase of £1,653,092 over the existing ECL provision as at 30 June 2019.
- An impairment on an anaerobic digestion investment in the sum of £2,011,699, an increase of £1,558,979 over the existing ECL provision as at 30 June 2019.

The Board, after consulting with the Investment Managers, have concluded that the impairments have been made due to further evidence of conditions that existed as at 30 June 2019, the Consolidated Financial Statements as at 30 June 2019 have therefore been adjusted.

Reconciliation of NAV to Published NAV

The following table details the change in NAV to the one announced via the Regulatory News Service:

30 June 2019	**Ordinary Shares £**	**Ordinary Shares per share**	**2016 C Shares £**	**2016 C Shares per share**
Published NAV	341,350,966	95.81p	136,353,575	98.15p
Impairment	(1,653,092)	(0.46)p	-	-
Impairment	(1,558,979)	(0.44)p	-	-
NAV attributable to shareholders	**338,138,895**	**94.91p**	**136,353,575**	**98.15p**

[1]The shares are held in the name of Sarah Kingwell, the spouse of Paul Meader.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Events After the Reporting Period (Continued)

Non adjusting events

On 24 June 2019, the Company declared a dividend of 0.6042p per Ordinary Share and 2016 C Share, for the month ended 31 May 2019. The dividends were paid to shareholders on 26 July 2019.

On 23 July 2019, the Company declared a dividend of 0.6042p per Ordinary Share and 2016 C Share, for the month ended 30 June 2019. The dividends were paid to shareholders on 23 August 2019.

On 27 August 2019, the Company declared a dividend of 0.6042p per Ordinary Share and 2016 C Share, for the month ended 31 July 2019. The dividends were paid to shareholders on 27 September 2019.

20. Ultimate Controlling Party

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

COMPANY INFORMATION

Non-Executive Directors

Peter Niven
(Chairman of the Board)

Christopher Spencer
(Chairman of Audit and Risk Committee)

John Falla
(Chairman of Management Engagement Committee)

Paul Meader
(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, 11th 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
Link Market Services (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
Link Market Services Limited, 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, Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey, GY1 4HP

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