Secured Income Fund Plc

SQN SECURED INCOME FUND PLC

(Registered number 09682883)

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 June 2018

CONTENTS

KEY POINTS

30 JUNE 2018

NET ASSETS[1]

£51,539,000

(30 June 2017: £52,048,000)

DIVIDEND PER SHARE DECLARED IN RESPECT OF THE YEAR

6.30p

(30 June 2017: 6.375p)

NAV PER ORDINARY SHARE

97.78p

(30 June 2017: 98.74p)

DIVIDEND COVER

0.99

(30 June 2017: 1.16)

SHARE PRICE

91.50p

(30 June 2017: 97.75p)

TOTAL RETURN PER ORDINARY SHARE (BASED ON NAV)

+5.4%

(30 June 2017: +4.6%)

DISCOUNT TO NAV

6.4%

(30 June 2017: 1.0%)

TOTAL RETURN PER ORDINARY SHARE (BASED ON SHARE PRICE)

0.0%

(30 June 2017: +16.0%)

PROFIT FOR THE YEAR

£2,809,000

(30 June 2017: £2,440,000)

ORDINARY SHARES IN ISSUE

52,660,350

(30 June 2017: 52,660,350)

[1] *In addition to the Ordinary Shares in issue, 50,000 Management Shares of £1 each are in issue (see Note 22).*

OVERVIEW AND INVESTMENT STRATEGY

General information

SQN Secured Income Fund plc (the “Company”, “Fund” or “SSIF”) was incorporated in England and Wales under the Companies Act 2006 on 13 July 2015 with registered number 09682883. It is an investment company, as defined in s833 of the Companies Act 2006. Its shares were admitted to trading on the London Stock Exchange Specialist Fund Segment on 23 September 2015 (“Admission”).

Investment objective

The investment objective of the Company is to provide Shareholders with attractive risk adjusted returns, principally in the form of regular, sustainable dividends, through investment predominantly in a range of secured loans and other secured loan-based instruments originated through a variety of channels and diversified by way of asset class, geography and duration.

Investment policy

The Company achieves its investment objective by investing in a range of secured loan assets mainly through wholesale secured lending opportunities, secured trade and receivable finance and other collateralised lending opportunities. Loan assets include both direct loans as well as other instruments with loan-based investment characteristics (for example, but not limited to, bonds, loan participations, syndicated loans, structured notes, collateralised obligations or hybrid securities) and may include (subject to the limit set out below) other types of investment (for example, equity or revenue- or profit-linked instruments). The Company may make investments through alternative lending platforms that present suitable investment opportunities identified by the Manager.

The Company ensures that diversification of its portfolio is maintained, with the aim of spreading investment risk.

Geography

The Company invests in loan assets in a broad range of jurisdictions (although weighted towards the UK, Continental Europe and North America) in order to build a global portfolio of loan assets.

Asset classes

The Company invests in a wide range of loan assets, including: short-term lending such as invoice and supply chain financing; mid-term lending such as trade or short-term bridge finance; and long-term lending such as the provision of fixed term loans with standard covenants and subject to monthly or quarterly interest payments.

Duration

The Company holds a portfolio of loans and other loan-based instruments with a range of durations to maturity. This is intended to provide the Company with both a liquid pool of assets ready for realisation, as well as a reliable stream of longer-term income.

Security

The Company invests in loan assets with a range of different types of security. Typically, such security will be over a range of assets, including, but not limited to, property, intellectual property, tax credits, receivables, future income streams, pledges of shares or other specific assets, ownership of special purpose vehicles, personal or group company guarantees or via credit insurance, or a combination of these. Loan assets will be unsecured only in the case of short-term lending or investment, where the perceived level of risk in respect of the particular asset is low given the quality of the counterparty, credit assessment and design of the credit contract.

Sector

The Company is indifferent to sector when allocating funds for investment and, instead, adheres to the investment restrictions which apply to the Company’s loan portfolio as a whole in order to spread investment risk.

OVERVIEW AND INVESTMENT STRATEGY (CONTINUED)

Investment restrictions

The following investment restrictions (calculated based on the Company's gross assets at the time of investment or, if earlier, the date on which the Company commits to making the relevant investment) in respect of the deployment of the Company's capital have been established in pursuit of its aim to maintain a diversified investment portfolio and thus mitigate concentration risks:

Investment Restriction	*Investment Policy*
Geography	
– Exposure to UK loan assets	Minimum of 60%
– Minimum exposure to non-UK loan assets	20%
Duration to maturity	
– Minimum exposure to loan assets with duration of less than 6 months	None
– Maximum exposure to loan assets with duration of 6-18 months and 18-36 months	None
– Maximum exposure to loan assets with duration of more than 36 months	50%
Maximum single investment	10%
Maximum exposure to a single borrower or group	10%
Maximum exposure to loan assets sourced through a single alternative lending platform or other third party originator	25%
Maximum exposure to any individual wholesale loan arrangement	25%
Maximum exposure to loan assets which are neither sterling-denominated nor hedged back to sterling	15%
Maximum exposure to unsecured loan assets	25%
Maximum exposure to assets (excluding cash and cash-equivalent investments) which are not loans or investments with loan-based investment characteristics	10%

The Company will not invest in other listed closed-end investment funds.

Borrowing

The Company (including, for this purpose, any special purpose vehicles that may be established by the Company in connection with obtaining leverage against any of its assets) may employ borrowings (through bank or other facilities) of up to 35% of the Company's net asset value (calculated at the time of draw down), which includes, on a look-through basis, borrowings of any investee entity.

Hedging

The Company intends, to the extent it is able to do so on terms that the Manager considers to be commercially acceptable, to seek to arrange suitable hedging contracts, such as currency swap agreements, futures contracts, options and forward currency exchange and other derivative contracts (including, but not limited to, interest rate swaps and credit default swaps) with the sole intention of hedging the Company's non-Sterling currency exposure back to Sterling.

Cash management

The Company's un-invested or surplus capital or assets may be invested in cash or cash equivalents (including government or public securities (as defined in the rules of the FCA), money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a "single A" (or equivalent) or higher credit rating as determined by any internationally recognised rating agency selected by the Board (which may or may not be registered in the EU)). There is no limit to the amount of cash or cash equivalents that the Company may hold.

Changes to the investment policy

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to update Shareholders with my third Chairman's statement, covering 1 July 2017 to 30 June 2018. After a period of significant change, the Company has consolidated its position. Our investment manager, SQN Asset Management Limited ("SQN"), has transformed the Company into a much stronger and better placed investment vehicle. The Company has now achieved dividend cover (boosted by its direct lending activity) and is fulfilling its obligations to Shareholders as set out in the strategic review undertaken by SQN at the time of its appointment in April 2017.

Performance and Markets

The Company's NAV at 30 June 2018 was £51.5 million compared with £52.0 million as at 30 June 2017. The total return achieved during the period was 5.37%.

The foreign exchange exposure on non-Sterling assets (24.62% of NAV) was fully hedged and any liquidity calls arising from the hedging strategy are considered manageable within the Company's cash flow.

The underwriting discipline of SQN's investment management team has been constant, with a number of new loans issued to strong businesses in the UK and Europe. A fuller synopsis of these investments is provided later, in the Investment Manager's report.

Development of the Company

On 1 April 2017, management of the investment portfolio was transferred to SQN and at the same time a successful secondary placing of the Ordinary Shares, previously owned by GLI Finance Limited, (48% of the issued capital) was made, mainly to new investors.

At a general meeting held on 27 April 2017, the Board was authorised to allot up to 250 million Ordinary Shares and/or C Shares pursuant to a share issuance programme. This programme was designed to enable the Company to raise additional capital to take advantage of investment opportunities, thereby expanding and diversifying its investment portfolio. In order to issue new shares the Company's shares are required to trade at a premium to NAV and, as this was not the case during this reporting period, no new shares were issued.

Given the passage of time, the Company is now required to publish a new prospectus before it can issue further Shares pursuant to the share issuance programme.

Investment Review

Following its appointment in April 2017, SQN completed a thorough strategic review of the Company's platform investments, resulting in a rationalisation of platform-originated or related investments. At the time of writing I am pleased to report that platform related investments now represent less than 50% of the total investable capital and by January 2019, it is expected that platform investments will be reduced to below 30% of the portfolio. This represents a significant improvement in the risk profile of the Company.

All of the Company's available cash is now committed to direct lending opportunities originated by SQN through its extensive network of industry contacts. The nature of these direct loans is diverse but provides good levels of security through covenant provision and all loans are at rates of interest exceeding the Company's target returns.

Earnings and Dividends

Earnings per Ordinary Share for the reporting period were 5.33p.

The Company elected to designate all dividends for the period ended 30 June 2018 as interest distributions to its Shareholders. By doing so, it took advantage of UK tax treatment by "streaming" income from interest-bearing investments into dividends that will be taxed in the hands of Shareholders as interest income.

The Company intends to distribute at least 85% of its distributable income by way of dividends on a monthly basis.

The Company achieved and covered its annual dividend target of 6.25p for the period under review and has announced an increased annual dividend target of 7.00p from July 2018, with a total return target of at least 8.00%. This is in line with previous guidance provided by the Board and the investment manager.

CHAIRMAN'S STATEMENT (CONTINUED)

Discount

During the period, the Ordinary Shares traded at an average discount to NAV of 4.27%. This is frustrating but the platform originated SME sector is currently suffering from a negative perception in investors' eyes due to poor investment practices followed by some of our competitors. This has led to a general widening of discounts across the sector. While this is disappointing we believe that good communication with our existing and new investors will encourage stronger support for our direct strategy. We are also working with the investment manager to identify other potential measures to eradicate the discount.

Gearing

The Company has maintained its policy of operating without a banking loan facility. This policy is periodically reviewed by the Board in conjunction with the investment manager. As the percentage of direct loans increases, giving SQN more control over the quality of loans accepted, the Board may decide to incorporate a modest level of gearing into the investment structure.

Board developments

After three years in the role of Chairman and following considerable progress on many fronts, some of which are outlined in this report, I have decided to step down as a Director of the Company and will not seek re-election at the forthcoming AGM. Ken Hillen has been asked by the Board to replace me and I am pleased to say that he has agreed to take over as Chairman post the AGM. This, of course, in turn creates a vacancy for the position of Chairman of the Audit and Valuation Committee. Again I am pleased to report that Gay Coley will take over this role post the AGM.

Outlook

The Manager has made good progress in eliminating the riskier elements of the portfolio and has gone a long way towards building a diversified, good quality direct lending book of business.

SQN is now fulfilling its original task of delivering stable income from the Company's assets. The Board believes that the portfolio now offers sound, risk-adjusted total returns and as SQN has a substantial pipeline of deals waiting for funding the Board is keen to support your manager over the coming year and hopes that the size of the Company can be increased considerably.

I wish the Board and SQN well for the coming year and I hope to see further positive developments in the Company.

RICHARD HILLS
Chairman
19 September 2018

INVESTMENT MANAGER'S REPORT

Overview

We are pleased to write our second Investment Manager's report in respect of SQN Secured Income Fund plc.

We began management of this mandate on 1 April 2017, as defined in a strategic review following our appointment. We are pleased to report swift progress in restructuring the portfolio away from platform investments into our own directly originated loans, implementation of a cost saving programme and most importantly, confirmation that dividend cover will be achieved within the time frame we outlined upon assuming management of the Fund. We have achieved this without gearing, whilst maintaining a keen eye on the risk management of legacy positions and our newly imposed underwriting standards for direct loans.

Background

SQN is a credit based alternative fund manager with a successful track record in managing assets in an investment company structure. The SQN Group has a total of £800 million assets under management and a further £1 billion in advisory portfolios. Our core competency is in credit management and we are suitably resourced to deliver income and total return in line with the expectations we have set. Most significantly, we retain our own origination team within the SQN Group. This has enabled us to build a strong diversified pipeline of new investment opportunities. We have offices in the UK and the US and furthermore, we have started building an investment capability in Ireland.

Over the course of the year, we have made very good progress on key commitments made to the Board and Shareholders since our appointment. These are:

- A covered dividend of 7p per Ordinary Share per annum, to be achieved by July 2018, in line with Board and investment manager guidance.
- Half of the portfolio has now been reinvested into direct loans originated by SQN using our rigorous underwriting process.
- Reduced exposure to platform investments, originally 100% of the portfolio, with an expectation that this exposure will fall to circa 30% of the portfolio by calendar year end 2018.
- Robust risk management of impairment reporting from platforms.
- Timely implementation of IFRS 9 methodology, with the lowest loss provisions in the peer group.
- Cost review and roll out of budgetary savings for 2018/19.
- Successful final transition from the Company's previous sub-advisor.
- New hires to the team at SQN have included relationship and origination staff.
- All cash as it becomes available is committed in a timely fashion and we continue to see a healthy pipeline of new opportunities.

Although it is a disappointment that the Ordinary Shares traded at a discount to NAV during the reporting period, we have concluded that the reasons are mostly external to SQN and beyond our control. The alternative lending sector is very diverse and other funds have had mixed performances leading to a trend for widening discounts across the board. We acknowledge legitimate investor concern for highly geared, platform-based strategies.

Comparison of our highly disciplined, diversified approach to underwriting with a platform led strategy is difficult to justify due to an historic overhang of market perception of the Fund's core activity. We stand by our intention to reduce higher risk third party exposures to a manageable 20% of the portfolio and are working hard to achieve this by July 2019. Additionally, we are considering further measures to eradicate the discount, which would enable the Company the opportunity to raise further capital over the coming year.

As previously reported, we have pursued investments in three core areas; secured trade finance, receivables finance and wholesale lending. We have avoided consumer credit exposure by focussing on secured commercial opportunities including development loans and commercial property in growth sectors. We consider this a prudent approach which diminishes the risk of exposure to macro-economic headwinds. In addition, we have made loan commitments to European businesses benefitting from opportunities created by the Brexit vote in the UK and despite our strong presence in the U.S., we have demurred from adding to our U.S. allocation for the time being until foreign exchange hedging costs are less economically prohibitive. Our strategy is uncorrelated to conventional asset markets and their consequent risks.

At the time of writing this report the Fund is positioned with a ratio of 52%:48% in loans versus platforms compared to an allocation of 100% to platforms when we assumed management of the Fund. We consider this a significant boost to a favourable assessment of the portfolio. It has also contributed to a reduction in duration as all new debt facilities have been underwritten at between two and five year maturities. All loans have been negotiated at good commercial rates meeting the Company's requirements after fees and expenses for its target returns to shareholders. Most pleasing is that the loans are with high quality businesses with whom the Company expects to nurture long term relationships.

INVESTMENT MANAGER'S REPORT (CONTINUED)

The SQN investment approach recognises the significance of strong processes and robust governance. Accordingly, each drawdown requires a "triple lock" sign off from our legal, credit and portfolio management teams. With the introduction of direct lending to the Company's portfolio, we implemented an enhanced risk management regime with a "red flag" check list for each facility. This process has been further enhanced during the reporting period and we have made significant progress in developing this more refined risk model.

In accordance with IFRS 9 regulations, our portfolio reported the lowest loss provision in the sector of 42 basis points, which we expect to reduce further upon establishment of an 80:20 ratio of loans to platform investments. This is testament to our continued commitment to the highest credit underwriting standards.

Investment Outlook

As was noted last year, borrowers in the SME sector continued to seek alternative lenders as high street banks have withdrawn from the market. Our prefered investment size is in the £1 million to £20 million range but as the Fund remains small, we are mainly placing transactions of between £1 million and £5 million into the portfolio. Our preferred maturity of between three and five years is also attractive to these companies as it gives them breathing space to grow and to focus on their core activities.

In July, the Bank of England raised the base rate, for the first time since the global financial crisis started but this had very little impact on our market and we expect to maintain rate discipline on new underwriting. As the Brexit negotiations unfold, we are careful to assess this risk for new loan business and we will avoid sectors with significant exposure to a UK recession and sharp FX movements. We have been encouraged by new business generated in Europe and will continue to consider management buyout and acquisition finance deals as they are presented to us. Demographic and valuation multiples are still very attractive for debt financing of these companies. In the US, we observe a similar opportunity as baby boomer owned companies transition to the next generation. However, our appetite for US deals is dampened given the costs associated with USD hedging, arising from the dollar's continued strength versus our base currency of Sterling.

As the peer to peer platform market matures with many deals reaching their first refinancing period, we expect to observe continued write downs from less disciplined competition. Consolidation in the sector has already begun and we have already observed significant developments that confirm this, having been offered mature loan books at significant discount to par. By rapidly reducing our exposure to this part of the market, we expect our loss provisions to be lower for longer. This will ensure SQN maintains a high degree of integrity for our Shareholders and deliver on our commitment to a 7p income and 8% total return from September 2018 for the long term.

We are confident that our investment strategy remains valid and stand by our decision to implement this approach. We look forward to engaging with our investors over the coming months and an appreciation of our share price closer to net asset value, which would lay the basis for us to increase the capital base of the Fund.

DAWN KENDALL
Managing Director
SQN Asset Management Limited
19 September 2018

COMPANY ANALYTICS

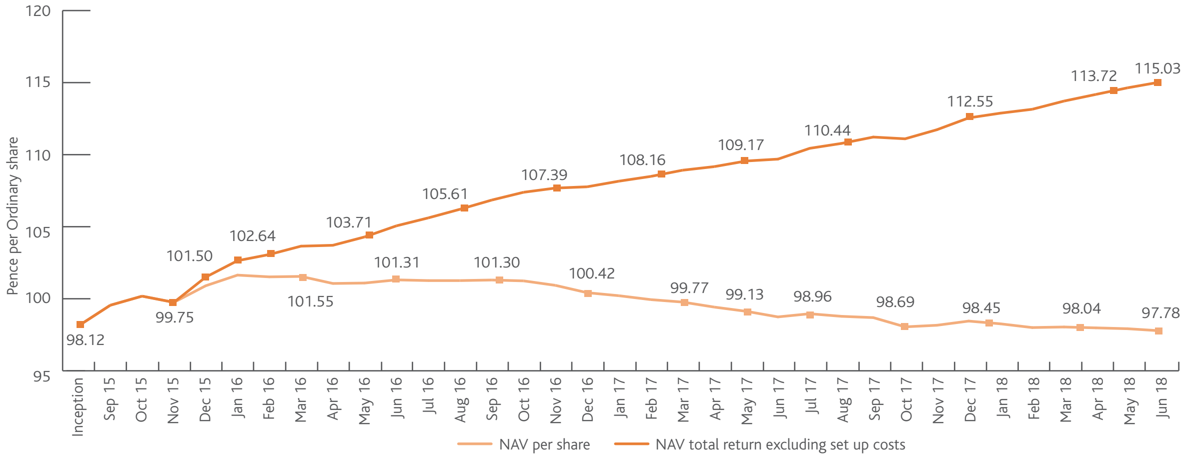
as at 30 June 2018

PERFORMANCE AND DIVIDEND HISTORY

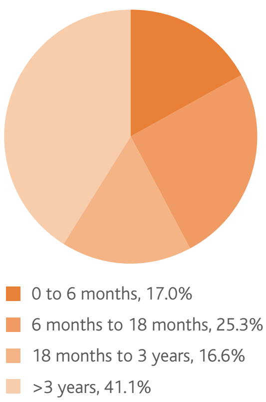
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2017 to date
NAV per share total return, including income*	2017	0.36%	0.31%	0.40%	0.23%	0.35%	0.13%	0.68%	0.31%	0.39%	-0.10%	0.57%	0.73%	**6.55%**
	2018	0.30%	0.24%	0.50%	0.40%	0.41%	0.34%							
Dividend*	2017	0.60p	0.60p	0.60p	0.60p	0.676p	0.525p	0.525p	0.525p	0.525p	0.525p	0.525p	0.525p	**9.90p**
	2018	0.525p	0.525p	0.525p	0.525p	0.525p	0.525p							
Share price performance**	2017	-0.26%	-2.41%	6.32%	1.55%	-0.51%	0.00%	-0.51%	0.00%	-0.77%	-0.78%	-0.26%	-1.83%	**-1.84%**
	2018	-1.33%	0.00%	-1.08%	1.91%	-1.88%	0.00%							

*Per Ordinary Share **Source Bloomberg

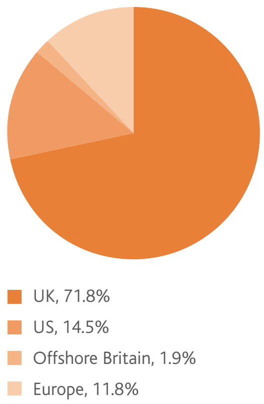
NAV/NAV TOTAL RETURN



PORTFOLIO EXPOSURE BY MATURITY

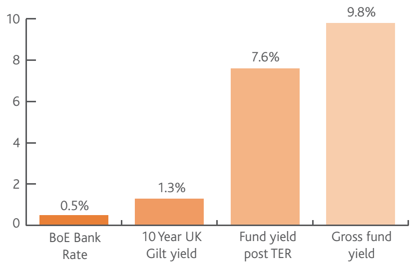


PORTFOLIO EXPOSURE BY GEOGRAPHY

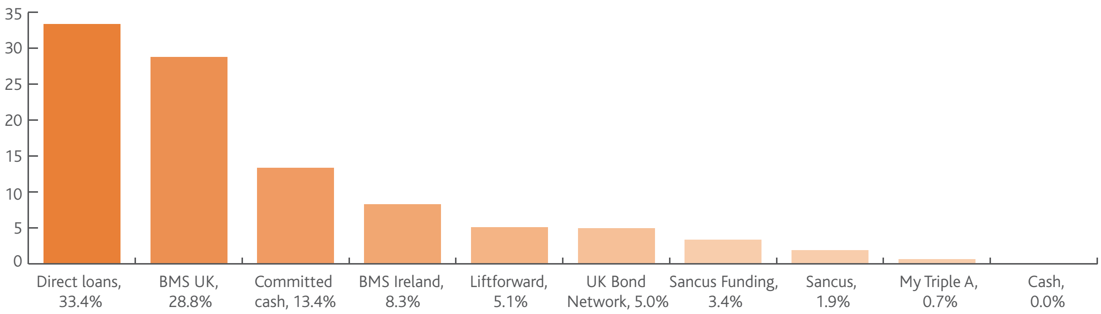


*Offshore Britain: Channel Islands, Gibraltar & Isle of Man

FUND YIELD VS BENCHMARK INTEREST RATES



PORTFOLIO EXPOSURE BY PLATFORM



All data source: SQN Asset Management Limited

PRINCIPAL RISKS

Risk is inherent in the Company's activities, but it is managed through an ongoing process of identifying and assessing risks and ensuring that appropriate controls are in place. The key risks faced by the Company, along with controls employed to mitigate those risks, are set out below.

Macroeconomic risk

Adverse macroeconomic conditions may have a material adverse effect on the Company's yield on investments, default rate and cash flows. The Board and the Investment Manager keep abreast of market trends and information to try to prepare for any adverse impact.

The Company's assets are diversified by geography, asset class, and duration, thereby reducing the impact that macroeconomic risk may have on the overall portfolio.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows and/or fair values of the Company's investments. Exposure to interest rate risk is limited by the use of fixed rate interest on the majority of the Company's loans, thereby giving security over future loan interest cash flows.

Currency risk is the risk that changes in foreign exchange rates will impact future profits and net assets. Currency risk is mitigated to a certain extent through the use of forward foreign exchange contracts to hedge movements in foreign currency exchange rates.

Credit risk

The Company invests in a range of secured loan assets mainly through wholesale secured lending opportunities, secured trade and receivable finance and other collateralised lending opportunities. The Company is also exposed to direct loans. Significant due diligence is undertaken on the borrowers of these loans and security taken to cover the loans and to mitigate the credit risk on such loans.

The key factor in underwriting secured loans is the predictability of cash flow to allow the borrower to perform as per the terms of the contract.

The Company has investment restrictions in place. Therefore, as mentioned above, the Company's assets are diversified by geography, asset class, and duration, thereby reducing the impact that investment risk may have on the overall portfolio.

The credit risk associated with the investments is reduced not only by diversification but also by the use of security. Despite the use of security, credit risk is not reduced entirely and so the Investment Manager monitors the recoverability of the loans (on an individual loan basis) each month and impairs loans where appropriate.

Platform risk

The Company is dependent on platforms, for that reducing part of the loan portfolio originated through platforms, to operate the loan portfolio (to bring new loans to the Company's attention; to effectively monitor those loans; and to pay and receive monies as necessary). If a platform were no longer able to operate effectively this could put at risk loans made with/through such a platform and increase credit risk.

The Investment Manager undertakes due diligence on all the platforms and part of this work is to confirm that the platforms have disaster recovery policies in place whereby a third party administrator would step in to manage the loans in the event the platform could no longer do so. If such an event were to occur, the Company's approach would vary depending on the platform and the circumstances, and would be determined by the Board after discussion with the Investment Manager and other advisers.

The Company's exposure to platform risk is decreasing as it realises platform loans and exits positions on certain platforms entirely.

Regulatory risk

The Company's operations are subject to wide ranging regulations, which continue to evolve and change. Failure to comply with these regulations could result in losses and damage to the Company's reputation.

The Company employs third party service providers to ensure that regulations are complied with.

Reputational risk

The Company has been incorporated with an unlimited life. However, in the event that the Ordinary Shares have been trading at a discount to NAV of greater than 10% for three consecutive months (calculated on a rolling three monthly average of daily numbers), the Company shall convene a general meeting to propose a continuation resolution. If such a continuation resolution is not passed, the Board will draw up proposals for the winding-up or reconstruction of the Company for submission to Shareholders. Any adverse impact on the Company's reputation would likely result in a fall in its share price, thereby increasing the possibility of a continuation vote being proposed.

Details of the premium/discount of the share price to NAV are disclosed on page 13.

ENVIRONMENT, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

As an investment company, the Company does not have any employees or physical property, and most of its activities are performed by other organisations. Therefore, the Company does not combust fuel and does not have any greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The Board believes that the Company does not have a direct impact on the community or environment and, as a result, does not maintain policies in relation to these matters.

GENDER DIVERSITY

The Board of Directors of the Company currently comprises three male Directors and one female Director. Further information in relation to the Board's policy on diversity can be found in the Directors' Remuneration Report on page 26.

KEY PERFORMANCE INDICATORS

The Board uses the following key performance indicators ("KPIs") to help to assess the Company's performance against its objectives. Further information on the Company's performance is provided in the Chairman's Statement and the Investment Manager's Report.

Dividend yield

The Company distributes at least 85% of its distributable income by way of dividends on a monthly basis. During any year the Company may retain some of the distributable income and use these to smooth future dividend flows. The Company's annual dividend target for the period under review was 6.25p per Share, and this is increased to 7.00p per Share with effect from July 2018.

The Company has announced dividends of £3,318,000 (6.30p per Ordinary Share) for the year ended 30 June 2018, being 101.0% of distributable income for the year (see Notes 5 and 23 for further details). To ensure the tax efficient streaming of qualifying interest income, the Company may announce an additional dividend out of the profits for the year ended 2018, once the tax advisers have finalised the tax computations.

NAV and total return

The Directors regard the Company's NAV as a key component to delivering value to Shareholders, but believe that total return (which includes dividends) is the best measure for shareholder value.

Details of the NAV and total return are disclosed on pages 3 and 47.

Premium/discount of share price to NAV

The Board regularly monitors the premium/discount of the price of the Ordinary Shares to the NAV per share. As mentioned in Principal Risks above, in the event that the Ordinary Shares have been trading at a daily discount to NAV of greater than 10% for three consecutive months (calculated on a rolling three monthly average of daily numbers), the Board will convene a general meeting to propose a continuation resolution. If such a continuation resolution is not passed, the Board will draw up proposals for the winding-up or reconstruction of the Company for submission to Shareholders. The adoption of the new Articles of Association include, amongst other things, a provision for the continuation resolution (by way of an ordinary resolution) if the Company's net assets at 31 December 2019 are less than £250 million.

At 30 June 2018 the shares were trading at 91.50p, a 6.42% discount to NAV. However, the three month average share price was a 6.00% discount to NAV.

RICHARD HILLS
Chairman
19 September 2018

BOARD OF DIRECTORS

Richard Hills *(Non-executive Chairman)*

Richard has substantial investment experience, having held senior positions at major fund management houses and a number of non-executive directorships at investment companies, both public and private, covering all the major asset classes. Richard has also built and successfully sold his own investment management company and has been involved in a number of start-up situations including FairFX, the innovative prepaid currency card provider. He is currently Chairman of Strategic Equity Capital plc and a director of JP Morgan Multi-Asset Trust plc, Henderson International Income Trust plc and EQT Services (UK) Limited.

David Stevenson *(Non-executive)*

David is a financial journalist and commentator for a number of leading publications including The Financial Times (the Adventurous Investor), Investment Week (The Contrarian), Money Week and the Investors Chronicle. He is also executive director of the world's leading alternative finance news and events services www.altfi.com, which focuses on covering major trends in marketplace lending, crowd funding and working capital provision for small to medium sized enterprises. David is also the author of a number of books on investment including the bestselling book on ETFs and their use within portfolios in Europe for the Financial Times. Before founding www.altfi.com, David was a director at successful corporate communications business The Rocket Science Group and before that a senior producer in business and science in BBC TV.

Ken Hillen *(Non-executive)*

Ken has held a number of senior banking roles throughout his career; including senior corporate director at RBS, managing director for Scotland and Northern Ireland at Anglo Irish Bank and, until 2009, head of commercial and corporate banking for Scotland at Bank of Ireland. Ken has a broad experience of non-executive and consultancy roles within financial services and other sectors, including director and chairman of a financial services business which specialises in the provision of bridging loans.

Gaynor Coley *(Non-executive)*

Gaynor is a Director of Lowland Investment Company plc and director of a number of private companies. She was previously the Director of Public Programmes at the Royal Botanic Gardens Kew, Managing Director of the Eden Project in Cornwall, and Director of Finance at Plymouth University. A qualified chartered accountant, she has over 30 years of experience in private and public sector finance and governance. She is also a non-executive director on the Board of Ignite Investment Fund for Social Enterprise, which is part of Centrica PLC.

DIRECTORS' REPORT

The Directors of the Company are pleased to present their report and audited Financial Statements for the year ended 30 June 2018.

The Company is an investment company as defined in s833 of the Companies Act 2006.

Principal activity

The principal activity of the Company is to provide Shareholders with attractive risk adjusted returns, principally in the form of regular, sustainable dividends, through investment predominantly in a range of secured loans and other secured loan-based instruments originated through a variety of channels and diversified by way of asset class, geography and duration.

Results and Dividends

The results of the Company for the year are shown on page 32.

Further details, including details of future developments, are provided in the Chairman's Statement and Investment Manager's Report.

The Company distributes at least 85% of its distributable income by way of dividends on a monthly basis. During any year, the Company may retain some of the distributable income in a subsequent month to that in which it arises in order to smooth dividend amounts or for the purposes of efficient cash management.

The Company elected to designate all of the dividends for the year ended 30 June 2018 as interest distributions to its Shareholders. In doing so, the Company took advantage of UK tax treatment by "streaming" income from interest-bearing investments into dividends that will be taxed in the hands of Shareholders as interest income.

The Company has announced dividends of 6.30p per Ordinary Share out of the profits for the year ended 30 June 2018, of which 5.25p per Ordinary Share were provided for in these financial statements. In accordance with IFRS, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the year a total of £3,318,000 was incurred in respect of dividends, none of which was outstanding at the reporting date, but the dividends of £276,000 each, declared on 22 June 2018 and 25 July 2018, had not been provided for at 30 June 2018 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

The Directors do not recommend the payment of a final dividend for the financial year.

Net Assets

At 30 June 2018, the Company had net assets of £51,539,000 (2017: £52,048,000).

Going Concern and Viability Statement

After undertaking prudent and robust enquiries, and assessing all data relating to the Company's liquidity, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For this reason, they have adopted the going concern basis in preparing the Financial Statements.

The Directors have assessed the prospects of the Company over the three year period to 30 June 2021. The Directors believe this period to be appropriate as any forecast beyond three years would likely produce figures that were too uncertain to be meaningful.

In their assessment of the viability of the Company, the Directors have considered the Company's principal risks and uncertainties together with the Company's income and expenditure projections, and sensitivity analyses were run to model the financial impact of changes in plausible impairment rates. The Directors also noted the relatively liquid nature of the Company's portfolio which could be utilised to meet funding requirements, if necessary.

The Company has processes for monitoring operating costs, share price discount, the Investment Manager's compliance with the investment objective and policy, asset allocation, the portfolio risk profile, counterparty exposure, liquidity risk, foreign exchange risk and financial controls.

Based on the above evaluation, the Directors concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to 30 June 2021.

The above evaluation was performed independently of any potential continuation resolution, as discussed in the Key Performance Indicators on page 13.

DIRECTORS' REPORT (CONTINUED)

Litigation

So far as the Directors are aware, no litigation or claim of material importance is pending or threatened against the Company.

Internal Control and Financial Reporting

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed. Accordingly, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and, by their nature, can only provide reasonable and not absolute assurance against misstatement and loss.

The key procedures which have been established to provide effective internal controls are as follows:

- The Administrator is responsible for the provision of administration and company secretarial duties;
- The duties of investment management and accounting are segregated. The procedures are designed to complement one another;
- The Directors of the Company clearly define the duties and responsibilities of their agents and advisers in the terms of their contracts; and
- The Board reviews financial information produced by the Company's Investment Manager and the Administrator on a regular basis.

The Company does not have an internal audit department. All of the Company's management functions are delegated to third parties and it is therefore felt that there is no need for the Company to have an internal audit function.

The Board has considered the FRC guidance on risk management, internal control and related financial and business reporting dated September 2014 that applies from 1 October 2014. The Board is responsible for ensuring the maintenance of a robust system of internal control and risk management and for reviewing the effectiveness of the Company's overall internal control arrangements and processes following recommendations from the Audit and Valuation Committee.

The appointment of SQN Capital Management, LLC ("SQN US") as the Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive means that it is responsible for operating the Company's internal system of control and for initially reviewing its effectiveness. Such systems are however designed to minimise the risk and not entirely eliminate risk; they can provide only reasonable and not absolute assurance against material misstatement or loss.

Financial Risk Profile

The Company's financial instruments comprise loans, bonds with loan type characteristics, investments at fair value through profit or loss, cash and cash equivalents, other receivables and other payables that arise directly from the Company's operations.

The main risks are market risk (comprising price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. Further details are given in Note 25 to the financial statements. The principal risks faced by the Company are outlined on page 11.

Material Contracts

The Company's material contracts are with:

- SQN Asset Management Limited, which acts as joint Investment Manager;
- SQN Capital Management, LLC, which acts as joint Investment Manager and AIFM;
- Cantor Fitzgerald Europe, which acts as Broker;
- Elysium Fund Management Limited, which acts as Administrator and Company Secretary;
- Royal Bank of Scotland International Limited, which acts as Banker; and
- Link Asset Services, which acts as Registrar.

Taxation

The Company is exempt from UK corporation tax on its chargeable gains as it satisfies the conditions for approval as an investment trust. The Company is, however, liable to UK corporation tax on its income. However, the Company has elected to take advantage of modified UK tax treatment in respect of its "qualifying interest income" in order to deduct all, or part, of the amount it distributes to Shareholders as dividends as an "interest distribution".

DIRECTORS' REPORT (CONTINUED)

Capital structure and share issues

The Company has 52,660,350 Ordinary Shares (of 1 pence each) in issue, together with 50,000 Management Shares (of £1 each). The Company does not currently have any borrowings.

Substantial shareholdings

As at 30 June 2018, the Company was aware of the following Shareholders holding 3% or more in the Company's voting rights:

Shareholder	*Number of Ordinary Shares*	*Percentage holding*
Somerston Golf GP Limited	14,725,000	27.96
CG Asset Management Limited	3,700,000	7.03
WM Thomson & Sons	3,412,000	6.48
SQN Asset Management Limited	3,300,000	6.27
Albion Resources	3,290,000	6.25
Jupiter Asset Management Limited	2,943,000	5.59
CQS Management	2,758,000	5.24
Pictet Asset Management	2,500,000	4.75
AXA Investment Managers	2,500,000	4.75
Staude Capital	2,111,000	4.01
Winterflood Securities	1,976,154	3.75
Canaccord Genuity Wealth Management	1,628,315	3.09
Killik Asset Management	1,600,444	3.04

There were no changes to any of the above holdings between 30 June 2018 and the date of this report.

Letters of appointment and election of Directors

Biographies of the Directors are set out on page 14 and demonstrate the wide range of skills and experience each brings to the Board. The Directors were identified and interviewed prior to their appointments and advice was taken in respect of their appointment from the Company's other relevant advisers.

During the year and to date, the following served as Directors of the Company:

Richard Hills *(Chairman)*
David Stevenson
Ken Hillen
Gaynor Coley *(appointed 8 November 2017)*

Each Director signed a letter of appointment to formalise the terms of their engagement as a Director. The terms of those letters of appointment specify that independent non-executive Directors are typically expected to serve an initial three year term, subject to retirement by rotation in accordance with the Company's Articles of Association. Continuation beyond the initial three year term will be subject to re-election by the Shareholders. Copies of the letters of appointment are available on request from the Company Secretary and will be available at the Annual General Meeting ("AGM").

After three years in the role of Chairman, Mr Hills has decided to step down as a Director of the Company and will not seek re-election as a Director at the forthcoming AGM. Mr Hillen has been asked by the Board to replace Mr Hills as Chairman and he has agreed to take over as Chairman post the AGM. Ms Coley will replace Mr Hillen as Chairman of the Audit and Valuation Committee, again post the AGM.

Directors' interests

At 30 June 2018, the Directors' interests in the shares of the Company were as follows:

	Ordinary shares
David Stevenson	20,256
Richard Hills	15,294
Ken Hillen	5,000

During the year, no Director had a material interest in a contract to which the Company was a party (other than their own letter of appointment), requiring disclosure under the Companies Act 2006.

There were no changes in the interests of Directors between 30 June 2018 and the date of this report.

DIRECTORS' REPORT (CONTINUED)

Political donations

The Company made no political donations during the year to organisations either within or outside of the EU (2017: nil).

Corporate Governance

The Corporate Governance Report can be found on pages 20 to 22.

Auditor

RSM UK Audit LLP has been re-appointed as the Company's auditor and has expressed its willingness to continue in office.

Disclosure of Information to Auditor

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all steps that he ought to have taken as a Director to establish that the Company's auditor is aware of that information.

On behalf of the Board

RICHARD HILLS
Chairman
19 September 2018

KEN HILLEN
Director
19 September 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report, Strategic Report, Directors' Remuneration Report and the Financial Statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare Financial Statements for each financial period. The Directors have prepared Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The Financial Statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Company and of the financial performance of the Company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

In preparing the Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS adopted by the EU; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Financial Statements, Article 4 of the IAS Regulation. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of each person's knowledge:

- the Financial Statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company taken as a whole together with a description of the principal risks and uncertainties that they face.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on SQN Secured Income Fund plc's website.

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

RICHARD HILLS
Chairman
19 September 2018

KEN HILLEN
Director
19 September 2018

CORPORATE GOVERNANCE REPORT

Companies admitted to trading on the Specialist Fund Segment of the London Stock Exchange's main market are not required to comply with the UK Corporate Governance Code 2016 (the "Code"). The Company is committed to high standards of corporate governance and has sought to comply with those aspects of the Code that are considered by the Board to be practical and appropriate for an organisation of its size and nature and where, in the Board's opinion, are of material benefit to the Company and/or its stakeholders. The Disclosure and Transparency Rules require the Company to, amongst other things: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

In applying the main principles set out in the UK Corporate Governance Code, the Directors have considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide") (which is available at www.theaic.co.uk). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code 2016, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. The Board considers that reporting against the principles and recommendations of the AIC Code, which incorporates the main principles of the UK Corporate Governance Code 2016, and by reference to the AIC Guide provides better information to Shareholders.

The Directors recognise the value of the AIC Code and have taken appropriate measures to ensure that during the year, the Company has complied and continues to comply, as far as possible given the Company's size and nature of business, with the AIC Code, except as set out below:

Portfolio – The Company does not provide a complete portfolio listing, as the Board has determined that to provide a complete listing would not be of use to users of the Annual Report and Financial Statements. Instead, exposure to platforms and information by duration, sector and geography is provided on page 10.

Internal audit function – Due to the current size and nature of the Company's operations, no internal audit function is considered necessary. Details of the Company's principal outsourced service providers are detailed in Note 7.

Chairman – The Chairman of the Company is a member of the Audit and Valuation Committee and the Remuneration and Nominations Committee, and chairs the Management Engagement Committee. This is considered appropriate due to: the lack of perceived conflict; the small size of the Board; and because the Directors believe that he continues to be independent.

The Board and its committees

The Board has delegated certain responsibilities to its Audit and Valuation, Management Engagement, and Remuneration and Nominations Committees. Given the size and nature of the Board it was felt appropriate that all independent Directors are members of the committees.

The roles and responsibilities of the committees are set out in the appropriate terms of reference and are summarised below.

Items are discussed and, as appropriate, matters are endorsed, approved or recommended to the Board by the committees. The chairman of each committee provides the Board with a summary of the main discussion points at the committee meeting, and any decisions made by the committee along with any recommendations which require Board approval.

The Board may also delegate certain functions to other parties; in particular, the Directors may delegate to the Investment Manager. However, the Directors retain responsibility for exercising overall control and supervision of the Investment Manager. Matters reserved for the Board include, amongst others, approval and oversight of the Company's investment activities by ensuring that the Company has complied with its investment restrictions. The Board also reviews the performance of the Company against its target return (as defined in the Prospectus) and, in light of the current market condition, considers the strategy taken by the Investment Manager. Approval of the half-yearly report and financial statements, announcements, dividends and annual report and financial statements are also reserved for the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board and its committees (continued)

Audit and Valuation Committee

The Company's Audit and Valuation Committee, comprising all the independent Directors of the Company, meets at least twice a year. Ken Hillen is the chairman of the Audit and Valuation Committee.

The Audit and Valuation Committee:

- Monitors the financial reporting process;
- Monitors the effectiveness of the Company's internal control and risk management systems;
- Monitors the annual statutory audit process;
- Reviews and monitors the independence of the Company's auditors in particular in relation to the auditor's provision of additional services to the Company;
- Reviews the whistleblowing procedures of the Investment Manager; and
- Is responsible for recommending valuations of the Company's investments to the Board.

Management Engagement Committee

The Company's Management Engagement Committee, comprising all the independent Directors of the Company, meets at least once a year. Richard Hills is the chairman of the Management Engagement Committee.

The Management Engagement Committee, reviews the actions and judgements of the Investment Manager and also the terms of the Investment Management Agreement. It also reviews the performance of and agreements with other service providers. The most recent evaluation found that, at a minimum, all service providers were rated satisfactory.

Remuneration and Nominations Committee

The Company's Remuneration and Nominations Committee, chaired by David Stevenson, consists of all the Directors and meets at least once annually to ensure that the Board has an appropriate balance of skills to carry out its fiduciary duties and to select and propose suitable candidates when necessary for appointment.

The Board takes diversity into account, including gender, during the appointment process. However, the Board is committed to appointing the most appropriate candidate. Therefore, no targets have been set against which to report.

During the year, the Remuneration and Nominations Committee commenced a search process for a prospective candidate to join the Board of Directors and engaged an independent third party to assist in identifying suitable candidates. In directing the search firm and when evaluating candidates, the Remuneration and Nominations Committee gave full consideration to the challenges and opportunities facing the Company, the balance of skills, knowledge and experience on the Board, and the expertise expected to be required on the Board in the future.

A number of highly qualified candidates was proposed by the search firm and a shortlist of candidates was chosen. These candidates were interviewed by the Chairman and the Chairman of the Audit and Valuation Committee. Following this process, Gaynor Coley was appointed to the Board on 8 November 2017.

The Remuneration and Nominations Committee undertakes an annual performance evaluation of the Board, its Committees, individual Directors and Chairman, to ensure that all its members have devoted sufficient time and contributed adequately to the work of the Board. The Chairman reviews with each Director their performance and the Board reviews the Chairman's performance. In the light of these evaluations, the Remuneration and Nominations Committee makes recommendations to the Board concerning the reappointment by Shareholders of any Director under the "retirement by rotation" provisions in the Company's Articles of Association. The Remuneration and Nominations Committee also reviews Directors' fees and makes recommendations to the Board as and when required in relation to remuneration policy.

Each Director submits a list of potential conflicts of interest at each Board meeting. These are considered carefully, taking into account the circumstances surrounding them and, if considered appropriate are approved by the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board meeting attendance

During the year, the Company held eight Board meetings, ten Committee meetings, four Audit and Valuation Committee meetings, one Management Engagement Committee meeting and one Remuneration and Nominations Committee meeting. Attendance at these Board and Committee meetings is detailed below:

	Number of meetings				
	Board	*Committees of the Board*	*Audit and Valuation Committee*	*Management Engagement Committee*	*Remuneration and Nominations Committee*
Richard Hills	8/8	n/a	4/4	1/1	1/1
Ken Hillen	8/8	10/10	4/4	1/1	1/1
David Stevenson	8/8	n/a	4/4	1/1	1/1
Gaynor Coley *(appointed 8 November 2017)*	4/5	n/a	2/2	0/0	0/0

Richard Hills, David Stevenson and Gaynor Coley did not attend all of the meetings of committees of the Board as they were not required to.

Board's performance evaluation

During the year, the Board undertook a performance evaluation. As part of the evaluation, the Chairman met the individual Directors for the purpose of a formal and rigorous performance appraisal and consideration of each Director's independence. The Directors met, without advisers present, to appraise the Chairman's performance. Going forward, any training needs identified as part of the evaluation process will be added to the agenda of the next Board meeting.

Relations with Shareholders and Annual General Meeting

The Company encourages two-way communication with both its institutional and private investors and intends to respond quickly to queries raised. All Shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM, which will be held at 2:30 pm on 18 December 2018. The notice of the AGM, which will be circulated to all registered Shareholders with at least twenty-one days' notice, sets out the business of the meeting and an explanation of each proposed resolution. Separate resolutions are proposed in respect of each substantive issue.

Shareholders are encouraged to attend the AGM and to participate in the proceedings. The Chairman of the Board and other members of the Board, together with representatives of the Investment Manager, will be available to answer Shareholders' questions at the AGM. Proxy voting figures will be available to Shareholders at the AGM.

The Investment Manager holds regular discussions with major Shareholders, the feedback from which is provided to, and greatly valued by, the Board. The Directors are available to enter into dialogue and correspondence with Shareholders regarding the progress and performance of the Company.

On behalf of the Board

RICHARD HILLS
Chairman
19 September 2018

AUDIT AND VALUATION COMMITTEE REPORT

Composition

The Audit and Valuation Committee comprises all the independent Directors of the Company and is chaired by Ken Hillen. Ken Hillen has substantial business experience together with the necessary experience in accounting and auditing.

Responsibilities

The Audit and Valuation Committee monitors the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcements relating to its financial performance and review significant financial reporting issues and judgement which they contain, having regards to matters communicated by the auditor.

The Audit and Valuation Committee monitors potential changes to the UK Corporate Governance Code, AIC Code and EU legislation relating to appointment of auditors, restrictions on the non-audit services provided by external auditors and the fees they receive.

The key responsibilities and principal activities of the Audit and Valuation Committee, as identified in its terms of reference and other than as mentioned above, are as follows:

- to review, and challenge where necessary, the consistency of, and any changes to, significant accounting policies on a year on year basis across the Company;
- to review and monitor the Company's financial reporting processes and consider the effectiveness of the Company's internal financial control policies and procedures;
- to review and challenge the going concern assumption;
- to review the content of the Annual Report and Financial Statements and decide on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy;
- to review and approve the annual audit plan with the external auditor and ensure that it is consistent with the scope of the audit engagement (after prior review by the Audit and Valuation Committee chairman), having regard to the seniority, expertise and experience of the audit team;
- to view the findings of the audit with the external auditor, including discussing the major issues that arise during the audit, the key accounting and audit judgements, the levels of errors identified during the audit and the effectiveness of the audit process;
- to review any representation letters requested by the external auditor (and/or responses from the management) before they are signed by the Board;
- to assess annually the external auditor's independence and objectivity and the effectiveness of the audit process taking into account relevant UK law, professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- to review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management;
- to monitor the integrity of the recommended valuations and any impairment of loans made by the Investment Manager and to recommend valuations/impairment of the Company's investments to the Board; and
- to arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary.

As the Company has no employees, the Company does not have whistleblowing policy and procedures in place. However, the Audit and Valuation Committee reviews the whistleblowing procedures of the Investment Manager and certain other external service providers to ensure that the concerns of its staff may be raised in a confidential manner.

Meetings

The Audit and Valuation Committee meets at least twice a year at appropriate intervals in the financial reporting and audit cycle. Further meetings will take place should the chairman of the Audit and Valuation Committee or other members require. Only the Audit and Valuation Committee members have the right to attend and vote on these meetings. However, other individuals, such as representatives of the Investment Manager, other representatives from the finance function of the Company and the external auditor may be invited to attend all or part of any meeting.

Primary areas of judgement in relation to the Annual report and financial statements

The Audit and Valuation Committee has considered the significant judgements made in the Annual report and financial statements and receives reports from the external service providers and the external auditor on those judgements. The Audit and Valuation Committee pays particular attention to the matters it considers to be important by virtue of size, potential impact, complexity and level of judgement.

AUDIT AND VALUATION COMMITTEE REPORT (CONTINUED)

Primary areas of judgement in relation to the Annual report and financial statements *(continued)*

The internal controls over financial reporting were considered, together with feedback from the Company's Investment Manager, Company Secretary and the Company's external auditor.

The Audit and Valuation Committee has considered the valuation of unquoted investments. It is satisfied that the valuations are in accordance with the Company's accounting policies and that the carrying values used in these financial statements represent an appropriate fair value.

The Audit and Valuation Committee has considered the valuation of the loans and the associated impairment. It has reviewed the assessments of impairment from the Investment Manager and platforms and is satisfied that the level of impairment of loans and associated interest in these financial statements is appropriate.

The Audit and Valuation Committee has met with the audit team and has assessed RSM UK Audit LLP's performance to date. The Audit and Valuation Committee received a report and supporting presentation from RSM UK Audit LLP on its audit of the financial statements for the year. The Audit and Valuation Committee read and discussed the Annual Report, with special attention to the considerations included above and concluded that it is fair, balanced and understandable.

Internal audit

The Audit and Valuation Committee and the Board have considered the need for an internal audit function and they have decided that the procedures employed by the Investment Manager and Administrator give sufficient assurance that a sound system of internal control is maintained. Therefore, an internal audit function is not considered to be necessary. However, in accordance with the Audit and Valuation Committee's terms of reference, the requirement will be re-visited annually.

External audit

In accordance with the requirements of the AIC Code and recent changes to the EU regulatory framework, the Company will ensure that the external audit contract is put out to tender at least every 10 years from the appointment date of the current auditor.

RSM UK Audit LLP presented the detailed audit plan to the Audit and Valuation Committee on 26 June 2018. The plan sets out the audit scope, the significant audit risks the Company faces, RSM UK Audit LLP's position on audit independence, materiality, proposed timetable and audit fee. Following the completion of the audit, the Audit and Valuation Committee will review RSM UK Audit LLP's effectiveness by:

- discussing the overall risk-based audit process and the audit procedures taken to address the identified significant audit risks;
- considering the feedback on the audit provided by the Investment Manager and the Administrator; and
- considering the experience, involvement of specialists and continuity of the audit team, including the audit partner.

The feedback provided by the Investment Manager and the Administrator regarding the audit team's performance was positive. The Audit and Valuation Committee acknowledged that the audit team, including the audit partner, comprised staff with appropriate levels of knowledge and experience. Accordingly, the Audit and Valuation Committee has recommended to the Board that RSM UK Audit LLP be re-appointed as Auditor at the forthcoming AGM. RSM UK Audit LLP has confirmed its willingness to continue in office.

Certain non-audit services may be provided by the external auditor, subject to the level of fees involved, which are not considered to impair the external auditor's independence or objectivity. The Audit and Valuation Committee considered the safeguards in place to protect the external auditor's independence by taking into account RSM UK Audit LLP's report to the Audit and Valuation Committee that its objectivity has not been compromised. The Audit and Valuation Committee agreed that the following services are prohibited from being provided by the external auditor: bookkeeping, payroll, administration services, management functions, executive recruiting and human resource services, broker-dealer services, expert services unrelated to their audit function and actuarial services. In addition, following changes in regulation, RSM UK Tax and Accounting Limited ceased to act as the Company's tax adviser last year and, on 3 August 2017, PricewaterhouseCoopers LLP was appointed as the Company's tax adviser. This list may also include any service the Audit and Valuation Committee determines is not permissible.

For the year ended 30 June 2018, total fees, plus VAT, charged by RSM UK Audit LLP, together with amounts accrued at 30 June 2018, amounted to £38,000 (2017: £45,000), of which £38,000 (2017: £42,000) related to audit services, and none (2017: £3,000) was in respect of tax services.

On behalf of the Audit and Valuation Committee

KEN HILLEN
Chairman of the Audit and Valuation Committee
19 September 2018

DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report for the year ended 30 June 2018 has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Composition

The Remuneration and Nominations Committee comprises all of the Directors of the Company and is chaired by David Stevenson.

The Directors, all of whom are independent non-executive Directors, are the only officers of the Company. Copies of the Directors' letters of appointment are available upon request from the Company Secretary and will be available for inspection at the AGM.

Under the terms of their appointment, each of the independent Directors are typically expected to serve an initial three year term, subject to retirement by rotation in accordance with the Company's Articles of Association. Continuation beyond the initial three year term will be subject to re-election by the Shareholders.

After three years in the role of Chairman, Mr Hills has decided to step down as a Director of the Company and will not seek re-election as a Director at the forthcoming AGM. Mr Hillen has been asked by the Board to replace Mr Hills as Chairman and he has agreed to take over as Chairman post the AGM. Ms Coley will replace Mr Hillen as Chairman of the Audit and Valuation Committee.

Termination policy

Should a Director not be re-elected by Shareholders, or is retired from office under the Articles of Association, the appointment shall be terminated with immediate effect and without compensation.

A Director may resign at any time by notice in writing to the Board in accordance with the provisions of the Articles of Association.

The Company may terminate a Director's appointment with immediate effect should the Director have:

- committed any serious breach or (after warning in writing) any repeated or continued material breach of their obligations to the Company; or
- been guilty of any act of dishonesty, fraud or serious misconduct or any conduct which (in the reasonable opinion of the Board) tends to bring the Director or Company into disrepute.

Remuneration policy

The Directors shall be paid such remuneration for their services as determined by the Remuneration and Nominations Committee, save that, unless otherwise determined by the Company by ordinary resolution, the Directors' combined remuneration shall not exceed £500,000 per annum.

In setting the level of each non-executive Director's fees, the Company had regard to: the time commitments expected; the level of skill and experience of each Director; and the current market and levels of companies of similar size and complexity. Following this evaluation, the Remuneration and Nominations Committee determined that the fees as set out in this remuneration policy were appropriate.

Under the terms of their appointments as non-executive Directors, the Directors are entitled to the following annual fees:

Richard Hills – Chairman and chairman of the Management Engagement Committee	£37,500
Ken Hillen – Chairman of the Audit and Valuation Committee	£31,250
David Stevenson – Chairman of the Remuneration and Nominations Committee	£27,500
Gaynor Coley	£25,000

All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. The Directors do not participate in any discussions relating to their own fee, which is determined by the other Directors.

The Company does not pay any remuneration to the Directors for loss of office.

On termination of the appointment, Directors shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date.

For the period from 1 July 2016 to 31 August 2017, Ken Hillen, Chairman of the Audit and Valuation Committee, received an additional £10,000 per annum as remuneration relating to a number of additional responsibilities, undertaken during that period, relating specifically to the loans held within the Company's portfolio.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Annual report on remuneration

Service contracts obligations and payment on loss of office

No Director has a service contract with the Company and, as such, no Director is entitled to compensation payments upon termination of their appointment or loss of office.

Total remuneration paid to each Director

The total remuneration of the Directors for the year ended 30 June 2018 was:

	Year ended 30 June 2018 £	*Year ended 30 June 2017 £*
Richard Hills	37,500	47,500
Ken Hillen	32,917	41,250
David Stevenson	27,500	37,500
Gaynor Coley *(appointed on 8 November 2017)*	16,218	–
Nick Brind *(resigned on 22 July 2016)*	–	2,083
Total	**114,135**	**128,333**

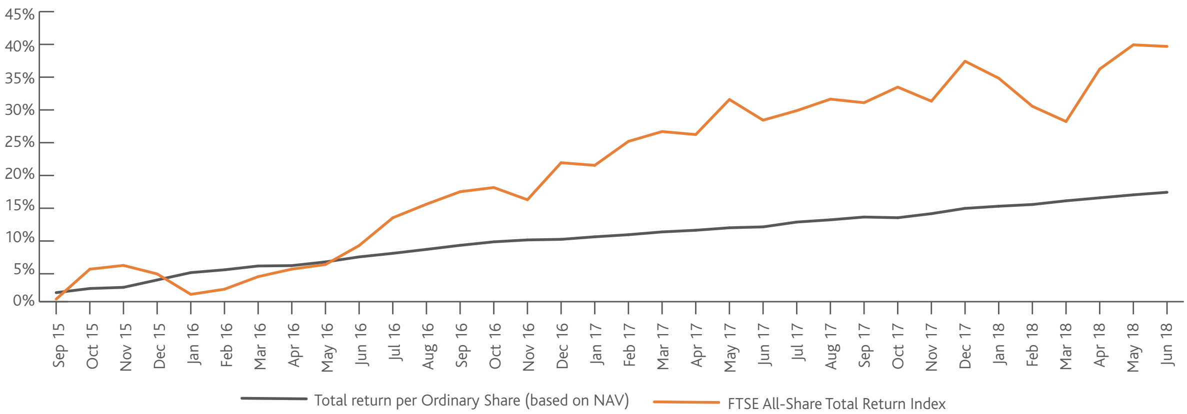
All of the above remuneration relates to salary and fees.

Directors are not eligible for bonuses, share options or long-term incentive schemes or other performance-related benefits. There are no pension arrangements in place for the Directors of the Company. Accordingly, there were no other items in the nature of remuneration, pension entitlements or incentive scheme arrangements which were paid or accrued to the Directors during the year (2017: none).

During the year, no payments were made to persons who had previously been Directors of the Company (2017: none).

Share price total return

The following graph compares the total return on the Company's Ordinary Shares to that of the FTSE All-Share Total Return Index ("ASX Total Return Index") for the year ended 30 June 2018.



DIRECTORS' REMUNERATION REPORT (CONTINUED)

Relative importance of spend on pay

The table below shows the proportion of the Company's income spent on pay.

	Year ended 30 June 2018 £	*Year ended 30 June 2017 £*
Total Directors' remuneration	114,135	128,333
Total dividend payments [1]	3,317,602	3,357,097

[1] Total dividend payments includes the interim dividends which were paid from the profits of the Company for the year ended 30 June 2018, including the dividends paid on 27 July 2018 and 24 August 2018 of £276,467 each (2017: £276,467), which were not provided for at 30 June 2018 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

Directors' shareholdings in the Company

Directors are not required under the Company's Articles of Association or letters of appointment to hold shares in the Company. However, as at 30 June 2018, and at the date of this report, Directors' shareholdings in the Company were as follows:

David Stevenson	20,256 Ordinary shares
Richard Hills	15,294 Ordinary shares
Ken Hillen	5,000 Ordinary shares

Board diversity

Currently the Board has three male Directors and one female Director. The Remuneration and Nominations Committee considers the current structure, size and composition required of the Board, taking into account the challenges and opportunities facing the Company. In considering future candidates, appointments will be made with regard to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skills, experience and expertise.

The Remuneration and Nominations Committee, and the Board, are committed to diversity at Board level and are supportive of increased gender diversity.

Implementation of Remuneration Policy

The Company implemented the Directors' Remuneration Policy, after receiving Shareholder approval at the Company's AGM, in the financial year in line with the approach taken to Directors' remuneration during the year under review. This included a review of fees against peer companies and in light of the time commitment and skills of the Directors. However, the Remuneration and Nomination Committee did not recommend any change to those noted in the Remuneration Policy.

On behalf of the Board

DAVID STEVENSON
Chairman of the Remuneration and Nominations Committee
19 September 2018

REGULATORY DISCLOSURES

AIFMD disclosures

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company is classified as an Alternative Investment Fund ("AIF") and has appointed SQN US, with effect from 1 April 2017, as its Alternative Investment Fund Manager ("AIFM") (previously Amberton Asset Management Limited "Amberton") to provide portfolio management and risk management services to the Company in accordance with the investment management agreement.

The Company is categorised as an externally managed European Economic Area ("EEA") domiciled AIF for the purposes of the AIFMD. As SQN US is a non-EEA AIFM, SQN US is only subject to the AIFMD to the extent that it markets an EEA AIF in the EEA. Therefore, SQN US is required to make certain financial and non-financial disclosures.

Report on remuneration

The AIFMD requires certain disclosures to be made with regard to the remuneration policy of the Company's AIFM.

The total remuneration of the staff of SQN US during the year was £481,000 (2017: £120,000 for the three months ended 30 June 2017), all fixed remuneration (2017: all fixed remuneration). There were three beneficiaries (2017: seven). The aggregate amount of remuneration of senior management and members of staff of SQN US whose actions had a material impact on the risk profile of the Company during the year was £246,000 (2017: £84,000).

The total remuneration of the staff of Amberton during the year was £nil (2017: £354,000 for the nine months ended 31 March 2017 (prior to SQN's appointment as Investment Manager), comprising £290,000 fixed and £64,000 variable remuneration). During the nine months ended 31 March 2017, there were six beneficiaries. The aggregate amount of remuneration of senior management and members of staff of Amberton whose actions had a material impact on the risk profile of the Company during the nine months ended 31 March 2017 was £252,000.

Key Information Document ("KID")

The Company's KID, which has been prepared in accordance with the requirements of the packaged retail investment products legislation, is available on the Company's section of the Investment Manager's website (http://www.sqncapital.com/managed-funds/sqn-secured-income-fund/).

Risk disclosures

The financial risk disclosures relating to the risk framework and liquidity risk, as required by the AIFMD, are set out in Note 25.

Pre-investment disclosures

The AIFMD requires certain information to be made available to investors in AIFs before they invest and requires that material changes to this information be disclosed in the annual report of each AIF. The Company's Prospectus, which sets out information on the Company's investment strategy and policies, leverage, risk, liquidity, administration, management, fees, conflicts of interest and Shareholder information, is available on the Company's website (http://www.sqncapital.com/managed-funds/sqn-secured-income-fund/). Except for the changes to the investment restrictions, which were approved by Shareholders at the general meeting held on 27 April 2017, there have been no changes to this information requiring disclosure. Any information requiring immediate disclosure pursuant to the AIFMD will be disclosed to the London Stock Exchange.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQN SECURED INCOME FUND PLC

Opinion on financial statements

We have audited the financial statements of SQN Secured Income Fund Plc for the year ended 30 June 2018 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable 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 Company's affairs as at 30 June 2018 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 Act 2006.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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) we identified, including 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.

Investments – Valuation

Risk

The Company holds a loan book with a total value of £44.4 million as at 30 June 2018 (Note 15 of financial statements). Therefore, there is a risk in relation to the valuation and impairment of the loans.

There is significant management judgement involved in assessing the recoverability of these balances, taking into consideration the Company's contractual rights, available evidence of work performed and ongoing commercial negotiations.

In the current year the Company has recognised an impairment charge of £269,000 and written-off a total of £40,000 in respect of non-performing loans.

The Company's accounting policy for loans is disclosed in Note 3(b) within the 'Significant accounting policies'.

How the scope of our audit responded to the risk:

We reviewed managements impairment summary as at 30 June 2018 in line with the policy implemented and we agreed with the assumptions made.

Key observations

Our testing did not identify other loans which should have been impaired, we are also satisfied with estimates used by management when assessing the level of impairment.

Based on our work performed and evidence gathered, we are satisfied that the loan balances recorded in the financial statements are reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQN SECURED INCOME FUND PLC (CONTINUED)

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as £164,000, which was not changed during the course of our audit. We agreed with the Audit and Valuation Committee that we would report to them all unadjusted differences in excess of £5,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment.

The Statement of Comprehensive Income and the Statement of Financial Position was tested through corroborated analytical procedures. In addition, we carried out detailed testing of Loans, accrued income and payroll using materiality of £164,000.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 52, including the Strategic Report and Governance, 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SQN SECURED INCOME FUND PLC (CONTINUED)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

As part of our audit, we will consider the susceptibility of the Company to fraud and other irregularities, taking account of the business and control environment established and maintained by the Directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

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

Other matters which we are required to address

Following the recommendation of the Audit and Valuation Committee, we were appointed by the board on 9 September 2016 to audit the financial statements for the period ending 30 June 2016 and subsequent financial periods.

The period of total uninterrupted engagement is 3 years, covering the years ending 30 June 2016 to 30 June 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Valuation Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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.

MALCOLM PIROUET *(Senior Statutory Auditor)*
For and on behalf of
RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street, London EC4A 4AB
19 September 2018

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Note	*Year ended 30 June 2018 £'000*	*Year ended 30 June 2017 £'000*
Revenue			
Investment income		4,466	4,462
Other income		1	4
Total revenue		**4,467**	**4,466**
Operating expenses			
Management fees	*7a*	(518)	(408)
Other expenses	*11*	(154)	(209)
Broker fee		(123)	(119)
Administration fees	*7b*	(116)	(144)
Directors' remuneration	*8*	(114)	(128)
Legal and professional fees		(72)	(172)
Transaction fees		(59)	–
Total operating expenses		**(1,156)**	**(1,180)**
Investment gains and losses			
Movement in unrealised loss on loans	*15*	(315)	(718)
Movement in unrealised gain on investments at fair value through profit or loss	*16*	22	(193)
Movement in unrealised gain on investment in subsidiary	*14*	–	(677)
Movement in unrealised (loss)/gain on derivative financial instruments	*18*	(182)	127
Realised (loss)/gain on disposal of loans		(40)	782
Realised gain on disposal of investments at fair value through profit or loss	*16*	–	260
Realised gain on disposal of subsidiary	*14*	–	673
Realised gain/(loss) on derivative financial instruments	*18*	21	(1,008)
Total investment gains and losses		**(494)**	**(754)**
Net profit from operating activities before loss on foreign currency exchange		**2,817**	**2,532**
Net foreign exchange loss		(8)	(87)
Net profit before taxation		**2,809**	**2,445**
Taxation			
Corporation tax	*12*	–	(5)
Profit and total comprehensive income for the year attributable to the owners of the Company		**2,809**	**2,440**
Earnings per Ordinary Share *(basic and diluted)*	*13*	**5.33p**	**4.63p**

All of the items in the above statement are derived from continuing operations.

There were no other comprehensive income items in the year.

Except for unrealised investment gains and losses, all of the Company's profit and loss items are distributable.

The accompanying notes on pages 36 to 52 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Note	*Called up share capital £'000*	*Special distributable reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 1 July 2016		577	50,942	1,881	53,400
Profit for the year	*23*	–	–	2,440	2,440
Transactions with Owners in their capacity as owners:					
Dividends paid	*5, 23*	–	–	(3,792)	(3,792)
Total transactions with Owners in their capacity as owners		–	–	(3,792)	(3,792)
At 30 June 2017		**577**	**50,942**	**529**	**52,048**
Profit for the year	*23*	–	–	2,809	2,809
Transactions with Owners in their capacity as owners:					
Dividends paid	*5, 23*	–	–	(3,318)	(3,318)
Total transactions with Owners in their capacity as owners		–	–	(3,318)	(3,318)
At 30 June 2018		**577**	**50,942**	**20**	**51,539**

There were no other comprehensive income items in the year.

The above amounts are all attributable to the owners of the Company.

The accompanying notes on pages 36 to 52 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	30 June 2018 £'000	30 June 2017 £'000
Non-current assets			
Loans at amortised cost	15	31,918	32,450
Investments at fair value through profit or loss	16, 17	280	258
Total non-current assets		**32,198**	**32,708**
Current assets			
Loans at amortised cost	15	12,445	7,008
Cash held on client accounts with platforms	15	196	1,144
Derivative financial instruments	17, 18	–	150
Other receivables and prepayments	19	772	733
Cash and cash equivalents		6,125	13,376
Total current assets		**19,538**	**22,411**
Total assets		**51,736**	**55,119**
Current liabilities			
Other payables and accruals	20	(165)	(3,071)
Derivative financial instruments	17, 18	(32)	–
Total liabilities		**(197)**	**(3,071)**
Net assets		**51,539**	**52,048**
Capital and reserves attributable to owners of the Company			
Called up share capital	22	577	577
Other reserves	23	50,962	51,471
Equity attributable to the owners of the Company		**51,539**	**52,048**
Net asset value per Ordinary Share	24	**97.78p**	**98.74p**

These financial statements of SQN Secured Income Fund plc (registered number 09682883) were approved by the Board of Directors on 19 September 2018 and were signed on its behalf by:

RICHARD HILLS
Chairman
19 September 2018

KEN HILLEN
Director
19 September 2018

The accompanying notes on pages 36 to 52 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000*
Cash flows from operating activities		
Net profit before taxation	2,809	2,445
Adjustments for:		
Movement in unrealised loss on loans	315	718
Movement in unrealised gain on investments at fair value through profit or loss	(22)	193
Movement in unrealised gain on investment in subsidiary	–	677
Movement in unrealised loss/(gain) on derivative financial instruments	182	(127)
Realised loss/(gain) on disposal of loans	40	(782)
Realised gain on disposal of investments at fair value through profit or loss	–	(260)
Realised gain on disposal of subsidiary	–	(673)
Realised (gain)/loss on derivative financial instruments	(21)	1,008
Amortisation of transaction fees	59	–
Interest received and reinvested by platforms	(595)	(1,596)
Capitalised interest	(312)	–
(Increase)/decrease in investments	(3,443)	11,710
Taxation paid	(5)	–
Net cash (outflow)/inflow from operating activities before working capital changes	(993)	13,313
Increase in other receivables and prepayments	(39)	(1,011)
(Decrease)/increase in other payables and accruals	(2,901)	2,806
Net cash (outflow)/inflow from operating activities	**(3,933)**	**15,108**
Cash flows from financing activities		
Dividends paid	(3,318)	(3,924)
Net cash outflow from financing activities	**(3,318)**	**(3,924)**
(Decrease)/increase in cash and cash equivalents in the year	**(7,251)**	**11,184**
Cash and cash equivalents at the beginning of the year	13,376	2,192
Cash and cash equivalents at 30 June 2018	**6,125**	**13,376**
Supplemental cash flow information		
Non-cash transaction – interest received	907	1,596

The accompanying notes on pages 36 to 52 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. GENERAL INFORMATION

The Company was incorporated in England and Wales under the Companies Act 2006 on 13 July 2015 with registered number 09682883 and its shares were admitted to trading on the London Stock Exchange Specialist Fund Segment on 23 September 2015 ("Admission").

The Company is an investment company as defined in s833 of the Companies Act 2006.

Investment objective

The investment objective of the Company is to provide Shareholders with attractive risk adjusted returns, principally in the form of regular, sustainable dividends, through investment predominantly in a range of secured loans and other secured loan-based instruments originated through a variety of channels and diversified by way of asset class, geography and duration.

Investment policy

The Company achieves its investment objective by investing in a range of secured loan assets mainly through wholesale secured lending opportunities, secured trade and receivable finance and other collateralised lending opportunities. Loan assets include both direct loans as well as other instruments with loan-based investment characteristics (for example, but not limited to, bonds, loan participations, syndicated loans, structured notes, collateralised obligations or hybrid securities) and may include (subject to the limit set out below) other types of investment (for example, equity or revenue- or profit-linked instruments). The Company may make investments through alternative lending platforms that present suitable investment opportunities identified by the Manager.

The Company will seek to ensure that diversification of its portfolio is maintained, with the aim of spreading investment risk.

2. STATEMENT OF COMPLIANCE

a) Basis of preparation

These financial statements present the results of the Company for the year ended 30 June 2018. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

These financial statements have not been prepared in full accordance with the Statement of Recommended Practice ("SORP") for investment trusts issued by the AIC in November 2014 and updated in January 2017 with consequential amendments, as the main driver of the SORP is to disclose the allocation of expenses between revenue and capital, thereby enabling a user of the financial statements to determine distributable reserves. However, with the exception of investment gains and losses, all of the Company's profit and loss items are of a revenue nature as it does not allocate any expenses to capital. Therefore, the Directors believe that full compliance with the SORP would not be of benefit to users of the financial statements. Further details on the distributable reserves are provided in Note 23.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for financial assets (including derivative instruments), which are measured at fair value through profit or loss. The financial statements have been prepared on a going concern basis.

c) Segmental reporting

The Directors are of the opinion that the Company is engaged in a single economic segment of business, being investment in a range of SME loan assets.

d) Use of estimates and judgements

The preparation of financial statements in conformity 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 historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the 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.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary financial assets and liabilities are recognised in the Statement of Comprehensive Income.

b) Financial assets and liabilities

The financial assets and liabilities of the Company are defined as loans, bonds with loan type characteristics, investments at fair value through profit or loss, cash and cash equivalents, other receivables and other payables.

Recognition
The Company recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Initial measurement
Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial liabilities not designated as at fair value through profit or loss, such as loans, are initially recognised at fair value, being the amount issued less transaction costs.

Subsequent measurement
After initial measurement, the Company measures financial assets designated as loans and receivables, and financial liabilities not designated as at fair value through profit or loss, at amortised cost using the effective interest rate method, less impairment allowance. Gains and losses are recognised in the Statement of Comprehensive Income when the asset or liability is derecognised or impaired. Interest earned on these instruments is recorded separately as investment income.

After initial measurement, the Company measures financial instruments which are classified at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement) and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset.

The Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

Impairment
A financial asset is impaired when the recoverable amount is estimated to be less than its carrying amount.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (contInued)

c) Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

d) Receivables and prepayments

Receivables are carried at the original invoice amount, less allowance for doubtful receivables. Provision is made when there is objective evidence that the Company will be unable to recover balances in full. Balances are written-off when the probability of recovery is assessed as being remote.

e) Transaction costs

Transaction costs incurred on the acquisition of loans are capitalised upon recognition of the financial asset and amortised over the term of the respective loan.

f) Income and expenses

Bank interest and loan interest are recognised on a time-proportionate basis using the effective interest rate method.

Dividend income is recognised when the right to receive payment is established.

All expenses are recognised on an accruals basis. All of the Company's expenses (with the exception of share issue costs, which are charged directly to the distributable reserve) are charged through the Statement of Comprehensive Income in the period in which they are incurred.

g) Taxation

The Company is exempt from UK corporation tax on its chargeable gains as it satisfies the conditions for approval as an investment trust. The Company is, however, liable to UK corporation tax on its income. However, the Company has elected to take advantage of modified UK tax treatment in respect of its "qualifying interest income" in order to deduct all, or part, of the amount it distributes to Shareholders as dividends as an "interest distribution".

h) Changes in accounting policy and disclosures

New and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year. The Company adopted the following new and amended relevant IFRS in the year:

IAS 7 Statement of Cash Flows – *Disclosure initiative*

The Company has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Apart from the additional disclosure in Note 21, the application of these amendments has had no impact on the Company's financial statements.

i) Accounting standards issued but not yet effective

The International Accounting Standards Board ("IASB") has issued/revised a number of relevant standards with an effective date after the date of these financial statements. Any standards that are not deemed relevant to the operations of the Company have been excluded. The Directors have chosen not to early adopt these standards and interpretations and they do not anticipate that they, with the exception of IFRS 9, would have a material impact on the Company's financial statements in the period of initial application.

		Effective date
IFRS 2	Share-based payments	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IAS 12	Income Taxes (amendments resulting from *Annual Improvements 2015-2017 Cycle* (income tax consequences of dividends))	1 January 2019
IAS 23	Borrowing Costs (amendments resulting from *Annual Improvements 2015-2017 Cycle* (borrowing costs eligible for capitalisation)	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (contInued)

i) Accounting standards issued but not yet effective (continued)

IFRS 9: Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* that replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard with effect from 1 July 2018. The Company has performed an impact assessment of all three aspects of IFRS 9:

i) Classification and measurement
The classification of financial assets will be based on the Company's business model and the contractual cash flow characteristics of its investments. The Company does not expect a significant impact on its Statement of Financial Position or equity on applying the classification and measurement requirements of IFRS 9. The Board will continue to measure loans and receivables at amortised cost, and at fair value for all financial assets and liabilities currently held at fair value.

ii) Impairment
IFRS 9 changes the basis of recognition of impairment on financial assets from an incurred loss to an expected credit loss approach for assets held at amortised cost. This introduces a number of new concepts and changes to the approach to provisioning compared with the current methodology under IAS 39. Expected credit losses are based on an assessment of the probability of default, loss given default and exposure at default, discounted to give a net present value. The expected credit loss is probability weighted and takes into account all reasonable and supportable information.

iii) Hedge accounting
The Company does not currently designate any hedges as effective hedging relationships which qualify for hedge accounting. Therefore, the Company does not expect there to be any impact with respect to hedge accounting on the Company as a result of applying IFRS 9.

IFRS 9 provisioning will lead to a one-off decrease in the Company's NAV of 0.42% from 1 July 2018. All material loss provisions are related to platform impairments on investments made before the Investment Manager took control of the portfolio. Since assuming management of the Company on 1 April 2017, SQN Asset Management Limited has reduced platform exposure from 100% to under 50%, delivering on the strategy of providing income from direct lending originated and underwritten solely by the Investment Manager. The Company has managed the risk posed by peer to peer platform exposure effectively and will continue to reduce the overall exposure to these platforms to the target weight of 20% of the whole portfolio.

Given that the adjustment to NAV is driven purely by a revised accounting methodology, it will have no impact on the Company's future cash flows. Underlying performance is unaffected as this change is purely an accounting adjustment and has no bearing on the loans held within the Company.

4. USE OF JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires the Directors to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

Estimates and assumptions

The Company based its assumptions and estimates on parameters available when the financial statements were approved. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

4. USE OF JUDGEMENTS AND ESTIMATES (contInued)

Estimates and assumptions (continued)

The Directors assess the recoverability of the Company's loans to determine whether any impairment provision is required. There is an indicator of impairment for a loan when the borrower has failed to make a payment, either capital or interest, when contractually due and, upon assessment, the Company feels that full recovery is not expected. The Company assesses at each reporting date (and at least on a monthly basis) whether there is objective evidence that a loan, or group of loans, classified as loans at amortised cost, is impaired. As part of this process:

- Platforms are contacted to determine default and delinquency levels of individual loans;
- Consideration is given as to whether payment has been received after the balance sheet date or whether loans are secured; and
- Recovery rates are estimated.

i) Recoverability of loans and other receivables
Following the adoption of IFRS 9 on 1 July 2018, the approach to recognising impairment has changed slightly. This is explained in Note 3(i). This did not affect the carrying value of the loans at 30 June 2018.

At 30 June 2018, the Company's financial instruments at fair value through profit or loss comprised unlisted equity shares and derivative financial instruments. See Note 17 for details of the bases of valuation.

5. DIVIDENDS

The Company distributes at least 85% of its distributable income earned in each financial year by way of dividends. Following discussions with the Investment Manager regarding the anticipated returns from the Company's portfolio (both in the shorter and longer terms), with effect from May 2017, the Company rebased its annual dividend target to 6.25p per Share, increasing to at least 7.00p per Share for dividends paid out of reserves for the period from 1 July 2018 onwards, the first dividend of which will be paid on 28 September 2018. The monthly dividend at the new rate of 0.525p per Share was first paid in June 2017. Over the longer term, the Company will be targeting an annual net asset value total return of at least 8%. The Company intends to continue to pay monthly dividends to Shareholders.

The Company elected to designate all of the dividends for the year ended 30 June 2018 as interest distributions to its Shareholders. In doing so, the Company took advantage of UK tax treatment by "streaming" income from interest-bearing investments into dividends that will be taxed in the hands of Shareholders as interest income.

To date, the Company has declared the following dividends in respect of earnings for the year ended 30 June 2018:

Announcement date	*Pay date*	*Total dividend declared in respect of earnings in the year £'000*	*Amount per Ordinary Share*
21 August 2017	29 September 2017	276	0.525p
22 September 2017	27 October 2017	276	0.525p
23 October 2017	24 November 2017	276	0.525p
22 November 2017	29 December 2017	276	0.525p
21 December 2017	26 January 2018	276	0.525p
19 January 2018	23 February 2018	276	0.525p
20 February 2018	23 March 2018	276	0.525p
16 March 2018	27 April 2018	276	0.525p
25 April 2018	25 May 2018	276	0.525p
29 May 2018	29 June 2018	276	0.525p
22 June 2018	27 July 2018	276	0.525p
25 July 2018	31 August 2018	276	0.525p
Dividends declared (to date) for the year		3,318	6.30p
Less, dividends paid after the year end		(553)	(1.05)p
Add, dividends paid in the year in respect of the prior year		553	1.05p
Dividends paid in the year		3,318	6.30p

In accordance with IFRS, dividends are only provided for when they become a contractual liability of the Company. Therefore, during the year a total of £3,318,000 (2017: £3,792,000) was incurred in respect of dividends, none of which was outstanding at the reporting date (2017: none). The dividends of £276,467 each, which were declared on 22 June 2018 and 25 July 2018, had not been provided for at 30 June 2018 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

5. DIVIDENDS (contInued)

All dividends in the year were paid out of revenue (and not capital) profits.

On 30 August 2018, the Company declared a dividend of 0.583p per Share for the period from 1 July 2018 to 31 July 2018. This dividend will be paid on 28 September 2018.

6. RELATED PARTIES

As a matter of best practice and good corporate governance, the Company has adopted a related party policy which applies to any transaction which it may enter into with any Director, the Investment Manager, or any of their affiliates which would constitute a "related party transaction" as defined in, and to which would apply, Chapter 11 of the Listing Rules. In accordance with its related party policy, the Company obtained: (i) the approval of a majority of the Directors; and (ii) a third-party valuation in respect of these transactions from an appropriately qualified independent adviser.

Loan to Medical Equipment Solutions Limited ("MESL")

In June 2017, the Company loaned £1,380,000 to MESL, whose Chairman is Neil Roberts, who is also chairman of SQN Capital Management, LLC. Loan interest of £127,000 was earned in the year (2017: £3,000), £3,000 of which was outstanding at 30 June 2018 (2017: £3,000). The loan bears interest at 10.0% per annum and is for a period of five years from the date of drawdown. The loan is to be repaid via 60 monthly payments.

At 30 June 2018, the balance of the loan was £1,156,000 (2017: £1,380,000).

Loan to Amberton Properties (Oxford) Limited

In December 2016, the Group loaned £1,300,000 to Amberton Properties (Oxford) Limited via Sancus Group and received interest of 8% per annum, in advance, being £46,000 for the duration of the loan. The loan was repaid in full in May 2017. Amberton Properties (Oxford) Limited was a subsidiary of a 50% shareholder of the investment manager at that time, Amberton Asset Management Limited.

Transactions with GLI Finance Limited ("GLIF")

In September 2016, as payment of the balance due from GLIF, the majority shareholder at that time, the Company conducted a transaction with GLIF that combined the novation of platform loans and equity in platforms, both to and from GLIF, with a cash transfer to GLIF of £1,049,000.

In January 2017, the Company sold a further two platform loans to GLIF, for a combined total of £685,000.

7. KEY CONTRACTS

a) Investment Manager

The Investment Manager, SQN Asset Management Limited ("SQN UK") and SQN Capital Management, LLC ("SQN US"), has responsibility for managing the Company's portfolio. For their services, the Investment Manager is entitled to a management fee at a rate equivalent to the following schedule (expressed as a percentage of NAV per annum, before deduction of accruals for unpaid management fees for the current month):

- 1.0% per annum for NAV lower than or equal to £250 million;
- 0.9% per annum for NAV greater than £250 million and lower than or equal to £500 million; and
- 0.8% per annum for NAV greater than £500 million.

The management fee is payable monthly in arrears on the last calendar day of each month. No performance fee is payable by the Company to the Investment Manager.

The Company may also incur transaction costs for the purposes of structuring investments for the Company. These costs form part of the overall transaction costs that are capitalised at the point of recognition and are taken into account by the Investment Manager when pricing a transaction. When structuring services are provided by the Investment Manager or an affiliate of them, they shall be entitled to charge an additional fee to the Company equal to up to 1.0% of the cost of acquiring the investment (ignoring gearing and transaction expenses). This cost will not be charged in respect of assets acquired from the Investment Manager, the funds they manage or where they or their affiliates do not provide such structuring advice.

The Investment Manager has agreed to bear all the broken and abortive transaction costs and expenses incurred on behalf of the Company. Accordingly, the Company has agreed that the Investment Manager may retain any commitment commissions received by the Investment Manager in respect of investments made by the Company save that if such commission on any transaction were to exceed 1.0% of the transaction value, the excess would be paid to the Company.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

7. KEY CONTRACTS (contInued)

With effect from 1 April 2017, the former Investment Manager, Amberton, was appointed as Sub-Investment Adviser to the Investment Manager. From that date, Amberton was no longer directly appointed by the Company and was not entitled to a fee from the Company. The fees of the Sub-Investment Adviser were borne by the Investment Manager. Amberton ceased to act as Sub-Investment Adviser to the Investment Manager with effect from 1 June 2018.

During the year, a total of £518,000 (2017: £408,000) was incurred in respect of management fees (£518,000 to SQN UK (2017: £278,000 to Amberton and £130,000 to SQN UK)), of which £42,000 was payable to SQN UK at the reporting date (2017: £43,000 to SQN UK).

b) Administration fees

Elysium Fund Management Limited ("Elysium") is entitled to an administration fee of £100,000 per annum in respect of the services provided in relation to the administration of the Company, together with time based fees in relation to work on investment transactions. During the year, a total of £116,000 (2017: £144,000) was incurred in respect of administration fees, of which £28,000 (2017: £31,000) was payable at the reporting date.

8. DIRECTORS' REMUNERATION

During the year, a total of £114,000 (2017: £128,000) was incurred in respect of Directors' remuneration, none of which was payable at the reporting date (2017: £9,000). No bonus or pension contributions were paid or payable on behalf of the Directors. Further details can be found in the Directors' Remuneration Report on pages 25 to 27.

9. KEY MANAGEMENT AND EMPLOYEES

The Company had no employees during the year (2017: none). Therefore, there were no key management (except for the Directors) or employee costs during the year.

10. AUDITOR'S REMUNERATION

For the year ended 30 June 2018, total fees, plus VAT, charged by RSM UK Audit LLP, together with amounts accrued at 30 June 2018, amounted to £38,000 (2017: £45,000), of which £38,000 (2017: £42,000) related to audit services and none (2017: £3,000) was in respect of tax services. As at 30 June 2018, £35,000 (2017: £38,000) was due to RSM UK Audit LLP.

11. OTHER EXPENSES

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000*
Audit fees *(Note 10)*	38	42
Registrar fees	30	30
Website costs	19	17
Other expenses	14	15
Custodian fee	13	25
Listing fees	13	22
Accountancy and taxation fees	8	37
Printing costs	7	6
Travel costs	7	6
Directors' liability insurance	5	6
Auditors' non-audit and taxation fees *(Note 10)*	–	3
	154	209

12. TAXATION

The Company has received confirmation from HMRC that it satisfied the conditions for approval as an investment trust, subject to the Company continuing to meet the eligibility conditions in s.1158 of the Corporation Tax Act 2010 and the ongoing requirements for approved investment trust companies in Chapter 3 of Part 2 of the Investment Trust (approved Company) Tax Regulations 2011 (Statutory Instrument 2011.2999). The Company intends to retain this approval and self-assesses compliance with the relevant conditions and requirements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

12. TAXATION (contInued)

As an investment trust the Company is exempt from UK corporation tax on its chargeable gains. The Company is, however, liable to UK corporation tax on its income. However, the Company has elected to take advantage of modified UK tax treatment in respect of its "qualifying interest income" in order to deduct all, or part, of the amount it distributes to Shareholders as dividends as an "interest distribution".

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000*
Corporation tax:		
– Current year	–	–
– Adjustments in relation to prior period	–	5
Total tax expense for the year	**–**	**5**

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000*
Reconciliation of tax charge:		
Profit before taxation	2,809	2,445
Tax at the standard UK corporation tax rate of 19% (2017: 20%)	534	489
Effects of:		
– Non-taxable investment gains and losses	94	150
– Interest distributions	(630)	(671)
– Unrecognised deferred tax	2	32
– Adjustments in relation to prior period	–	5
Total tax expense	**–**	**5**

Domestic corporation tax rates in the jurisdictions in which the Company operated were as follows:

	Year ended 30 June 2018	*Year ended 30 June 2017*
United Kingdom	19%	20%
Guernsey	nil	nil

Due to the Company's status as an investment trust and the intention to continue to meet the required conditions, the Company has not provided for deferred tax on any capital gains and losses.

13. EARNINGS PER ORDINARY SHARE

The earnings per Ordinary Share of 5.33p (2017: 4.63p) is based on a profit attributable to the owners of the Company of £2,809,000 (2017: £2,440,000) and on a weighted average number of 52,660,350 (2017: 52,660,350) Ordinary Shares in issue since Admission. There is no difference between the basic and diluted earnings per share.

14. INVESTMENT IN SUBSIDIARY UNDERTAKING

The Company's previously wholly-owned subsidiary, GLI Alternative Finance Guernsey Limited, was liquidated on 16 May 2017. Before this date, the subsidiary, which had been incorporated in Guernsey, had been dormant for several months.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

15. LOANS AT AMORTISED COST

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000*
Loans	44,653	40,381
Unrealised (loss)/gain*	(94)	221
Balance at year end	**44,559**	**40,602**

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000*
Loans: Non-current	31,918	32,450
Current	12,445	7,008
Cash held on client accounts with platforms	196	1,144
Loans at amortised cost and cash held on client accounts with platforms	**44,559**	**40,602**

*Unrealised (loss)/gain		
Foreign exchange on non-Sterling loans	605	651
Impairments	(699)	(430)
Unrealised (loss)/gain	**(94)**	**221**

The movement in unrealised loss on loans in the Statement of Comprehensive Income comprises:

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000*
Movement in foreign exchange on non-Sterling loans	(46)	(683)
Movement in impairments	(269)	(35)
Movement in unrealised loss on loans	**(315)**	**(718)**

The weighted average interest rate of the loans as at 30 June 2018 was 9.24% (2017: 8.58%).

There is an indicator of impairment for a loan when the borrower has failed to make a payment, either capital or interest, when contractually due. The Company assesses at each reporting date (and at least on a monthly basis) whether there is objective evidence that a loan or group of loans, classified as loans at amortised cost, is impaired. As part of this process:

- Platforms are contacted to determine default and delinquency levels of individual loans; and
- Recovery rates are estimated.

At 30 June 2018, repayments of £1,503,000 (2017: £1,031,000) were past due, aged as below. However, the Company assessed the recoverability of the loans and did not consider any impairment necessary.

	30 June 2018 £'000	*30 June 2017 £'000*
Less than 30 days overdue	212	385
More than 30 days but less than 90 days overdue	1,023	–
More than 90 days but less than a year overdue	165	646
More than a year overdue	103	–
	1,503	**1,031**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

15. LOANS AT AMORTISED COST (continued)

At 30 June 2018, the Board considered £699,000 (2017: £430,000) of loans to be impaired as, following routine investigation of loan performance, the Investment Manager received evidence of delayed and missed interest payments in respect of the below loans. This evidence indicated that the loans' recoverability would be less than their carrying value and by liaising directly with the platforms to establish a recovery rate, the Investment Manager had estimated a recoverable amount as at 30 June 2018.

	30 June 2018 £'000	*30 June 2017 £'000*
Sancus Funding (previously Funding Knight)	515	307
UK Bond Network	104	104
MyTripleA	80	19
Total impairment	**699**	**430**

During the year, £40,000 (2017: £454,000) of loans were written off and included within realised gain on disposal of loans in the Statement of Comprehensive Income.

16. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30 June 2018 £'000	*Year ended 30 June 2017 £'000*
Balance brought forward	258	1,981
Additions in the year	–	181
Disposals in the year	–	(1,971)
Realised gain on disposal of investments at fair value through profit or loss	–	260
Movement in unrealised gain on investments at fair value through profit or loss	22	(193)
Balance at year end	**280**	**258**

For further information on the investments at fair value through profit or loss, see Note 17.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

At 30 June 2018, the financial instruments designated at fair value through profit or loss were as follows:

	30 June 2018			
Financial assets/(liabilities)	*Level 1 £'000*	*Level 2 £'000*	*Level 3 £'000*	*Total £'000*
Unlisted equity shares	–	–	280	280
Derivative financial instruments *(Note 18)*	–	(32)	–	(32)
Total financial assets/(liabilities) designated as at fair value through profit or loss	**–**	**(32)**	**280**	**248**

At 30 June 2017, the financial instruments designated at fair value through profit or loss were as follows:

	30 June 2017			
Financial assets	*Level 1 £'000*	*Level 2 £'000*	*Level 3 £'000*	*Total £'000*
Unlisted equity shares	–	–	258	258
Derivative financial instruments *(Note 18)*	–	150	–	150
Total financial assets designated as at fair value through profit or loss	**–**	**150**	**258**	**408**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

At 30 June 2018, the Company held unlisted equity shares and derivative financial instruments. The unlisted equity shares are carried at the net asset value of the underlying entity, and derivative financial instruments, being foreign currency forward contracts, are valued at the forward foreign currency exchange rate at the reporting date.

Level 2 financial instruments include foreign currency forward contracts. They are valued using observable inputs (in this case foreign currency spot rates).

Transfers between levels

There were no transfers between levels in the year (2017: none).

18. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Company entered into foreign currency forward contracts to hedge against foreign exchange fluctuations. The Company realised a profit of £21,000 (2017: loss of £1,008,000) on forward foreign exchange contracts that settled during the year.

As at 30 June 2018, the open forward foreign exchange contracts were valued at £(32,000) (2017: £150,000).

19. OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2018 £'000	*30 June 2017 £'000*
Accrued interest	759	711
Prepayments	13	14
Other receivables	–	8
	772	**733**

20. OTHER PAYABLES AND ACCRUALS

	30 June 2018 £'000	*30 June 2017 £'000*
Management fee	42	43
Audit fee	35	35
Administration fee	28	31
Transaction fees	20	40
Deferred investment income	19	124
Other payables and accruals	12	18
Accountancy and taxation fees	7	8
Broker fee	2	13
Other payable [1]	–	2,692
Legal and professional fees	–	53
Directors' remuneration	–	9
Taxation	–	5
	165	**3,071**

[1] At 30 June 2017, the Company had entered into a fully signed agreement for a loan to a borrower. However, the funds left the Company's bank account on 4 July 2017, creating a payable at 30 June 2017.

21. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

IAS 7 requires the Company to detail the changes in liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

As at 30 June 2018, the Company had no liabilities classified as cash flows from financing activities (2017: none).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

22. SHARE CAPITAL

	30 June 2018 £'000	*30 June 2017 £'000*
Authorised share capital:		
Unlimited number of Ordinary Shares of 1 pence each	–	–
Unlimited C Shares of 10 pence each	–	–
Unlimited Deferred Shares of 1 pence each	–	–
50,000 Management Shares of £1 each	50	50
Called up share capital:		
52,660,350 Ordinary Shares of 1 pence each	527	527
50,000 Management Shares of £1 each	50	50
	577	**577**

The Management Shares are entitled (in priority to any payment of dividend of any other class of share) to a fixed cumulative preferential dividend of 0.01% per annum on the nominal amount of the Management Shares.

The Management Shares do not carry any right to receive notice of, nor to attend or vote at, any general meeting of the Company unless no other shares are in issue at that time. The Management Shares do not confer the right to participate in any surplus of assets of the Company on winding-up, other than the repayment of the nominal amount of capital.

23. OTHER RESERVES

		Profit and loss account		
	Special distributable reserve £'000	*Distributable £'000*	*Non-distributable £'000*	*Total £'000*
At 30 June 2016	50,942	–	1,881	52,823
Realised revenue profit	–	3,194	–	3,194
Realised investment gains and losses	–	707	–	707
Unrealised investment gains and losses	–	–	(1,461)	(1,461)
Dividends paid	–	(3,792)	–	(3,792)
At 30 June 2017	**50,942**	**109**	**420**	**51,471**
Realised revenue profit	–	3,303	–	3,303
Realised investment gains and losses	–	(19)	–	(19)
Unrealised investment gains and losses	–	–	(475)	(475)
Dividends paid	–	(3,318)	–	(3,318)
At 30 June 2018	**50,942**	**75**	**(55)**	**50,962**

With the exception of investment gains and losses, all of the Company's profit and loss items are of a revenue nature as it does not allocate any expenses to capital.

The two £276,000 dividends (see Note 5), which were declared on 22 June 2018 and 25 July 2018, will be partly paid out of the £75,000 remaining realised revenue profit with the balance being paid from the special distributable reserve.

24. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary Share is based on the net assets attributable to the owners of the Company of £51,539,000 (2017: £52,048,000), less £50,000 (2017: £50,000), being amounts owed in respect of Management Shares, and on 52,660,350 (2017: 52,660,350) Ordinary Shares in issue at the year end.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Investment Manager manages the Company's portfolio to provide Shareholders with attractive risk adjusted returns, principally in the form of regular, sustainable dividends, through investment predominantly in a range of secured loans and other secured loan-based instruments originated through a variety of channels and diversified by way of asset class, geography and duration.

The Company will seek to ensure that diversification of its portfolio is maintained, with the aim of spreading investment risk.

Risk is inherent in the Company's activities, but it is managed through a process of ongoing identification, measurement and monitoring. The Company is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk from the financial instruments it holds. Risk management procedures are in place to minimise the Company's exposure to these financial risks, in order to create and protect Shareholder value.

Risk management structure

The Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management approach within the Company.

The Company has no employees and is reliant on the performance of third party service providers. Failure by the Investment Manager, Administrator, Broker, Registrar or any other third party service provider to perform in accordance with the terms of its appointment could have a significant detrimental impact on the operation of the Company.

The market in which the Company participates is competitive and rapidly changing. The risks have not changed from those detailed on pages 20 to 30 in the Company's Prospectus, which is available on the Company's website.

Risk concentration

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets. Concentrations of foreign exchange risk may arise if the Company has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.

With the aim of maintaining a diversified investment portfolio, and thus mitigating concentration risks, the Company has established the following investment restrictions in respect of the general deployment of assets.

Investment Restriction	*Investment Policy*
Geography	
– Exposure to UK loan assets	Minimum of 60%
– Minimum exposure to non-UK loan assets	20%
Duration to maturity	
– Minimum exposure to loan assets with duration of less than 6 months	None
– Maximum exposure to loan assets with duration of 6-18 months and 18-36 months	None
– Maximum exposure to loan assets with duration of more than 36 months	50%
Maximum single investment	10%
Maximum exposure to single borrower or group	10%
Maximum exposure to loan assets sourced through single alternative lending platform or other third party originator	25%
Maximum exposure to any individual wholesale loan arrangement	25%
Maximum exposure to loan assets which are neither sterling-denominated nor hedged back to sterling	15%
Maximum exposure to unsecured loan assets	25%
Maximum exposure to assets (excluding cash and cash-equivalent investments) which are not loans or investments with loan-based investment characteristics	10%

The Company complied with the investment restrictions throughout the year and up to the date of signing this report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (contInued)

Market risk

(i) Price risk

Price risk exposure arises from the uncertainty about future prices of financial instruments held. It represents the potential loss that the Company may suffer through holding market positions in the face of price movements. The investments at fair value through profit or loss (see Notes 16 and 17) are exposed to price risk and it is not the intention to mitigate the price risk.

At 30 June 2018, if the valuation of the investments at fair value through profit or loss had moved by 5% with all other variables remaining constant, the change in net assets would amount to approximately +/- £14,000 (2017: +/- £13,000). The maximum price risk resulting from financial instruments is equal to the £280,000 carrying value of the investments at fair value through profit or loss (2017: £258,000).

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company invests in securities and other investments that are denominated in currencies other than Sterling. Accordingly, the value of the Company's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Company will necessarily be subject to foreign exchange risks.

As at 30 June 2018, a proportion of the net financial assets of the Company, excluding the foreign currency forward contracts, were denominated in currencies other than Sterling as follows:

	Investments at fair value through profit or loss £'000	*Loans and receivables £'000*	*Cash and cash equivalents £'000*	*Other payables and accruals £'000*	*Exposure £'000*	*Foreign currency forward contract £'000*	*Net exposure £'000*
30 June 2018							
US Dollars	–	5,235	1,921	–	7,156	(7,516)	(360)
Euros	63	4,839	628	–	5,530	(5,417)	113
	63	**10,074**	**2,549**	**–**	**12,686**	**(12,933)**	**(247)**
30 June 2017							
US Dollars	–	5,467	1,413	(29)	6,851	(6,854)	(3)
Euros	59	4,775	87	(2)	4,919	(4,925)	(6)
	59	**10,242**	**1,500**	**(31)**	**11,770**	**(11,779)**	**(9)**

In order to limit the exposure to foreign currency risk, the Company entered into hedging contracts during the year. At 30 June 2018, the Company held foreign currency forward contracts to sell US$9,950,000 and €6,140,000 (2017: US$8,800,000 and €5,550,000) with a settlement date of 26 September 2018.

Other future foreign exchange hedging contracts may be employed, such as currency swap agreements, futures contracts and options. There can be no certainty as to the efficacy of any hedging transactions.

At 30 June 2018, if the exchange rates for US Dollars and Euros had strengthened/weakened by 5% against Sterling with all other variables remaining constant, net assets at 30 June 2018 would have increased/(decreased) by £13,000/£(15,000) (2017: £(7,000)/£8,000), after accounting for the effects of the hedging contracts mentioned above.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial instruments and cash flow. However, due to the fixed rate nature of the majority of the loans, cash and cash equivalents of £6,125,000 (2017: £13,376,000) were the only interest bearing financial instruments subject to variable interest rates at 30 June 2018. Therefore, if interest rates had increased/decreased by 50 basis points, with all other variables held constant, the change in value of interest cash flows of these assets in the year would have been £31,000 (2017: £67,000).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

30 June 2018	*Fixed interest £'000*	*Variable interest £'000*	*Non-interest bearing £'000*	*Total £'000*
Financial Assets				
Loans	44,363	–	–	44,363
Cash held on client accounts with platforms	–	–	196	196
Investments at fair value through profit or loss	–	–	280	280
Other receivables	–	–	759	759
Cash and cash equivalents	–	6,125	–	6,125
Total financial assets	**44,363**	**6,125**	**1,235**	**51,723**
Financial Liabilities				
Other payables	–	–	(146)	(146)
Derivative financial instruments	–	–	(32)	(32)
Total financial liabilities	**–**	**–**	**(178)**	**(178)**
Total interest sensitivity gap	**44,363**	**6,125**	**1,057**	**51,545**

30 June 2017	*Fixed interest £'000*	*Variable interest £'000*	*Non-interest bearing £'000*	*Total £'000*
Financial Assets				
Loans	39,458	–	–	39,458
Cash held on client accounts with platforms	–	–	1,144	1,144
Investments at fair value through profit or loss	–	–	258	258
Derivative financial instruments	–	–	150	150
Other receivables	–	–	719	719
Cash and cash equivalents	–	13,376	–	13,376
Total financial assets	**39,458**	**13,376**	**2,271**	**55,105**
Financial Liabilities				
Other payables	–	–	(2,947)	(2,947)
Total financial liabilities	**–**	**–**	**(2,947)**	**(2,947)**
Total interest sensitivity gap	**39,458**	**13,376**	**(676)**	**52,158**

The Investment Manager manages the Company's exposure to interest rate risk, paying heed to prevailing interest rates and economic conditions, market expectations and its own views as to likely moves in interest rates.

Although it has not done so to date, the Company may implement hedging and derivative strategies designed to protect investment performance against material movements in interest rates. Such strategies may include (but are not limited to) interest rate swaps and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate. There can be no certainty as to the efficacy of any hedging transactions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (contInued)

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

At 30 June 2018, credit risk arose principally from cash and cash equivalents of £6,125,000 (2017: £13,376,000) and balances due from the platforms and SMEs of £44,559,000 (2017: £40,602,000). The Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy.

The Company's credit risks principally arise through exposure to loans provided by the Company, either directly or through platforms. These loans are subject to the risk of borrower default. Where a loan has been made by the Company through a platform, the Company will only receive payments on those loans if the corresponding borrower through that platform makes payments on that loan. The Investment Manager has sought to reduce the credit risk by obtaining security on the majority of the loans and by investing across various platforms, geographic areas and asset classes, thereby ensuring diversification and seeking to mitigate concentration risks, as stated in the "risk concentration" section earlier in this note.

The cash pending investment or held on deposit under the terms of an Investment Instrument may be held without limit with a financial institution with a credit rating of "single A" (or equivalent) or higher to protect against counterparty failure.

The Company may implement hedging and derivative strategies designed to protect against credit risk. Such strategies may include (but are not limited to) credit default swaps and will only be entered into when they are available in a timely manner and on terms acceptable to the Company. The Company may also bear risks that could otherwise be hedged where it is considered appropriate. There can be no certainty as to the efficacy of any hedging transactions.

Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulties in realising assets or otherwise raising funds to meet financial commitments. The principal liquidity risk is contained in unmatched liabilities. The liquidity risk at 30 June 2018 was low since the ratio of cash and cash equivalents to unmatched liabilities was 31:1 (2017: 4:1).

The Investment Manager manages the Company's liquidity risk by investing primarily in a diverse portfolio of loans, in line with the Prospectus and as stated in the "risk concentration" section earlier in this note. The maturity profile of the portfolio, as detailed in the Investment Manager's Report, is as follows:

	30 June 2018 Percentage	*30 June 2017 Percentage*
0 to 6 months	17.0	32.6
6 months to 18 months	25.3	11.0
18 months to 3 years	16.6	19.7
Greater than 3 years	41.1	36.7
	100.0	100.0

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital comprises issued share capital, retained earnings and a distributable reserve created from the cancellation of the Company's share premium account.

To maintain or adjust the capital structure, the Company may issue new Ordinary and/or C Shares, buy back shares for cancellation or buy back shares to be held in treasury. During the year ended 30 June 2018, the Company did not issue any new Ordinary or C shares, nor did it buy back any shares for cancellation or to be held in treasury (2017: none).

The Company is subject to externally imposed capital requirements in relation to its statutory requirement relating to dividend distributions to Shareholders. The Company meets the requirement by ensuring it distributes at least 85% of its distributable income by way of dividend.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018 (continued)

26. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There were no contingent assets or contingent liabilities in existence at the year end (2017: none).

27. EVENTS AFTER THE REPORTING PERIOD

Two dividends of 0.525p per Ordinary Share, which (in accordance with IFRS) were not provided for at 30 June 2018, have been declared out of the profits for the year ended 30 June 2018 (see Note 5).

On 30 August 2018, the Company declared a dividend of 0.583p per Ordinary Share for the period from 1 July 2018 to 31 July 2018. This dividend will be paid on 28 September 2018.

There were no other significant events after the reporting period.

28. PARENT AND ULTIMATE PARENT COMPANY

The Directors do not believe that the Company has an individual Parent or Ultimate Parent.

NOTICE OF ANNUAL GENERAL MEETING

*(incorporated in England and Wales with registered number 09682883 and registered as an investment company under section 833 of the Companies Act 2006) (the "**Company**")*

NOTICE is hereby given that an annual general meeting of the Company (the "**AGM**") will be held at the offices of SQN Asset Management Limited, Melita House, 124 Bridge Road, Chertsey, Surrey KT16 8LA on 18 December 2018 at 2:30 pm to consider and, if thought fit, to pass the following resolutions, resolutions 1-9 which are proposed as ordinary resolutions and resolutions 10 and 11 which are proposed as special resolutions:

ORDINARY BUSINESS

1. To receive the Company's audited financial statements for the year ended 30 June 2018, together with the Directors' Report and the Independent Auditors' Report on those statements.

2. To approve the Directors' Remuneration Policy.

3. To approve the Remuneration Report for the year ended 30 June 2018.

4. To re-elect RSM UK Audit LLP as auditor of the Company until the conclusion of the next annual general meeting.

5. To authorise the Company's Audit and Valuation Committee to determine the remuneration of the auditors.

6. To elect Gaynor Coley as a Director of the Company.

7. To re-elect Kenneth James Gribben Hillen as a Director of the Company.

8. To re-elect David Clive Stevenson as a Director of the Company.

SPECIAL BUSINESS

9. That, in addition to any existing authorities, the Directors of the Company be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**CA 2006**") to exercise all the powers of the Company to allot equity securities (within the meaning of section 560(1) of the CA 2006) in the Company up to an aggregate nominal amount of £105,320.70 (representing 20% of the issued Ordinary Share capital of the Company as at the date of this notice of AGM), such authority to expire at the conclusion of the Company's next annual general meeting to be held in 2019, save that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the authority conferred by this Resolution 9 had not expired.

Explanatory note:

Pursuant to the resolutions passed at the general meeting of the Company held on 27 April 2017, the Company already has authority to allot up to 250 million Ordinary Shares and/or C Shares ("New Shares") on a non-pre-emptive basis by way of a series of placings and tap issues and potentially issues of New Shares by way of open offers, offers for subscription and/or intermediaries offers (the "April 2017 Authorities"). The April 2017 Authorities will remain in place until 27 October 2018 or, if earlier, when all of the New Shares available for issue pursuant to such authorities have been issued. The April 2017 Authorities are in addition to the authorities granted at the Company's 2017 annual general meeting that permit the Company to issue Ordinary Shares representing approximately 20% of the current issued Ordinary Share capital of the Company on a non-pre-emptive basis, which will expire at the conclusion of this year's AGM.

As a result of the Prospectus Regulation (2017/1129/EU) coming into force, the Company is now able to issue Ordinary Shares representing less than 20% of the number of Ordinary Shares in issue over a rolling 12-month period without publishing a prospectus. To allow the Company to take full advantage of this, the Board is seeking authority to issue Ordinary Shares up to an aggregate nominal value of £105,320.70, representing approximately 20% of the issued Ordinary Share capital of the Company at the date of this notice of AGM. This authority, which will be in addition to the April 2017 Authorities, will expire at the conclusion of the Company's next annual general meeting in 2019 and will allow the Company to take advantage of market opportunities to raise additional capital should there be an appropriate level of demand from investors.

No Ordinary Shares will be issued for cash at a price less than the prevailing net asset value per Ordinary Share at the time of issue pursuant to this authority. The Directors intend to seek renewal of this authority at each annual general meeting thereafter.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

SPECIAL BUSINESS (continued)

10. That, subject to and conditional upon the passing of Resolution 9, and in accordance with sections 570 and 573 of the Companies Act 2006, the Directors of the Company be and are hereby empowered pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (as defined in section 560(1) of the Companies Act 2006) for cash pursuant to the authority conferred on the Directors by Resolution 9 and to sell Ordinary Shares from treasury for cash, as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, up to an aggregate nominal amount of £105,320.70 (representing approximately 20% of the issued Ordinary Share capital of the Company as at the date of this notice of AGM), such power to expire at the conclusion of the Company's next annual general meeting in 2019 (unless previously renewed, varied or revoked by the Company in general meeting) save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power and the Directors may allot or sell equity securities from treasury in pursuance of such an offer or agreement as if such power had not expired.

Explanatory note:

The Directors require specific authority from Shareholders before allotting new Ordinary Shares (or selling Ordinary Shares held by the Company in treasury) for cash (pursuant to the authority proposed at Resolution 9 above) without first offering them to existing Shareholders in proportion to their holdings. Resolution 10 authorises the Directors to allot new Ordinary Shares (or to sell Ordinary Shares held by the Company in treasury) for cash, otherwise than to existing Shareholders on a pro rata basis, up to such number of Ordinary Shares as is equal to 20% of the Ordinary Shares in issue as at the date of this notice of AGM. No issue of new Ordinary Shares (or sale of Ordinary Shares held by the Company in treasury) will be made on a non-pre-emptive basis pursuant to Resolution 10 at a price less than the prevailing net asset value per Ordinary Share at the time of issue (or sale).

The authority conferred by Resolution 10 will expire at the conclusion of the Company's next annual general meeting in 2019, unless previously renewed, varied or revoked by the Company in general meeting.

11. That the Company be and is hereby generally authorised, in accordance with section 701 of the Companies Act 2006, to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary Shares in the capital of the Company, provided that:

a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 7,893,786 (or, if less, the number representing 14.99% of the issued Ordinary Share capital of the Company as at the date of this notice of AGM);

b) the minimum price which may be paid for an Ordinary Share shall be £0.01;

c) the maximum price, exclusive of expenses, which may be paid for an Ordinary Share shall be the higher of:

(i) 5% above the average of the mid-market values of the Ordinary Shares for the five business days before the purchase is made; and

(ii) that stipulated by the regulatory technical standards adopted by the EU pursuant to the regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("**MAR**");

d) such authority shall expire at the earlier of (i) the date on which the maximum number of Ordinary Shares authorised to be purchased pursuant to this Resolution 11 have been purchased by the Company, (ii) the conclusion of the next annual general meeting of the Company to be held in 2019 and (iii) the date which is 18 months from the date on which this authority is passed; and

e) the Company may, before the expiry of this authority, make a contract to purchase Ordinary Shares under such authority which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Ordinary Shares pursuant to any such contract.

Explanatory note:

The Board monitors the level of the Ordinary Share price compared to the NAV per Ordinary Share. Where appropriate on investment grounds, the Company may from time to time repurchase its Ordinary Shares, but the Board recognises that movements in the Ordinary Share price, premium or discount, are driven by numerous factors, including investment performance, gearing and market sentiment. Accordingly, it focuses its efforts principally on addressing sources of risk and return as the most effective way of producing long term value for Shareholders. Any repurchase of Ordinary Shares will be made subject to applicable laws and regulations and within any guidelines established from time to time by the Board. The making and timing of any repurchases will be at the absolute discretion of the Board, although the Board will have regard to the effects of any such repurchase on long-term Shareholders in exercising its discretion.

Purchases of Ordinary Shares will only be made through the market for cash at prices below the prevailing NAV of the Ordinary Shares (as last calculated) where the Directors believe such purchases will enhance shareholder value. Such purchases will also only be made in accordance with applicable provisions of the CA 2006, the Listing Rules and MAR. Any Ordinary Shares purchased under this authority will be cancelled or may be held in treasury.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

SPECIAL BUSINESS (continued)

11. (continued)

The authority conferred by Resolution 11 will expire at the earlier of (i) the date on which the maximum number of Ordinary Shares authorised to be purchased pursuant to this Resolution 11 have been purchased by the Company, (ii) the conclusion of the next annual general meeting of the Company to be held in 2019 and (iii) the date which is 18 months from the date on which this authority is passed.

By order of the Board
SQN SECURED INCOME FUND PLC
19 September 2018

Registered Office:
1 Finsbury Circus
London
EC2M 7SH

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

Notes to the Notice of Annual General Meeting

1. A member entitled to attend and vote at the AGM may appoint a proxy or proxies to attend, speak and vote instead of him or her. A proxy need not be a member of the Company. A Form of Proxy is enclosed which, if used, must be lodged at the Company's Registrars, Link Asset Services, at PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF no later than 48 hours before the AGM (ignoring any part of a day that is not a working day), being 14 December 2018. To appoint more than one proxy you may photocopy the Form of Proxy. You may appoint a person other than the Chairman as your proxy. Please indicate the proxy holder's name and the number of Shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by looking at the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first being the most senior). The completion and return of the Form of Proxy will not preclude a member from attending the AGM and voting in person.

2. To be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members at close of business on 14 December 2018. If the AGM is adjourned then, to be so entitled, members must be entered on the Company's Register of Members at the time which is 48 hours before the time fixed for the adjourned AGM or, if the Company gives notice of the adjourned AGM, at the time specified in that notice.

3. As at 17 September 2018 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 52,660,350 Ordinary Shares, carrying one vote each. There are no shares held in treasury. Therefore, as at 17 September 2018, the total number of voting rights in the Company is 52,660,350.

4. The vote "Withheld" is provided to enable you to abstain on any particular resolution. However, it should be noted that a "Withheld" vote is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution.

5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent ID (RA10) by the latest time(s) for receipt of proxy appointments specified in this notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

6. Any person to whom this notice of AGM is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

7. Corporate representatives are entitled to attend and vote on behalf of a corporate member in accordance with section 323 of the Companies Act 2006. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporate member) the same powers as the corporate member could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.

8. Members have a right under section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the AGM, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.

9. A copy of this notice of AGM, and other information required by section 311A of the Companies Act 2006, can be found at http://www.sqncapital.com/managed-funds/sqn-secured-income-fund/.

10. To be passed, an ordinary resolution requires a simple majority of the votes cast by those members voting in person or by proxy at the AGM (excluding any votes to be withheld) to be voted in favour of the resolution.

11. To be passed, a special resolution requires a majority of at least 75% of the votes cast by those members voting in person or by proxy at the AGM (excluding any votes which are withheld) to be voted in favour of the resolution.

DIRECTORS

Richard Hills *(non-executive Chairman)*
Gaynor Coley *(non-executive Director)*
Ken Hillen *(non-executive Director)*
David Stevenson *(non-executive Director)*

ADVISERS

Registered Office
1 Finsbury Circus
London
EC2M 7SH

UK Investment Manager
SQN Asset Management Limited
Melita House
124 Bridge Road
Chertsey
Surrey
KT16 8LH

US Investment Manager and AIFM
SQN Capital Management, LLC
100 Wall Street
28th Floor
New York
NY 10005

Administrator and Secretary
Elysium Fund Management Limited
PO Box 650
1st Floor
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 3JX

Auditors
RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

English Legal Adviser
Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Guernsey Legal Adviser
Carey Olsen
PO Box 98
Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

Registrar
Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Bankers
Royal Bank of Scotland International Limited
PO Box 62
Royal Bank Place
1 Glategny Esplanade
St Peter Port
Guernsey
GY1 4BQ

Public Relations Consultant
Buchanan Communications Limited
107 Cheapside
London
EC2V 6DN

Broker
Cantor Fitzgerald Europe
One Churchill Place
Canary Wharf
London
E14 5RD

http://www.sqncapital.com/managed-funds/sqn-secured-income-fund/

Secured Income Fund Plc

SQN Asset Management Limited
Melita House
124 Bridge Road
Chertsey
Surrey
KT16 8LH

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