

SQN Secured Income Fund plc
(formerly The SME Loan Fund plc)
(Registered number 09682883)

Annual Report and Financial Statements

For the year ended 30 June 2017

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SQN Secured Income Fund plc

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Strategic Report Highlights

	30 June 2017	30 June 2016
Net assets [1]	£52,048,000	£53,400,000
NAV per Ordinary Share	98.74p	101.31p
Share price at 30 June 2017	97.75p	89.75p
Discount to NAV	1.0%	11.4%
Profit for the year	£2,440,000	£3,655,000
Dividend per share declared in respect of the period [2]	6.375p	4.95p
Total return per Ordinary Share (based on NAV)	+4.6%	+7.1%
Total return per Ordinary Share (based on share price)	+16.0%	+6.5%
Ordinary Shares in issue	52,660,350	52,660,350

[1] In addition to the Ordinary Shares in issue, 50,000 Management Shares of £1 each are in issue (see Note 21).

[2] Only 5.33p of the 6.375p per Ordinary Share dividends declared out of the profits for the year ended 30 June 2017 had been deducted from the 30 June 2017 NAV as the twentieth and twenty first dividends of 0.525p per Ordinary Share each had not been provided for at 30 June 2017 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date. On 21 August 2017, the Company declared a dividend of 0.525p per Ordinary Share for the period from 1 July 2017 to 31 July 2017. This dividend will be paid on 29 September 2017.

SQN Secured Income Fund plc
Strategic Report
Overview and Investment Strategy

General information

SQN Secured Income Fund plc (the "Company" 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 listed on the London Stock Exchange Specialist Fund Segment on 23 September 2015 ("Admission"). On 28 April 2017, the Company changed its name from The SME Loan Fund plc to SQN Secured Income Fund plc. In order to reflect the new name of the Company, the ticker for the Ordinary Shares was changed to SSIF, with effect from 2 May 2017.

Following the passing of resolutions at a general meeting held on 27 April 2017, the investment objective and investment policy was changed to the following:

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 intends to achieve 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 will 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.

Geography

The Company will invest 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 will invest 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 will hold 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 will seek to invest 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 will be indifferent to sector when allocating funds for investment and, instead, will adhere to the investment restrictions which apply to the Company's loan portfolio as a whole in order to spread investment risk.

SQN Secured Income Fund plc

Strategic Report

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:

•	Geography:	
–	Maximum exposure to loan assets invested in UK	60%
–	Minimum exposure to loan assets in other jurisdictions around the world	20%
•	Duration:	
–	Minimum exposure to loan assets with a duration of less than 18 months	10%
–	Maximum exposure to loan assets with a 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 working capital loans to alternative lending platforms	5%
•	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.

SQN Secured Income Fund plc

Strategic Report

Overview and Investment Strategy (*continued*)

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 on 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.

SQN Secured Income Fund plc

Strategic Report Chairman's Statement

Introduction

SQN Secured Income Fund plc is an investment company listed on the LSE and domiciled in the UK. It invests on a secured basis in and through small and medium sized companies in the UK and the rest of the world using fundamental credit skills.

I am pleased to update Shareholders with my second Chairman's statement, covering the period under review from 1 July 2016 to 30 June 2017. Over the last year, the Company has undergone significant change, following a strategic review. These changes include diversifying the Shareholder base through a successful secondary placing of the Ordinary Shares previously held by GLI Finance Limited, the appointment of SQN Capital Management, LLC and its UK subsidiary, SQN Asset Management Limited, (together "SQN"), as manager of the Company from 1 April 2017, a change of name and changes to the Company's investment objective and policy/strategy. Under SQN's stewardship, the Company has been re-energised with the commencement of a direct lending programme.

Performance and Markets

During the early part of the reporting period, despite continuing to make platform investments, the Board acknowledged that dividend income would not be able to meet our previous expectations. In April 2017, after the appointment of SQN as manager, we took steps to adjust the dividend policy for a short period whilst amendments were made to the portfolio. By the end of the reporting period, SQN had made progress in rebalancing the portfolio and committing the surplus cash with the majority of investments being direct rather than via platforms, and with sufficient earnings from interest payments to support a regular dividend payment of 6.25p for the current financial year.

For the reporting period ended 30 June 2017, the Company generated a net profit of £2.4m and earnings per Ordinary Share of 4.63p. The Company's NAV at 30 June 2017 was £52.0m and NAV per ordinary share 98.74p (cum income) compared with £53.4m and 101.31p as at 30 June 2016. The total return for the reporting period was 4.6%.

Foreign exchange exposure on the 21.4% of non-Sterling assets, as a percentage of total assets, was fully hedged and any liquidity calls arising from the hedging strategy are considered manageable within the Company's cash flow.

Corporate Activity

On 1 April 2017, management of the investment portfolio was transferred to SQN. Details of SQN's strong credentials for performing this role are included in the Investment Manager's report. In conjunction with the changes to the Company's investment management arrangements, our corporate broker also completed a successful secondary placing of the Ordinary Shares previously owned by GLI Finance Limited (representing 48% of the issued share capital) substantially with new investors.

At a general meeting held on 27 April 2017, the investment objective and the policy of the Company were adjusted to allow for greater concentration of investments in quality, secured direct loans. In addition, the Board was authorised to allot up to 250 million Ordinary Shares and/or C Shares pursuant to a share issuance programme. This share issuance programme will enable the Company to raise additional capital promptly, enabling it to take advantage of new investment opportunities, thereby expanding and diversifying its investment portfolio. In turn, an increase in the market capitalisation of the Company should help to improve secondary market liquidity in the Ordinary Shares and attract a larger, more diversified Shareholder base. The Company will be required to publish a prospectus before it can issue Shares pursuant to any Share Issuance Programme.

SQN committed to achieving a number of milestones (see Investment Manager's report) following their appointment and I am pleased to report that these have been achieved. This leaves the Company at the end of this reporting period with a solid foundation on which to support future capital raisings.

SQN Secured Income Fund plc

Strategic Report

Chairman's Statement (*continued*)

Strategic 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 SQN's appointment, approximately 31% of the Company's assets were in cash with the remainder already invested via platforms and through working capital loans to platforms. Following the review, a decision was taken by your Board, in conjunction with the Manager, to cease making working capital loans to platforms and to reduce the number of platforms through which the Company conducts business. The selection of preferred platforms has been made after an in-depth analysis of their credit processes and sector preferences, with a focus on diversification, "best in class" and transparency. The Company is confident that relationships with these remaining platforms are strong and will continue to provide consistent attractive deal flow. In the future, the Company expects the percentage of the Company's portfolio represented by platform-originated loans to reduce in favour of direct lending. However, as the Company grows, it will continue to allocate to platforms meaningfully.

Earnings and Dividends

Dividends per Ordinary Share declared in respect of the reporting period were 6.375p (see Note 5).

The Company elected to designate all dividends for the year ended 30 June 2017 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 intends to distribute 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 to smooth future dividend flows.

The Company expects to achieve its annual dividend target of 6.25p, rising to at least 7.00p from July 2018, and a total return target of at least 8.0%.

Discount

From the commencement of the reporting period and until the announcement of SQN's appointment and the secondary placing of the Ordinary Shares held by GLI Finance Limited on 8 March 2017, the Company traded at an average discount to NAV of 6.9%. Since then, this discount has closed materially. Given the substantial improvement in outlook for the performance of the Company and the radical changes undertaken, it is hoped that this discount will continue to narrow.

Change of Name

With effect from 28 April 2017, further to the appointment of SQN as the Company's manager and the change of focus to direct loans, it was considered appropriate to change the name of the Company from The SME Loan Fund plc to SQN Secured Income Fund plc. The ticker for the Ordinary Shares changed from SMEF LN to SSIF LN on 2 May 2017.

Board of Directors

I am pleased to report that, after the changes made to the Board in the last reporting period, its composition has remained stable and no changes were made during the current reporting period.

The Board has made good progress in engaging with the new management team and have established regular communications in line with governance guidelines.

As the Board expects the size of the Company to increase substantially over the coming years it has decided to appoint an additional director. An independent search firm has been employed to find a suitable individual.

SQN Secured Income Fund plc

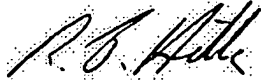
Strategic Report

Chairman's Statement (*continued*)

Outlook

The Board has made significant progress towards both improving corporate governance and the Company's internal control processes. Rationalisation of platform investments and increased secured direct lending have also been addressed. Meanwhile the outlook for direct lending opportunities remains very promising and the Company has an abundant pipeline of investment opportunities to consider over the coming months.

After a period of turbulence, I anticipate that following the appointment of SQN as our Investment Manager, the Company will now fulfil its mandate of delivering stable income and a healthy risk-adjusted total return.



Richard Hills

Chairman

8 September 2017

SQN Secured Income Fund plc

Strategic Report

Investment Manager's Report

Introduction

Welcome to the first Investment Manager's report under the stewardship of SQN Asset Management Limited ("SQN AM"). We assumed responsibility for this mandate on 1 April 2017 and I am delighted to report that we have already made meaningful progress. We are confident that after a thorough strategic review and making our first few investments, the outlook for the Company is good.

SQN Secured Income Fund plc is an investment company listed on the LSE and domiciled in the UK. It invests on a secured basis in and through small and medium sized companies in the UK and the rest of the world using fundamental credit skills.

SQN is a credit fund manager with a successful track record in managing assets within an investment company structure having launched the SQN Asset Finance Fund in July 2014. The SQN Group has a total of circa £750 million of assets under management and has a core competency in credit management and we are suitably resourced to deliver income and total return in line with expectations. Most significantly, we retain our own origination team within the SQN Group which enables us to build a good pipeline of new investment opportunities. We have offices in the UK and the US.

The addition of SQN Secured Income Fund plc under the SQN umbrella is a perfect complement to the existing strategies managed by SQN, all focused on secured, credit-driven investments with security provided by underlying assets. Deal flow for SQN Secured Income Fund plc is a natural progression of the existing SQN business lines which has historically been captured by entities with limited UK-focused capacity. SQN Secured Income Fund plc now provides the opportunity to target these investments that we believe will produce above market, risk-adjusted returns and regular income.

In the short window since our appointment:

- Dawn Kendall was appointed as managing director of SQN AM.
- Amberton Asset Management Limited ("Amberton") was appointed as sub-manager to ensure continuity of relationships and smooth transition.
- A review of the platforms has been completed with solid platforms retained.
- Performance of remaining platforms has improved.
- The remaining cash of 31% of the portfolio has been invested under the Company's revised mandate, focussed on direct investments.
- A new business pricing structure has been created at rates between 9.5% and 11.5%, sufficient to increase overall portfolio yield to meet the return targets.
- The majority of cash has been committed with a healthy pipeline of new opportunities supporting a future capital raise.

With the introduction of direct lending to the Company's portfolio, an enhanced risk management regime has been introduced. SQN AM's investment approach recognises the significance of strong processes and a robust governance regime and, accordingly, each drawdown requires a "triple lock" sign off from its legal, credit and portfolio management teams. This is in addition to the extensive portfolio management and platform relationship capabilities SQN AM inherited within Amberton.

With the revision of the investment objective and policy of the Company, we have pursued investments in four core areas: secured trade finance, receivable finance, wholesale lending and secured commercial opportunities, including development loans and commercial property in growth sectors. As is consistent with other SQN AM programmes, we aim to avoid consumer credit exposure. We consider this to be a prudent approach that reduces risk of correlated performance with any macro-economic headwinds.

SQN Secured Income Fund plc

Strategic Report

Investment Manager's Report (continued)

At the time of SQN AM's appointment, approximately a third of the Company's assets were in cash with the remainder invested via platforms and through working capital loans to platforms. Following a review, a decision was taken to cease making working capital loans to platforms and to reduce the number of platforms through which the Company conducts business. The selection of preferred platforms was made after an in-depth analysis of their credit processes, sector preferences and pricing structures, with an emphasis on diversification, "best in class" and transparency. The Company is confident that relationships with these remaining platforms are strong and will continue to provide good loan deal flow. In the future, the percentage of the Company's portfolio represented by platform-originated loans is expected to reduce in favour of direct investments. However, it is intended that platform-originated loans will continue to be an important part of the portfolio and, as the Company grows, should be of a meaningful size in the market.

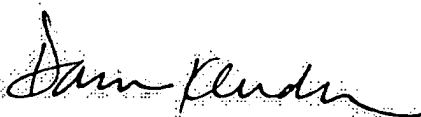
Available cash has been primarily deployed into direct lending opportunities originated by SQN AM. The nature of these direct investments is diverse and provides high levels of security with regard to covenant provision. Each loan has been established making use of SQN AM's extensive network of industry contacts and all loans have been extended at rates of interest commensurate with exceeding the Company's target returns (a target annual dividend of 6.25p per share for the current financial year, increasing to at least 7.00p per share with effect from July 2018, and a target annual return of at least 8%). Most pleasing is that loans are with businesses where the Company expects to nurture long term relationships as they grow.

In addition to targeting higher average yields, the investments made since the change of manager have also been of a longer duration keeping capital at work and reducing reinvestment risk and drag. As at July 2017, a little more than 35% of the portfolio positions had investment terms of three years or longer with just under 20% between one and two years. The current average term is less than two years but is targeted to increase now that the restrictive provisions in the operating documents have been revised and now allow for concentrations of more than 2.5% for any single exposure. We believe, given the high-touch nature of direct investments and the extensive due diligence performed, appropriate diversification can be achieved with an average transaction size of circa 5% of the value of the Company.

Investment Outlook

Annual borrowing by UK SMEs is £75 billion and is used to fund various things including business expansion, purchase of premises, fixed assets or capital expense to develop new products and markets. As reported by the Bank of England and the British Bankers' Association this demand is unlikely to diminish given the contraction of total bank lending to this segment of circa 15% over the last five years (2011 - £189 billion v 2016 - £164 billion). High Street lenders (six banks) own more than 70% of this current lending pool. Challenger banks have filled some of the void, increasing their loan exposure by 31.5% over the same period. However, their target market is different to ours – their typical customers tend to be either much smaller or much larger. This represents a significant gap in the market for the Company, as our preferred pool is providing flexible and sensible financing to businesses with £5-20 million turnover per year. We consider that we are well placed, when compared with our peers, to make material positive progress in this market.

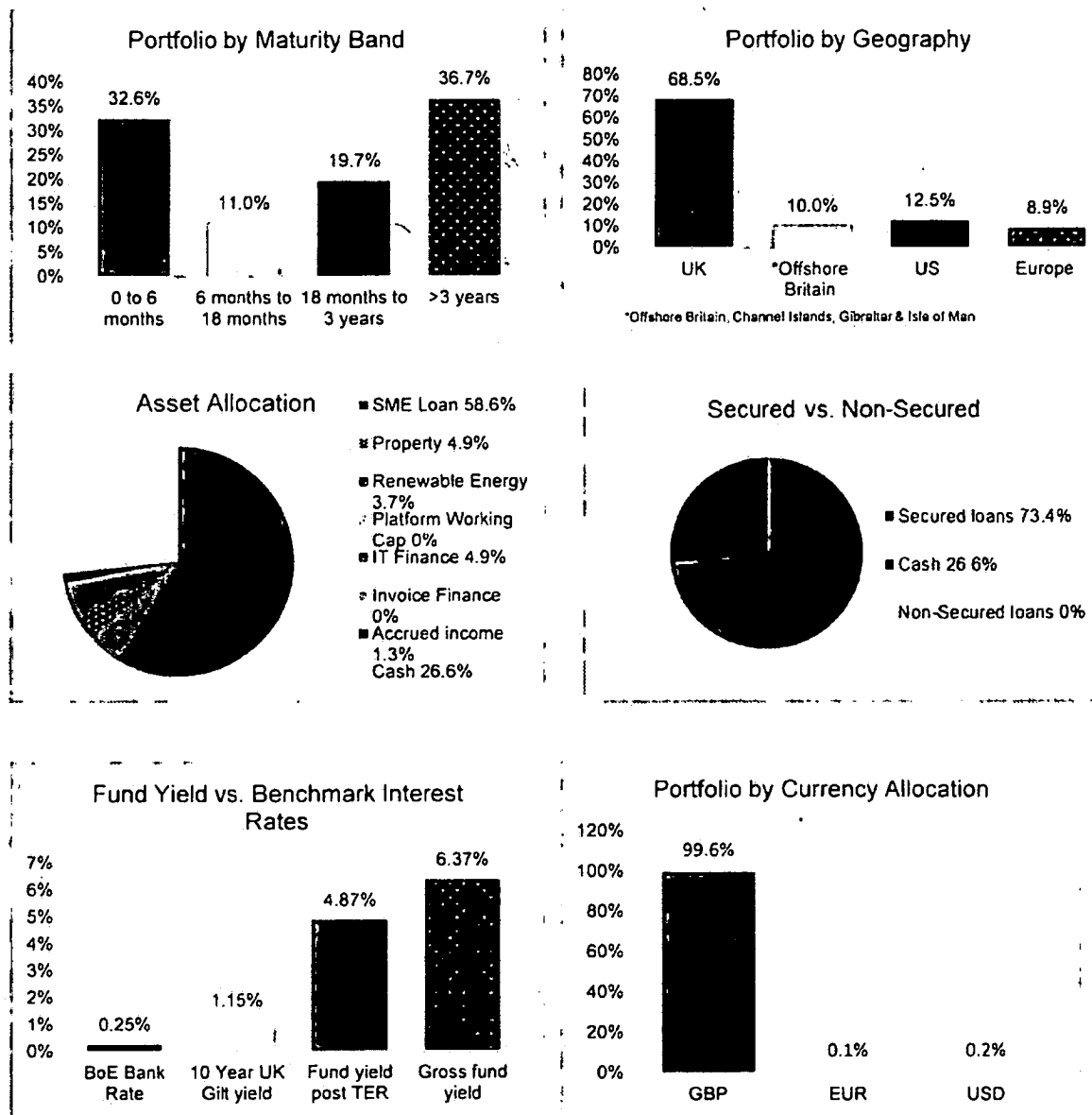
Dawn Kendall
Managing Director
SQN Asset Management Limited
8 September 2017



SQN Secured Income Fund plc

Strategic Report

Company analytics as at 30 June 2017



SQN Secured Income Fund plc

Strategic Report

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. Prior to the change in Investment Objective, which was approved at the extraordinary general meeting held on 27 April 2017, the Company invested in a range of loans originated principally through investee platforms with which the Sub-Investment Adviser is familiar. Since the appointment of the new Investment Manager and the change in the Investing Policy, the Company has also increased its exposure 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 and Sub-Investment Adviser monitor 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 and Sub-Investment Adviser undertake 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, Sub-Investment Adviser and other advisers.

SQN Secured Income Fund plc

Strategic Report Principal Risks (*continued*)

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. Further information in relation to the Board's policy on diversity can be found in the Directors' Remuneration Report on page 32.

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.

SNQ Secured Income Fund plc

Strategic Report

Key Performance Indicators (continued)

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. Following discussions with the Investment Manager regarding the anticipated returns from the Company's portfolio (both in the shorter and longer terms), the Company rebased its annual dividend target to 6.25p per Share, increasing to at least 7.0p per Share with effect from July 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 has (to date) announced dividends of £3,356,000 (6.375p per Ordinary Share) for the year ended 30 June 2017, being 86.0% of distributable income for the year (see notes 5 and 22 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 2017, once the tax advisers have finalised the tax computations.

NAV and total return

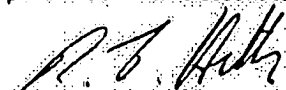
The Directors regard the Company's NAV as a key component to delivering value to Shareholders, but believe that total return (which includes dividends) is the best measure for shareholder value.

Details of the NAV and total return are disclosed on pages 1 and 57.

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 which 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 2017 the shares were trading at 97.75p, a 1.00% discount to NAV. However, the three month average share price was a 1.12% discount to NAV.



Richard Hills

Chairman

8 September 2017

SQN Secured Income Fund plc

Governance 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 Income & Capital Trust plc and Henderson International Income Trust plc.

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.

SQN Secured Income Fund plc

Governance

Directors' Report

The Directors of the Company are pleased to present their report and audited Financial Statements for the year ended 30 June 2017.

The Company was incorporated on 13 July 2015 and was launched on 23 September 2015, following a successful listing on the Specialist Fund Segment of the Main Market of the LSE, with gross proceeds raised of £52.7 million (£51.7 million net of issue costs), the initial seed portfolio of £40.3 million was combined with cash raised of £12.4 million.

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.

Corporate developments

During 2016 the Board became aware of investors' concerns regarding the potential conflicts of interest between the Company, Amberton and GLIF, the Company's relative small size and the illiquidity in the Ordinary Shares in the secondary market and concluded that such concerns would impede the Company's ability to grow through further share issues. The following action was taken to address these concerns:

Change of Investment Objective, Investment Manager and Company Name and Secondary Placing of Ordinary Shares

On 21 February 2017, the Directors announced that the Company was in discussions regarding a number of proposals which were, *inter alia*, intended to:

- Address Shareholders' concerns regarding conflicts of interest between the Company, the Company's then investment manager, Amberton Asset Management Limited and the Company's then largest Shareholder and holder of 50% of the shares in Amberton, GLI Finance Limited ("GLIF");
- Diversify the Company's shareholder base through a secondary placing of the Ordinary Shares held by GLIF and, as a result, improve liquidity in the Company's Ordinary Shares in the secondary market (the "Secondary Placing");
- Provide the Company with access to a broader range of investment management skills through the appointment of SQN Capital Management, LLC ("SQN US") as the Company's Investment Manager; and
- Enhance the prospect of increasing the size of the Company through share issues in due course.

The Company announced on 8 March 2017 that a Secondary Placing was to complete on 10 March 2017 and SQN US, together with its UK subsidiary SQN Asset Management Limited ("SQN UK"), were appointed as the Company's new Investment Manager, and SQN US were appointed as the Company new Alternative Investment Fund Manager pursuant to the AIFMD, with effect from 1 April 2017.

As a first step towards addressing investors' concerns, the Company and GLIF agreed the changes to the Company's investment management arrangements (referred to below) and GLIF agreed to sell its holding of 25,270,763 Ordinary Shares (representing 48% of the Company's issued share capital) through the Secondary Placing, which was co-ordinated by Cantor Fitzgerald Europe. The demand, principally from new investors (both institutional and wealth managers), to participate in the Secondary Placing significantly exceeded the number of Ordinary Shares available. The new Investment Manager (through SQN UK) participated in the Secondary Placing and acquired 3,300,000 Ordinary Shares, representing 6.3% of the Company's issued share capital.

The Secondary Placing, which completed on 10 March 2017, has broadened the Shareholder base significantly and has already led to a material improvement in the market liquidity of the Ordinary Shares and a narrowing of the discount at which the Ordinary Shares are trading relative to their net asset value.

SQN Secured Income Fund plc

Governance

Directors' Report (*continued*)

SQN US and SQN UK were appointed as Investment Manager to the Company with effect from 1 April 2017. In conjunction with this appointment, SQN US appointed Amberton as its Sub-Investment Adviser with effect from 1 April 2017 in relation to the Company's existing portfolio of loans originated by or through the Investee platforms.

The Board believes that the appointment of SQN US and SQN UK as Investment Manager provides the Company with access to a broader range of investment management skills. Therefore, on 5 April 2017 the Board proposed to make certain changes to the Company's investment objective and investment policy (details of which are set out below) so that the Company could benefit from this broader range of skills and continue to provide attractive returns to Shareholders. Following discussions with the Investment Manager regarding the anticipated returns from the Company's portfolio (both in the shorter and longer terms), the Company rebased its annual dividend target to 6.25p per Share, increasing to at least 7.0p per Share with effect from July 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%.¹

Having reviewed the operation of the Company's discretionary six-monthly redemption facility for up to 20% of its issued share capital at a redemption price equal to 99.5% of the net asset value per Ordinary Share and, in particular, the need to build up cash balances in advance of a redemption date in order to be able to satisfy redemption requests, the Directors concluded that the redemption facility was an inefficient and inflexible structure that was not well-suited to the less liquid assets in which the Company invests. Accordingly, the Directors used their discretion and decided not to implement the first potential redemption opportunity at 31 March 2017 and proposed that the Company adopt the new Articles of Association, which remove the provisions relating to the six-monthly redemption facility.

The Directors recognise the importance to Shareholders of increasing the size of the Company in order to increase the liquidity of its Ordinary Shares in the secondary market. The Directors believe that the Company's prospects for issuing further Shares in due course have been enhanced significantly by the Secondary Placing and the appointment of the SQN US and SQN UK as Investment Manager and were further enhanced when Shareholders approved the following at the extraordinary general meeting held on 27 April 2017:

- The proposed changes to the investment objective and investment policy;
- Authority for the Company to create a share issuance programme for up to 250 million Ordinary Shares and/or C Shares. Subject to publication of a prospectus by the Company, the share issuance programme may be implemented by way of a series of placings and tap issues and, potentially, open offers, offers for subscription and/or intermediaries offers; and
- The adoption of the new Articles of Association which include, amongst other things, a provision for a continuation resolution (by way of an ordinary resolution) if the Company's net assets at 31 December 2019 are less than £250 million.

At the 27 April 2017 extraordinary general meeting, several changes were approved by Shareholders to the Company's investment restrictions (calculated based on the Company's gross assets at the time of investment) to reflect the proposed broader focus of its investment policy:

¹ This is a target only, not a forecast, based on a number of assumptions which may not materialise. There can be no guarantee that this target will be met and this should not be taken as an indication of the Company's expected or actual future results.

SQN Secured Income Fund plc

Governance

Directors' Report (continued)

Investment Restriction	Revised Investment Policy	Prior Investment Policy
Geography		
- Exposure to UK loan assets	Minimum of 60%	Maximum of 70%
- Minimum exposure to non-UK loan assets	20%	30%
Duration to maturity		
- Minimum exposure to loan assets with duration of less than 6 months	None	20%
- Maximum exposure to loan assets with duration of 6 - 18 months and 18 - 36 months	None	40% in each case
- Maximum exposure to loan assets with duration of more than 36 months	50%	40%
Maximum single investment	10%	2.5%
Maximum exposure to single borrower or group	10%	None
Maximum exposure to loan assets sourced through single alternative lending platform or other third party originator	25%	None
Maximum exposure to any individual wholesale loan arrangement	25%	None
Maximum exposure to loan assets which are neither sterling-denominated nor hedged back to sterling	15%	None
Maximum exposure to unsecured loan assets	25%	50%
Maximum exposure to assets (excluding cash and cash-equivalent investments) which are not loans or investments with loan-based investment characteristics	10%	None

Results and Dividends

The results of the Company for the year are shown on page 38.

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 2017 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 (to date) announced dividends of 6.38p per Ordinary Share out of the profits for the year ended 30 June 2017, of which 5.33p 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 £3,792,000 was incurred in respect of dividends, none of which was outstanding at the reporting date, but the twentieth and twenty first dividends of £276,000 each had not been provided for at 30 June 2017 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 2017, the Company had net assets of £52,048,000 (2016: £53,400,000).

SQN Secured Income Fund plc

Governance

Directors' Report (continued)

Going Concern

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 2020. 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 2020.

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, and, by their very nature, provide reasonable, but not absolute, assurance against material misstatement or 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 internal control systems are designed to meet the Company's particular needs 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.

SQN Secured Income Fund plc

Governance

Directors' Report (continued)

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 the 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 24 to the financial statements. The principal risks faced by the Company are outlined on pages 11 and 12.

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 ("Elysium"), which acts as Administrator and Company Secretary;
- Butterfield Bank (Guernsey) Limited, which acts as Banker; and
- Capita Asset Services, which acts as Registrar.

In addition, Amberton Asset Management Limited, which acts as Sub-Investment Adviser, and until 31 March 2017 acted as the investment manager, provides investment advisory services to the Company under a contract with the Investment Manager.

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".

During the year, £5,000 was incurred in respect of taxation, being tax charged on the balance of the 2016 taxable income not distributed by way of dividend (see note 12 for further details).

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) at £1 each.

Substantial shareholdings

Until March 2017, GLI Finance Limited held 25,270,763 Ordinary Shares (47.99% of the Ordinary Shares in issue). On 10 March 2017, the Secondary Placing of these shares was successfully completed (see page 15).

SQN Secured Income Fund plc

Governance

Directors' Report (continued)

Substantial shareholdings (continued)

As at 30 June 2017, the Company had been informed of the following notifiable interests of 3% or more in the Company's voting rights in accordance with Disclosure and Transparency Rule 5.1.2:

Shareholder	Number of Ordinary Shares	Percentage holding
Somerston Golf GP Limited	14,725,000	27.96
CG Asset Management Limited	4,250,000	8.07
SQN Asset Management Limited	3,300,000	6.27
Jupiter Asset Management Limited	2,943,000	5.59
Albion Resources	2,690,000	5.11
CQS Management	2,583,000	4.91
Pictet Asset Management	2,500,000	4.75
AXA Investment Managers	2,500,000	4.75
Staude Capital	2,436,000	4.63
Killik Asset Management	2,259,243	4.29
Winterflood Securities	2,025,136	3.85

There were no changes to any of the above holdings between 30 June 2017 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:

	Date of appointment	Date of resignation
Richard Hills (Chairman)	13 July 2015	-
David Stevenson	13 July 2015	-
Ken Hillen	21 June 2016	-
Nick Brind	13 July 2015	22 July 2016

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").

Directors' interests

At 30 June 2017, 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 2017 and the date of this report.

Political donations

The Company made no political donations during the year to organisations either within or outside of the EU (2016: nil).

SQN Secured Income Fund plc

Governance

Directors' Report (continued)

Corporate Governance

The Corporate Governance Report can be found on pages 23 to 25.

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

8 September 2017



Ken Hillen

Director

8 September 2017

SQN Secured Income Fund plc

Governance

Directors' Report (continued)
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 IFRSs 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.

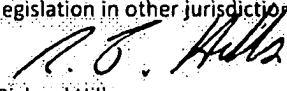
Directors' statement pursuant to the Disclosure and Transparency Rules

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.

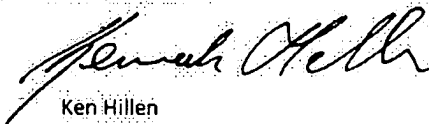
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on SQN Secured Income Fund plc's website.

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


Richard Hills

Chairman

8 September 2017


Ken Hillen

Director

8 September 2017

SQL Secured Income Fund plc

Governance

Corporate Governance Report

Companies with a standard listing 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, 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:

Senior independent director – The Directors have determined that the size of the Company's Board, which is comprised solely of independent Directors, does not warrant the appointment of a senior independent director.

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 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.

SQN Secured Income Fund plc

Governance

Corporate Governance Report *(continued)*

The Board and its committees *(continued)*

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.

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, shall, amongst other things, review the actions and judgements of the Investment Manager and also the terms of the Investment Management Agreement. It will also review 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 Nomination 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 into account both the diversity, 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.

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.

SQN Secured Income Fund plc

Governance

Corporate Governance Report (continued)

Board meeting attendance

During the year, the Company held fourteen Board meetings, eight Committee meetings, three Audit and Valuation Committees 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				Remuneration and Nominations Committee
	Board	Committees of the Board	Audit and Valuation Committee	Management Engagement Committee	
Richard Hills	14/14	1/8	3/3	1/1	1/1
Ken Hillen	11/14	8/8	3/3	1/1	1/1
David Stevenson	13/14	0/8	3/3	1/1	1/1
Nick Brind	1/2	0/0	0/0	0/0	0/0

Richard Hills and David Stevenson 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 its first 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.

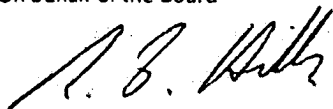
Relations with Shareholders and Annual General Meeting

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 12:00pm on 8 December 2017. 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 hold 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
8 September 2017

SQN Secured Income Fund plc

Governance

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.

SQN Secured Income Fund plc

Governance

Audit and Valuation Committee Report (continued)

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.

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 9 June 2017. 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.

SQN Secured Income Fund plc

Governance

Audit and Valuation Committee Report (continued)

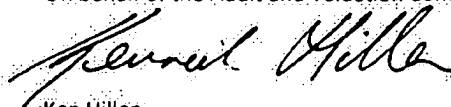
External audit (continued)

The feedback provided by the Investment Manager, Sub-Investment Adviser 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 during the year, RSM UK Tax and Accounting Limited has ceased to act as the Company's tax adviser 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 2017, total fees, plus VAT, charged by RSM UK Audit LLP, together with amounts accrued at 30 June 2017, amounted to £45,000 (2016: £121,000), of which £42,000 (2016: £44,000) related to audit services, £3,000 (2016: £15,000) was in respect of tax services, and £nil (2016: £62,000) related to reporting accountant and tax work on the IPO.

On behalf of the Audit and Valuation Committee



Ken Hillen

Chairman of the Audit and Valuation Committee

8 September 2017

SQN Secured Income Fund plc

Governance

Directors' Remuneration Report

The Directors' Remuneration Report for the year ended 30 June 2017 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.

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:

Current Directors

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

Former Directors

Nick Brind (resigned on 22 July 2016)	£25,000
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SQN Secured Income Fund plc

Governance

Directors' Remuneration Report (*continued*)

Remuneration policy (*continued*)

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.

During the first financial period, being the period ended 30 June 2016, your Directors were called upon to undertake a number of additional responsibilities relating to the Company and its operations as evidenced, in part, by the 15 Board meetings which took place during that period. In recognition of that, the Board awarded both Richard Hills and David Stevenson an additional £10,000 remuneration, to be used to purchase Ordinary Shares of the Company. This was paid in December 2016 and Richard Hills and David Stevenson purchased shares in March 2017, when the Company was out of a close period.

Ken Hillen was asked by the Board to perform additional duties relating specifically to the loans held within the Company's portfolio. These duties involved monitoring the risk profile of the portfolio in greater detail and attending regular meetings with SQN Asset Management Limited to review the composition of the loan portfolio. He also has sight of credit proposals, as an observer only, above an agreed upon threshold. The Board believes that this increased level of oversight by the Board is to Shareholders' benefit. To reflect the extra time commitment required of Ken Hillen, the Board awarded him an additional £10,000 per annum compensation, for as long as this situation 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 2017 was:

	Year ended 30 June 2017	Period ended 30 June 2016
	£	£
Richard Hills	47,500	23,253
Ken Hillen (<i>appointed on 21 June 2016</i>)	41,250	820
David Stevenson	37,500	19,298
Nick Brind (<i>resigned on 22 July 2016</i>)	2,083	19,298
Norman Crighton (<i>resigned on 21 June 2016</i>)	-	26,013
Total	128,333	88,682

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 (2016: none).

During the year, no payments were made to persons who had previously been Directors of the Company (2016: none).

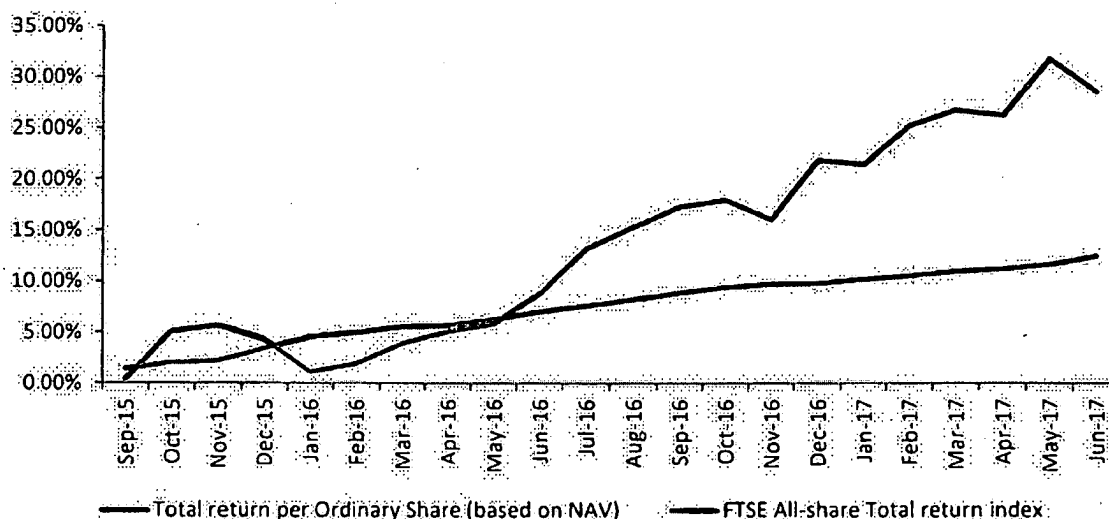
SQL Secured Income Fund plc

Governance

Directors' Remuneration Report (continued)

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 2017.



Relative importance of spend on pay

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

	Year ended 30 June 2017	Period ended 30 June 2016
	£	£
Total Directors' remuneration	128,333	88,682
Total dividend payments ⁽¹⁾	3,357,097	2,606,687

[1] Total dividend payments includes the interim dividends which were paid from the profits of the Company for the year ended 30 June 2017, including the dividends paid on 28 July 2017 and 25 August 2017 of £276,467 each (2016: £315,962), which were not provided for at 30 June 2017 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 2017, 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

SQN Secured Income Fund plc

Governance

Directors' Remuneration Report (*continued*)

Board diversity

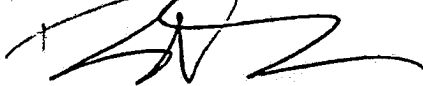
Currently the Board has three male Directors. The Remuneration and Nominations Committee considers the current structure, size and composition required of the Board, taking into account the challenges and opportunities facing the Company. In considering future candidates, appointments will be made with 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. The Remuneration and Nominations Committee will prioritise gender diversity when making future recommendations.

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

8 September 2017

SQN Secured Income Fund plc

Governance

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 Amberton during the nine months ended 31 March 2017 was £354,000 (2016: £244,000 for the period ended 30 June 2016), comprising £290,000 fixed and £64,000 variable remuneration (2016: £221,000 fixed and £23,000 variable remuneration). 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 period ended 31 March 2017 was £252,000 (2016: £244,000).

The total remuneration of the staff of SQN US during the three months ended 30 June 2017 was £460,000 (2016: n/a), all fixed remuneration. There were seven beneficiaries. 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 period ended 30 June 2017 was £84,000 (2016: n/a).

Risk disclosures

The financial risk disclosures relating to the risk framework and liquidity risk, as required by the AIFMD, are set out in note 24.

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 to 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 (www.thesmeloanfund.com). 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.

SQN Secured Income Fund plc

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 2017 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies 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) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments - Valuation

Risk:

The company holds a loan book with a total value of £39.5m as at 30 June 2017 (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 of charge of £149,000 and written-off a total of £500,000 in respect of non-performing loans.

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

SQN Secured Income Fund plc

Independent Auditor's Report to the members of SQN Secured Income Fund plc (continued)

How the scope of our audit responded to the risk:

We reviewed managements impairment summary as at 30 June 2017 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.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined that materiality for the current year is £171,000 which was heavily influenced by net profit before tax.

The rationale for the benchmark applied was due to the key driver for investors being dividends earned each month out of absolute profits subject to any impact on distributable reserves caused by unrealised profits.

We agreed with the Audit and Valuation Committee that we would report to the Committee all audit differences in excess of £5,000, as well as differences below that threshold that, in our view warranted reporting on qualitative grounds. We also report to the Audit and Valuation Committee on disclosures matters that we identified when assessing the overall presentation of the financial statements.

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 £171,000.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 63, 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 the other information, we are required to report that fact. We have nothing to report in this regard.

SQN Secured Income Fund plc

Independent Auditor's Report to the members of SQN Secured Income Fund plc (continued)

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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, 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.

SQN Secured Income Fund plc

Independent Auditor's Report to the members of SQN Secured Income Fund plc (continued)

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 December 2015 to audit the financial statements for the year ending 30 June 2016 and subsequent financial periods.

The period of total uninterrupted engagement is 2 years, covering the years ending 30 June 2016 to 30 June 2017.

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.

There were no services, in addition to the audit, which were provided by the firm to the Company that have not been disclosed in the financial statements or elsewhere in the annual report.

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

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.

RSM UK Audit LLP

Malcolm Pirouet (Senior Statutory Auditor)

For and on behalf of

RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London, EC4A 4AB

8 September 2017

SQN Secured Income Fund plc

**Statement of Comprehensive Income
for the year ended 30 June 2017**

		<i>Period from 13 July 2015 Year ended (incorporation) to 30 June 2017 £'000</i>	<i>30 June 2016 £'000</i>
Revenue			
Investment income		4,462	3,762
Other income		4	1
Total revenue		4,466	3,763
Operating expenses			
Management fees	7a	(408)	(295)
Other expenses	11	(209)	(164)
Legal and professional fees		(172)	(71)
Administration fees	7b	(144)	(129)
Directors' remuneration	8	(128)	(89)
Broker fee		(119)	(61)
Total operating expenses		(1,180)	(809)
Investment gains and losses			
Movement in unrealised gains on loans	15	(718)	939
Movement in unrealised gain on investments at fair value through profit or loss	16	(193)	242
Movement in unrealised gain on investment in subsidiary		(677)	677
Movement in unrealised gain on derivative financial instruments	18	127	23
Realised gain on disposal of loans		782	-
Realised gain on disposal of investments at fair value through profit or loss	16	260	-
Realised gain on disposal of subsidiary		673	-
Realised loss on derivatives	18	(1,008)	(1,214)
Total investment gains and losses		(754)	667
Net profit from operating activities before gain on foreign currency exchange		2,532	3,621
Net foreign exchange (loss)/gain		(87)	34
Net profit before taxation		2,445	3,655
Taxation			
Corporation tax	12	(5)	-
Profit and total comprehensive income for the year/period attributable to the owners of the Company		2,440	3,655
Earnings per Ordinary Share (basic and diluted)	13	4.63p	6.94p

SQL Secured Income Fund plc

Statement of Comprehensive Income (continued)
for the year ended 30 June 2017

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

There were no other comprehensive income items in the year/period.

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

The accompanying notes on pages 43 to 63 form an integral part of the financial statements.

SQN Secured Income Fund plc

**Statement of Changes in Equity
for the year ended 30 June 2017**

	Note	Called up share capital £'000	Share premium account £'000	Special distributable reserve £'000	Profit and loss account £'000	Total £'000
Opening balance at 13 July 2015		-	-	-	-	-
Profit for the period	22	-	-	-	3,655	3,655
<i>Transactions with Owners in their capacity as owners:</i>						
Share capital issued	21	577	52,133	-	-	52,710
Share issue costs	22	-	(990)	-	-	(990)
Dividends paid	5,22	-	-	(201)	(1,774)	(1,975)
Cancellation of share premium account	22	-	(51,143)	51,143	-	-
Total transactions with Owners in their capacity as owners		577	-	50,942	(1,774)	49,745
At 30 June 2016		577	-	50,942	1,881	53,400
Profit for the year	22	-	-	-	2,440	2,440
<i>Transactions with Owners in their capacity as owners:</i>						
Dividends paid	5,22	-	-	-	(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

There were no other comprehensive income items in the year/period.

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

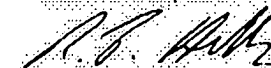
The accompanying notes on pages 43 to 63 form an integral part of the financial statements.

SQL Secured Income Fund plc

Statement of Financial Position
as at 30 June 2017

	Note	30 June 2017 £'000	30 June 2016 £'000
Non-current assets			
Loans at amortised cost	15	32,450	28,449
Investments at fair value through profit or loss	16,17	258	1,981
Total non-current assets		32,708	30,430
Current assets			
Loans at amortised cost	15	7,008	17,625
Cash held on client accounts with platforms	15	1,144	359
Investment in subsidiary	14,17	-	41,088
Derivative financial instruments	17,18	150	23
Other receivables and prepayments	19	733	3,163
Cash and cash equivalents		13,376	2,192
Total current assets		22,411	64,450
Total assets		55,119	94,880
Current liabilities			
Amount due to subsidiary	14	-	(41,088)
Other payables and accruals	20	(3,071)	(392)
Total liabilities		(3,071)	(41,480)
Net assets		52,048	53,400
Capital and reserves attributable to owners of the Company			
Called up share capital	21	577	577
Other reserves	22	51,471	52,823
Equity attributable to the owners of the Company		52,048	53,400
Net asset value per Ordinary Share	23	98.74p	101.31p

These financial statements of SQL Secured Income Fund plc (registered number 09682883) were approved by the Board of Directors on 8 September 2017 and were signed on its behalf by:


Richard Hills
Chairman

8 September 2017


Ken Hillen
Director

8 September 2017

The accompanying notes on pages 43 to 63 form an integral part of the financial statements.

SQN Secured Income Fund plc

**Statement of Cash Flows
for the year 30 June 2017**

	<i>Year ended 30 June 2017</i>	<i>Period from 13 July 2015 (incorporation) to 30 June 2016</i>
	<i>£'000</i>	<i>£'000</i>
Cash flows from operating activities		
Net profit before taxation	2,445	3,655
<i>Adjustments for:</i>		
Movement in unrealised gains on loans	718	(939)
Movement in unrealised gain on investment at fair value through profit or loss	193	(242)
Movement in unrealised gain on investment in subsidiary	677	(677)
Movement in unrealised gain on derivatives	(127)	(23)
Realised gain on disposal of loans	(782)	-
Realised gain on disposal of investments at fair value through profit or loss	(260)	-
Realised gain on disposal of subsidiary	(673)	-
Realised loss on derivatives	1,008	1,214
Interest received and reinvested by platforms	(1,596)	(1,505)
Capitalised interest	-	(23)
Decrease/(increase) in investments	11,710	(9,439)
Net cash inflow/(outflow) from operating activities before working capital changes	13,313	(7,979)
Increase in other receivables and prepayments	(1,011)	(624)
Increase in other payables and accruals	2,806	260
Net cash inflow/(outflow) from operating activities	15,108	(8,343)
Cash flows from financing activities		
Proceeds from issue of Management Shares	-	50
Proceeds from issue of Ordinary Shares	-	12,801
Share issue costs paid	-	(473)
Dividend paid	(3,924)	(1,843)
Net cash (outflow)/inflow from financing activities	(3,924)	10,535
Increase in cash and cash equivalents in the year/period	11,184	2,192
Cash and cash equivalents at the beginning of the year/period	2,192	-
Cash and cash equivalents at 30 June 2017	13,376	2,192
Supplemental cash flow information		
Non-cash transaction – receipt of seed portfolio for issue of Ordinary Shares	-	40,271
Non-cash transaction – interest received and reinvested by platforms	1,596	1,505

The accompanying notes on pages 43 to 63 form an integral part of the financial statements.

SQN Secured Income Fund plc

**Notes to the Financial Statements
for the year ended 30 June 2017**

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 listed 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

A change to the investment objective and investment policy were approved by Shareholders at an extraordinary general meeting held on 27 April 2017. The new investment objective and investment policy are as below and further details are provided on pages 2 to 4.

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 2017. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union.

The financial statements for the period ended 30 June 2016 were consolidated as, as at 30 June 2016, the Company held a wholly owned subsidiary. The subsidiary was liquidated during the current year (see note 14 for further details). Therefore, the information presented within these financial statements, including the comparative information, represents the Company only position.

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 22.

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.

Notes to the Financial Statements (*continued*)
for the year ended 30 June 2017

2. Statement of compliance (*continued*)

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 IFRSs 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 IFRSs 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.

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.

Notes to the Financial Statements (continued)
for the year ended 30 June 2017

3. Significant accounting policies (continued)

b) Financial assets and liabilities (continued)

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.

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.

SQN Secured Income Fund plc

Notes to the Financial Statements (*continued*)
for the year ended 30 June 2017

3. Significant accounting policies (*continued*)

e) Transaction costs

Transaction costs incurred on the acquisition of loans are capitalised upon recognition of the financial asset.

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:

IFRS 7	Financial Instruments: Disclosures - <i>annual improvements</i> .
IFRS 12	Disclosure of Interests in Other Entities - <i>amendments regarding the application of the consolidation exception</i> .
IAS 1	Presentation of Financial Statements - <i>amendments resulting from the disclosure initiative</i> .

The adoption of the above standards did not have an impact on the financial position or performance of the Company.

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.

	<i>Effective date</i>
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 7 Statement of Cash Flows	1 January 2017
Annual improvements to IFRSs 2014-2016 Cycle	1 January 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

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.

SQN Secured Income Fund plc

Notes to the Financial Statements (continued)
for the year ended 30 June 2017

3. Significant accounting policies (continued)

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

The Company plans to adopt the new standard on the required effective date. The Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity, and will perform a more detailed assessment in 2017.

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 expects to continue measuring loans and receivables at amortised cost, and at fair value 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 should be probability weighted and take 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.

The Directors are currently evaluating the impact of IFRS 9 upon the Company. However, it is noted that the measurement of impairment will involve increased complexity and judgement, including estimation of probabilities of default. The use of security on a large (and increasing) proportion of the Company's loans will limit the impact of adopting IFRS 9. Therefore, it is not expected to have a material financial impact. However, it will not be practical to disclose reliable financial impact estimates until the implementation programme is further advanced.

The impact that IFRS 15 will have on the Company's financial statements is also considered to be immaterial because the Company does not have any contracts with customers which meet the definition under IFRS 15.

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 (*continued*)
for the year ended 30 June 2017

4. Use of Judgements and estimates (*continued*)**1) Recoverability of loans and other receivables**

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.

At 30 June 2017, 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 7.0p per Share with effect from July 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 2017 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 2017:

<i>Announcement date</i>	<i>Pay date</i>	<i>Total dividend declared in respect of earnings in the year £'000</i>	<i>Amount per Ordinary Share</i>
23 August 2016	23 September 2016	316	0.60p
21 September 2016	28 October 2016	316	0.60p
25 October 2016	28 November 2016	316	0.60p
21 November 2016	23 December 2016	316	0.60p
12 December 2016	27 January 2017	316	0.60p
12 January 2017	24 February 2017	316	0.60p
15 February 2017	24 March 2017	316	0.60p
24 March 2017	28 April 2017	316	0.60p
19 May 2017	23 June 2017	276	0.525p
23 June 2017	28 July 2017	276	0.525p
21 July 2017	25 August 2017	276	0.525p
Dividends declared (to date) for the year		3,356	6.375p
Less, dividends paid after the year end		(552)	(1.05)p
Add, dividends paid in the year in respect of the prior period		988	1.876p
Dividends paid in the year		3,792	7.201p

Notes to the Financial Statements (continued)
for the year ended 30 June 2017

5. Dividends (continued)

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 £3,792,000 (2016: £1,975,000) was incurred in respect of dividends, none of which was outstanding at the reporting date (2016: none). The twentieth and twenty first dividends of £276,000 each had not been provided for at 30 June 2017 as, in accordance with IFRS, they were not deemed to be liabilities of the Company at that date.

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

On 21 August 2017, the Company declared a dividend of 0.525 pence per share for the period from 1 July 2017 to 31 July 2017. This dividend will be paid on 29 September 2017.

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, Amberton Asset Management Limited ("Amberton" or the "Sub-Investment Adviser") 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.

Transactions with GLI Finance Limited ("GLIF")

In September 2016, as payment of the balance due from GLIF, 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.

In the previous period, the Company purchased GLI Alternative Finance Guernsey Limited from GLIF, on Admission, in return for 40,270,763 Ordinary Shares in the Company. In addition, during the previous period the Company purchased loans and associated interest of £4,675,000 from GLIF.

The Company also purchased a loan from Sancus Limited (a subsidiary of GLIF) of £1,250,000 as part of a co-investment agreement, for which GLIF was the borrowing party of the original loan. As at 30 June 2016, the outstanding balance of the loan was £1,250,000 and during the period ended 30 June 2016, the Company earned interest on the loan of £84,000, of which £4,000 was outstanding as at 30 June 2016.

Further, on 23 December 2015, GLIF agreed to buy back a loan and associated accrued interest from the Company. GLIF agreed that interest would continue to accrue to the Company, on the same terms, until such time that GLIF repaid the loan.

As at 30 June 2016, GLIF owed the Company £2,392,000, which related solely to the above mentioned loan and accrued interest.

On 30 June 2016, GLIF guaranteed 100% of the outstanding principal of a £1,200,000 loan from the Company to one of the platforms and all of the associated interest.

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 £3,000 was earned in the year, all of which was outstanding at 30 June 2017. 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.

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.

SQN Secured Income Fund plc

Notes to the Financial Statements (*continued*) for the year ended 30 June 2017

6. Related parties (*continued*)

Transactions with subsidiary undertaking

Details of the transactions with the Company's previous subsidiary undertaking are disclosed in note 14.

7. Key contracts

a) Investment Manager

With effect from 1 April 2017, SQN Asset Management Limited ("SQN UK") and SQN Capital Management, LLC ("SQN US") were appointed as the Investment Manager and Amberton ceased to act as Investment Manager. Amberton was appointed as Sub-Investment Adviser to the Investment Manager with effect from 1 April 2017.

The Investment Manager 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.

With effect from 1 April 2017, 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 are borne by the Investment Manager.

During the year, a total of £408,000 (2016: £295,000) was incurred in respect of management fees (£278,000 to Amberton and £130,000 to SQN UK (2016: £295,000 to Amberton)), of which £43,000 (2016: £93,000 to Amberton) was payable at the reporting date.

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 £144,000 (2016: £129,000) was incurred in respect of administration fees, of which £31,000 (2016: £35,000) was payable at the reporting date.

A set-up fee of £25,000 was also paid to Elysium in the period ended 30 June 2016.

8. Directors' remuneration

During the year, a total of £128,000 (2016: £89,000) was incurred in respect of Directors' remuneration, £9,000 of which was payable at the reporting date (2016: none). 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 29 to 32.

SQL Secured Income Fund plc

Notes to the Financial Statements (continued)
for the year ended 30 June 2017

9. Key management and employees

The Company had no employees during the year (2016: 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 2017, total fees, plus VAT, charged by RSM UK Audit LLP, together with amounts accrued at 30 June 2017, amounted to £45,000 (2016: £121,000), of which £42,000 (2016: £44,000) related to audit services, £3,000 (2016: £15,000) was in respect of tax services, and £nil (2016: £62,000) (included in Share issue costs) related to reporting accountant and tax work on the IPO. As at 30 June 2017, £38,000 (2016: £23,000) was due to RSM UK Audit LLP.

11. Other expenses

	Year ended 30 June 2017	Period from 13 July 2015 (incorporation) to 30 June 2016
	£'000	£'000
Audit fees (note 10)	42	44
Accountancy and taxation fees	37	-
Registrar fees	30	17
Custodian fee	25	19
Listing fees	22	14
Website costs	17	18
Other expenses	15	15
Travel costs	6	13
Directors' liability insurance	6	6
Printing costs	6	3
Auditors' non-audit and taxation fees (note 10)	3	15
	<u>209</u>	<u>164</u>

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 or 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.

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".

SQN Secured Income Fund plc

**Notes to the Financial Statements (continued)
for the year ended 30 June 2017**

12. Taxation (continued)

	Year ended 30 June 2017 £'000	Period from 13 July 2015 (incorporation) to 30 June 2016 £'000
Corporation tax:		
- Current year	-	-
- Adjustments in relation to prior period ⁽¹⁾	5	-
Total tax expense for the year/period	5	-

[1] The Company made interest distributions in relation to the prior year based on estimated taxable profit for that period. The adjustment of £5,000 relates to the corporation tax charge on the residual taxable profit which transpired upon finalisation of the corporation tax return.

	Year ended 30 June 2017 £'000	Period from 13 July 2015 (incorporation) to 30 June 2016 £'000
Reconciliation of tax charge:		
Profit before taxation	2,445	3,655
Tax at the standard UK corporation tax rate of 20%	489	731
Effects of:		
- Non-taxable investment gains and losses	150	(133)
- Interest distributions	(671)	(598)
- Tax losses carried forward	32	-
- Adjustments in relation to prior period	5	-
Total tax expense	5	-

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

	Year ended 30 June 2017 £'000	Period from 13 July 2015 (incorporation) to 30 June 2016 £'000
United Kingdom	20%	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 4.63p (2016: 6.94p) is based on a profit attributable to the owners of the Company of £2,440,000 (2016: £3,655,000) and on a weighted average number of 52,660,350 (2016: 52,660,350) Ordinary Shares in issue since Admission. There is no difference between the basic and diluted earnings per share.

SQN Secured Income Fund plc

Notes to the Financial Statements (continued)
for the year ended 30 June 2017

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.

As at 30 June 2016, the investment in the subsidiary, carried at fair value through profit or loss, was held at £41,088,000, and the Company owed £41,088,000 to the subsidiary.

15. Loans at amortised cost

	<i>Year ended 30 June 2017</i>	<i>Period from 13 July 2015 (incorporation) to 30 June 2016</i>
	<i>£'000</i>	<i>£'000</i>
Loans	40,381	45,494
Unrealised gain*	221	939
Balance at year/period end	40,602	46,433
Loans: Current	7,008	17,625
Non-current	32,450	28,449
Cash held on client accounts with platforms	1,144	359
Loans at amortised cost	40,602	46,433
*Unrealised gain		
Foreign exchange on non-Sterling loans	651	1,334
Impairments	(430)	(395)
Unrealised gain	221	939

The weighted average interest rate of the loans as at 30 June 2017 was 8.58% (2016: 9.49%).

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 2017, repayments of £1,031,000 (2016: £181,000) were past due, aged as below. However, the Company assessed the recoverability of the loans and did not consider any impairment necessary.

	<i>30 June 2017</i>	<i>30 June 2016</i>
	<i>£'000</i>	<i>£'000</i>
Less than 30 days overdue	385	16
More than 30 days but less than 90 days overdue	-	165
More than 90 days but less than a year overdue	646	-
Total	1,031	181

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**Notes to the Financial Statements (continued)
for the year ended 30 June 2017**

15. Loans at amortised cost (continued)

At 30 June 2017, the Board considered £430,000 (2016: £395,000) 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, Amberton had estimated a recoverable amount as at 30 June 2017.

	30 June 2017	30 June 2016
	£'000	£'000
Funding Knight	307	285
UK Bond Network	104	-
MyTripleA	19	-
Liftforward	-	110
Total impairment	430	395

During the year, £454,000 (2016: nil) 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 2017	Period from 13 July 2015 (incorporation) to 30 June 2016
	£'000	£'000
Balance brought forward	1,981	-
Additions in the year/period	181	1,739
Disposals in the year/period	(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	(193)	242
Balance at year/period end	258	1,981

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).

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Notes to the Financial Statements (continued)
for the year ended 30 June 2017

17. Fair value of financial instruments at fair value through profit or loss (continued)

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

	30 June 2017			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets				
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

At 30 June 2016, the financial instruments designated at fair value through profit or loss were as follows:

	30 June 2016			Total £'000
	Level 1 £'000	Level 2 £'000	Level 3 £'000	
Financial assets				
Unlisted equity shares	-	-	41,129	41,129
Unlisted preference shares	-	-	1,940	1,940
Derivative financial instruments (note 18)	-	23	-	23
Total financial assets designated as at fair value through profit or loss	-	23	43,069	43,092

At 30 June 2017, 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 (2016: 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 loss of £1,008,000 (2016: loss of £1,214,000) on forward foreign exchange contracts that settled during the year.

As at 30 June 2017, the open forward foreign exchange contracts were valued at £150,000 (2016: £23,000).

19. Other receivables and prepayments

	30 June 2017 £'000	30 June 2016 £'000
Accrued interest	711	651
Prepayments	14	18
Due from GLI Finance Limited	-	2,392
Other receivables	8	102
	733	3,163

Notes to the Financial Statements (continued)
for the year ended 30 June 2017

	30 June 2017	30 June 2016
	£'000	£'000
Other payable (see below)	2,692	-
Deferred investment income	124	62
Legal and professional fees	53	-
Management fee	43	93
Transaction fees	40	-
Audit fee	35	23
Administration fee	31	35
Other payables and accruals	18	12
Broker fee	13	23
Directors' remuneration	9	-
Accountancy and taxation fees	8	-
Taxation	5	-
Withholding taxation on dividends	-	131
Travel costs	-	13
	3,071	392

21. Share capital

	30 June 2017	30 June 2016
	£'000	£'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
	<u>-----</u>	<u>-----</u>
	30 June 2017	30 June 2016
	£'000	£'000
Called up share capital:		
52,660,350 Ordinary Shares of 1 pence each	527	527
50,000 Management Shares of £1 each	50	50
	<u>-----</u>	<u>-----</u>
	577	577

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.

SQN Secured Income Fund plc

Notes to the Financial Statements (continued)
for the year ended 30 June 2017

22. Other reserves

	Profit and loss account			Total £'000
	Special distributable reserve £'000	Distributable £'000	Non- distributable £'000	
Cancellation of share premium account	51,143	-	-	51,143
Realised revenue profit	-	2,988	-	2,988
Realised investment gains and losses	-	(1,214)	-	(1,214)
Unrealised investment gains and losses	-	-	1,881	1,881
Dividends paid	(201)	(1,774)	-	(1,975)
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

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.

During the period ended 30 June 2016, and following the approval of the Court, the Company cancelled the share premium account and transferred £51,143,000 to a special distributable reserve, being premium on issue of shares of £52,133,000 less share issue costs of £990,000.

The two £276,000 dividends (see note 5), which were declared on 23 June 2017 and 21 July 2017 respectively, will be partly paid out of the £109,000 remaining realised revenue profit with the balance being paid from the special distributable reserve.

23. 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 £52,048,000 (2016: £53,400,000), less £50,000 (2016: £50,000), being amounts owed in respect of Management Shares, and on 52,660,350 (2016: 52,660,350) Ordinary Shares in issue at the year end.

24. Financial Instruments and Risk Management

The Investment Manager manage 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.

Notes to the Financial Statements (*continued*)
for the year ended 30 June 2017

24. Financial Instruments and Risk Management (*continued*)

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, Custodian, 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.

Geographical

The Company invests in a range of secured loan assets in a broad spread of jurisdictions, but weighted towards the UK, Continental Europe and North America.

At the 27 April 2017 extraordinary general meeting, several changes were approved by Shareholders to the Company's investment restrictions (calculated based on the Company's gross assets at the time of investment) to reflect the proposed broader focus of its investment policy:

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Notes to the Financial Statements (continued)
for the year ended 30 June 2017

24. Financial Instruments and Risk Management (continued)
Risk concentration (continued)

Investment Restriction	Revised Investment Policy	Prior Investment Policy
Geography		
- Exposure to UK loan assets	Minimum of 60%	Maximum of 70%
- Minimum exposure to non-UK loan assets	20%	30%
Duration to maturity		
- Minimum exposure to loan assets with duration of less than 6 months	None	20%
- Maximum exposure to loan assets with duration of 6 - 18 months and 18 - 36 months	None	40% in each case
- Maximum exposure to loan assets with duration of more than 36 months	50%	40%
Maximum single investment	10%	2.5%
Maximum exposure to single borrower or group	10%	None
Maximum exposure to loan assets sourced through single alternative lending platform or other third party originator	25%	None
Maximum exposure to any individual wholesale loan arrangement	25%	None
Maximum exposure to loan assets which are neither sterling-denominated nor hedged back to sterling	15%	None
Maximum exposure to unsecured loan assets	25%	50%
Maximum exposure to assets (excluding cash and cash-equivalent investments) which are not loans or investments with loan-based investment characteristics	10%	None

The Company complied with the investment restrictions throughout the year up to 27 April 2017, when the Company needed to increase the level of cash held in order to meet the possible redemption facility. Since then, the Company has been redeploying the cash and at the date of signing this report, the Company met all of its investment restrictions.

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 2017, 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 +/- £13,000 (2016: +/- £99,000). The maximum price risk resulting from financial instruments is equal to the £258,000 carrying value of the investments at fair value through profit or loss (2016: £1,981,000).

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Notes to the Financial Statements (continued)
for the year ended 30 June 2017

24. Financial Instruments and Risk Management (continued)

Market risk

(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 2017, 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:

	<i>Investments at fair value through profit or loss</i>	<i>Loans and receivables</i>	<i>Cash and cash equivalents</i>	<i>Other payables and accruals</i>	<i>Exposure</i>	<i>Foreign currency forward contract</i>	<i>Net exposure</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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)
	<u>59</u>	<u>10,242</u>	<u>1,500</u>	<u>(31)</u>	<u>11,770</u>	<u>(11,779)</u>	<u>(9)</u>
30 June 2016							
US Dollars	1,940	7,144	318	-	9,402	(9,122)	280
Euros	25	5,467	10	-	5,502	(5,248)	254
	<u>1,965</u>	<u>12,611</u>	<u>328</u>	<u>-</u>	<u>14,904</u>	<u>(14,370)</u>	<u>534</u>

In order to limit the exposure to foreign currency risk, the Company entered into hedging contracts during the year. At 30 June 2017, the Company held foreign currency forward contracts to sell US\$8,800,000 and €5,550,000 (2016: US\$12,100,000 and €6,300,000) with a settlement date of 31 July 2017.

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 2017, 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 2017 would have decreased/increased by £(7,000)/£8,000 (2016: £(27,000)/£29,000), 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 £13,376,000 (2016: £2,192,000 and loans of £1,700,000) were the only interest bearing financial instruments subject to variable interest rates at 30 June 2017. 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 £67,000 (2016: £19,000).

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Notes to the Financial Statements (continued)
for the year ended 30 June 2017

24. Financial Instruments and Risk Management (continued)

Market risk (continued)

(iii) Interest rate risk (continued)

30 June 2017	Fixed interest	Variable interest	Non-interest	Total
	£'000	£'000	bearing	£'000
			£'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
 30 June 2016				
Financial Assets				
Loans	44,374	1,700	-	46,074
Cash held on client accounts with platforms	-	-	359	359
Investments at fair value through profit or loss	-	-	1,981	1,981
Investment in subsidiary	-	-	41,088	41,088
Derivative financial instruments	-	-	23	23
Other receivables	2,317	-	828	3,145
Cash and cash equivalents	-	2,192	-	2,192
Total financial assets	46,691	3,892	44,279	94,862
Financial Liabilities				
Amount due to subsidiary	-	-	(41,088)	(41,088)
Other payables	-	-	(330)	(330)
Total financial liabilities	-	-	(41,418)	(41,418)
Total interest sensitivity gap	46,691	3,892	2,861	53,444

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**Notes to the Financial Statements (*continued*)
for the year ended 30 June 2017**

24. Financial Instruments and Risk Management (*continued*)

Market risk (continued)

(iii) Interest rate risk (continued)

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.

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 2017, credit risk arose principally from cash and cash equivalents of £13,376,000 (2016: £2,192,000) and balances due from the platforms and SMEs of £40,602,000 (2016: £46,433,000). 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 2017 was low since the ratio of cash and cash equivalents to unmatched liabilities was 4:1 (2016: 6:1).

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 (excluding the amount due from subsidiary (see Note 14)), as detailed in the Investment Manager's Report, is as follows:

	30 June 2017	30 June 2016
	Percentage	Percentage
0 to 6 months	32.6	24.1
6 months to 18 months	11.0	21.8
18 months to 3 years	19.7	30.1
Greater than 3 years	36.7	24.0
	-----	-----
	100.0	100.0
	-----	-----

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Notes to the Financial Statements (continued)
for the year ended 30 June 2017

24. Financial Instruments and Risk Management (continued)

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 2017, 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 (2016: none, other than those shares issued at launch).

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.

25. Contingent assets and contingent liabilities

There were no contingent assets or contingent liabilities in existence at the year end (2016: none).

26. 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 2017, have been declared out of the profits for the year ended 30 June 2017 (see note 5).

On 21 August 2017, the Company declared a dividend of 0.525p per Ordinary Share for the period from 1 July 2017 to 31 July 2017. This dividend will be paid on 29 September 2017.

There were no other significant events after the reporting period.

27. Parent and Ultimate Parent Company

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

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*(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 OF ANNUAL GENERAL MEETING

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 8 December 2017 at 12:00pm 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 2017, 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 2017.
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 re-elect Kenneth James Gribben Hillen as a Director of the Company.
7. To re-elect Richard John Hills 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 £1,053,207 (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 2018, 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 extraordinary 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 2016 annual general meeting that permit the Company to issue Ordinary Shares representing approximately 10% 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 ability of the Company to raise further capital without publishing a prospectus has been enhanced. 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, Board is seeking authority to issue Ordinary Shares up to an aggregate nominal value of £1,053,207, representing approximately 20% of the issued

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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 2018 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.

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 £1,053,207 (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 2018 (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 2018, 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) 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 7,893,790 (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 2018 and (iii) the date which is 18 months from the date on which this authority is passed; and

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- 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.

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 2018 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
8 September 2017

Registered Office:
1 Finsbury Circus
London
EC2M 7SH

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, Capita 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 6 December 2017. 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 6 December 2017. 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.

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- 3 As at 24 August 2017 (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 24 August 2017, 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 providers 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 providers 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.
- 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) 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 www.thesmeloanfund.com.
- 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.

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- 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.

FORM OF PROXY

SQL Secured Income Fund plc

(Incorporated in England and Wales with company no. 09682883 and registered as an investment company under section 833 of the Companies Act 2006) (the "Company")

FORM OF PROXY

This Form of Proxy is for use by holders of Ordinary Shares in the Company at an annual general meeting of the Company (the "AGM") to be held at the offices of SQL Asset Management Limited, Melita House, 124 Bridge Road, Chertsey, Surrey KT16 8LA on 8 December 2017 at 12:00 pm for the purpose of considering and, if thought fit, passing the resolutions set out in the notice dated 8 September 2017 convening the AGM (the "Notice").

I/We
(full name(s) of registered member(s) in block capitals) (See Note 7 overleaf)
of

(address in block capitals)

being a member/members of the Company, hereby appoint the Chairman of the AGM
(See Note 3 overleaf)

or

of

(name and address of proxy in block capitals)

as my/our proxy to attend and speak, and on a poll, vote in my/our name(s) and on my/our behalf at the AGM of the Company to be held at the offices of SQL Asset Management Limited, Melita House, 124 Bridge Road, Chertsey, Surrey, KT16 8LA on 8 December 2017 at 12:00pm and at any adjournment thereof.

I/We wish my/our proxy to vote as I/we have indicated below in respect of the resolutions to be proposed at the AGM, as set out in the notice convening the AGM.

Please indicate which way you wish your proxy to vote by ticking the appropriate box alongside each resolution. (See Note 4 overleaf).

RESOLUTIONS

		FOR	AGAINST	VOTE WITHHELD
1	To receive annual report and accounts.			
2	To approve Directors' Remuneration Policy.			
3	To approve Directors' Remuneration Report.			
4	To re-elect RSM UK Audit LLP as auditor.			
5	To authorise Audit and Valuation Committee to determine auditor's remuneration.			
6	To re-elect Kenneth Hillen as a Director.			
7	To re-elect Richard Hills as a Director.			
8	To re-elect David Stevenson as a Director.			
9	To authorise allotment of shares representing 20% of the Company's issued Ordinary Share capital (as at the date of the notice convening the AGM).			
10	To disapply pre-emption rights in respect of allotment of shares and sales of shares from treasury representing 20% of the Company's issued Ordinary Share capital (as at the date of the notice convening the AGM).			
11	To authorise market purchases by the Company of shares representing 14.99% of the Company's issued Ordinary Share capital			

Signature (See Note 7 below)

Date 2017

Print Name

NOTES:

1. A member of the Company who is entitled to attend, speak and vote at the AGM is entitled to appoint one or more proxies to attend and to speak and on a poll to vote in his or her place. A proxy need not be a member of the Company. Completion of the Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the AGM in person and vote, your proxy appointment will be automatically terminated. Only those members entered on the Company's register of members at close of business on 6 December 2017 shall be entitled to attend, speak and vote at the AGM or any adjournment.
2. To allow effective constitution of the meeting, if it is apparent to the Chairman that no members of the Company will be present in person or by proxy, other than the Chairman, then the Chairman may appoint a substitute to act as proxy in his stead for any member of the Company, provided that such substitute proxy shall vote on the same basis.
3. If you wish to appoint as your proxy someone other than the Chairman of the AGM, cross out the words "the Chairman of the AGM", and write on the dotted line the full name and address of your proxy. The change should be initialled. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he or she thinks fit on any resolution and, unless instructed otherwise, the person appointed proxy may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to any resolution) which may properly come before the AGM.
5. On a poll you have one vote in respect of each eligible share you hold. You do not have to cast all of your votes in the same way and if you wish to split your votes you can enter the number of votes you wish to vote for, against and withhold in the boxes next to each resolution. The total number of votes must equal the total number of votes you hold. If you simply enter a tick in one of the boxes for a resolution you will be deemed to vote all your votes in that way.
6. A vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes for or against the relevant resolution.
7. This form must be signed and dated by the shareholder or his/her attorney duly authorised in writing. If shares in the Company are held by a nominee(s), a Form(s) of Proxy must be completed and signed by the nominee(s). If the shareholder is a company, it may execute under its common seal, by the signature of a director and its secretary or two directors or other authorised signatories in the name of the company or by the signature of a duly authorised officer or attorney. In the case of joint holdings, any one holder may sign this form. The vote of the senior joint holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding (the first-named being the most senior).
8. To appoint more than one proxy to vote in relation to different shares within your holding, you may photocopy this form. Please indicate on each copy of the form the proxy'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 appointment of a proxy is one of multiple appointments being made. All such forms should be signed and returned together in the same envelope.
9. This form must be completed and lodged with Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF together with the power of attorney or other authority (if any) under which it is signed or a copy of such authority certified notarially, no later than 12:00 pm on 6 December 2017.
10. CREST members may alternatively choose to utilise the CREST electronic proxy appointment service. Please refer to the notes to the notice convening the AGM for instructions with regard to submitting a CREST proxy instruction.

SQN Secured Income Fund plc

Directors

Richard Hills (non-executive Chairman)

Ken Hillen (non-executive Director)

David Stevenson (non-executive Director)

Advisers

Registered Office

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London
EC2M 7SH

UK Investment Manager

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US Investment Manager and AIFM

SQN Capital Management, LLC
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Sub-Investment Adviser to the Investment Manager

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Limited
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GY1 4NA

Administrator and Secretary

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Banker

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Regency Court
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Public Relations Consultant

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www.thesmeioanfund.com