SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Contents

Highlights

For the year ended 31 March 2017

- C Share issue in June 2016 raised net proceeds of approximately £172.2 million
- Annualised portfolio yield-to-maturity of 8.3% as at 31 March 2017
- Dividend yield of 6.0% for the year based on original issue price
- Ordinary Share placing in December 2016 raised net proceeds of approximately £124.3 million
- Diversified portfolio of 45 investments made across 8 sectors, 25 sub-sectors and 7 jurisdictions
- 73% of investments in private debt

Financial Highlights at 31 March 2017	
Total net assets	£611,827,277
Net Asset Value ("NAV") per Ordinary Share *	102.72p
Ordinary Share price *	110.25p
Ordinary Share premium to NAV	7.3%

* Cum dividend

Company Summary

Principal Activity

Sequoia Economic Infrastructure Income Fund Limited (the "Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 30 December 2014. The Company's registration number is 59596 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

The Company invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments through its subsidiary Sequoia IDF Asset Holdings S.A. (the "Subsidiary", together the "Group" or the "Fund"). The Company controls the Subsidiary through a holding of 100% of its shares.

Investment Objective

The Company's investment objective is to provide investors with regular, sustained, long term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments. This objective is subject to the Fund having a sufficient level of investment capital from time to time and the ability of the Fund to invest its cash in suitable investments.

Investment Policy

The Company's principal investment policy is to invest in a portfolio of loans, notes and bonds where all or substantially all of the associated underlying revenues are from business activities in the following market sectors: transport, transportation equipment, utilities, power, renewable energy, accommodation and telecommunications infrastructure. The revenues should derive from certain eligible jurisdictions, as defined in the Company's Prospectus. In addition, once fully invested, in excess of 50% of the portfolio should be floating rate or inflation-linked debt, and not more than 10% by value of the Fund's investments (at the time of investment) should relate to any one individual infrastructure asset.

Dividend Policy

The Company's dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to pay dividends totalling 6% per annum of the Company's original issue price per Ordinary Share (5% in the first year of operations). The Company pays dividends on a quarterly basis.

Chairman's Statement

Dear Shareholder,

It is my pleasure to present to you the Annual Report and Audited Financial Statements of the Company for the financial year ended 31 March 2017.

Company Performance

Two years ago, on 3 March 2015, the Company was admitted to the premium segment of the Official List on the London Stock Exchange ("LSE") with a market capitalisation in excess of £156 million, following an over-subscribed initial public offering ("IPO"). The Company was the first investment trust listed on the LSE that focuses exclusively on economic infrastructure debt, and it is advised by an investment adviser with significant prior experience in that asset class, Sequoia Investment Management Company (the "Investment Adviser").

Since the IPO, the Company has had four further successful capital raises, one through a placing programme in December 2016, two through issuance of C Shares in November 2015 and June 2016 (both of which subsequently converted to Ordinary Shares) and one subsequent to the year end through an Open Offer, Placing and Offer for Subscription in May 2017. As at 31 March 2017, the Company has, in aggregate, raised gross proceeds of approximately £598 million through the IPO and the three subsequent capital raises. At the same date, the market capitalisation of the Company was approximately £657 million and its net asset value ("NAV") was approximately £612 million. In addition, investors have, from inception to 31 March 2017, received in total dividends of £29.6 million.

Investors in the IPO, over approximately a two-year period, have received dividends of 9.5p per Share and have seen the Share price increase from 100p to 110.25p, representing a total gain of 19.75p per Share and an annualised return ("IRR") of 9.4%.

Net Asset Value

Over the financial year, the Company's NAV per Share has grown from 98.2p to 102.7p, an increase of 4.6%. Over the same period, the Company has paid dividends of 6p per Share resulting in an annual total return of over 10%. This strong performance is predominantly the result of three factors: the portfolio consists of stable, cash generating assets which generate a return of over 8%; costs and expenses are moderate with a total expense ratio of only very slightly more than 1%; and currency exchange rate movements increased the NAV by about 3%. Other factors are much less material and have tended to cancel out over the year.

The effect of currency exchange rates on the NAV deserves further explanation. Currently, only about 30% of the portfolio consists of UK assets denominated in Sterling, with the balance invested internationally in assets denominated in US Dollars, Euros and Australian Dollars. In order to reduce the potential for NAV volatility arising from movements in the exchange rates, the Company has a large currency hedging portfolio, which is designed to rise in value when Sterling strengthens and fall in value when Sterling weakens. The net effect is that the NAV behaves as though 80% of the Company's assets were denominated in Sterling, 17% in US Dollars and only 3% in Euros or Australian Dollars. However, notwithstanding its hedging strategy, the fall in Sterling after the Brexit vote was so large that the movement in the unhedged foreign currency exposure was still material. Whilst on this occasion the effect was beneficial, over time the Company intends to increase its hedging level which will further immunise investors in the Company from the effects of movements in exchange rates.

As at 31 March 2017, the Share price was trading at a premium of 7.3% to the NAV, which reflects the continuing attractiveness of the investment proposition.

The Investment Portfolio

The Board of Directors of the Company (the "Board") has been pleased with the progress made by the Investment Adviser in building a portfolio of attractive infrastructure debt investments. As at 31 March 2017, the portfolio comprised 45 investments, diversified by borrower, jurisdiction, sector and sub-sector, and generating an average yield-to-maturity of 8.3%. The yield on the portfolio has the potential to increase if LIBOR/EURIBOR increases, since half of the assets have floating-rate interest income.

In constructing the portfolio, the Investment Adviser was mindful of a number of factors. Paramount is credit quality, with each investment subject to rigorous scrutiny and due diligence. In addition, the yield on investments needs to be attractive both in relative terms (when compared to assets of a similar quality) and in absolute terms (to ensure the Company can meet its target of paying a dividend of 6p per Share from its second year onwards). Finally, a range of other criteria must also be met, including compliance with concentration limits to ensure a well-diversified portfolio, and targeting floating rate investments for at least half the portfolio.

Chairman's Statement (continued)

The Investment Portfolio (continued)

Pleasingly, approximately 73% of the portfolio consists of private debt investments, almost at the three-year target of 75%. This is important as private debt typically enjoys a higher yield (an "illiquidity premium") compared to rated, listed bonds. Since the Company's fundamental strategy is buy-and-hold, as opposed to a debt trading strategy, it makes sense to capture this illiquidity premium. At the same time, the infrastructure bond part of the portfolio provides the Company with considerable liquidity and the Directors believe there is value in having an ability to raise liquid funds at short notice, should the need arise.

The Investment Adviser will continue to update you on the Company's progress by way of the monthly Investor Reports.

Events after the End of the Reporting Period and Growth Prospects

The Company announced on 24 April 2017 that it was considering an additional capital raise. The Board believes that it is in investors' interests to grow the size of the Company, which will deliver important benefits of scale. However, growth cannot come at the expense of the credit quality or the performance of the investment portfolio, and therefore the Board is pleased to see that the Investment Adviser has developed a strong pipeline of potential investments for the Company which will maintain the portfolio's yield at 8% or higher, without taking an undue level of credit risk. In general, the market for infrastructure debt remains strong, especially in the US and in mezzanine lending opportunities in the UK and Europe, across a range of sectors including transportation, power and utilities.

On 3 May 2017, the Company announced a partially pre-emptive issue of new Ordinary Shares by way of an Open Offer, Placing and Offer for Subscription. Subsequently, on the 26 May 2017, the Company announced that the issue had been very significantly oversubscribed and investor demand for the issue had exceeded the maximum issue size of £160 million. After due consideration, the Board determined to issue approximately 151.7 million new Ordinary Shares at an issue price of 105.5 pence, resulting in gross proceeds of £160 million. The new Ordinary Shares were admitted to trading on the LSE on 31 May 2017.

Additionally, with effect from 18 April 2017, the Board appointed PricewaterhouseCoopers LLP, a global professional services firm with offices in 157 countries and more than 223,000 professionals, as the new valuation agent for the Fund.

Global capital markets have been volatile over most of the Company's two years of operations, resulting from the Brexit vote, elections in the US and several European countries, the rise of populist political movements, and heightened tensions in the Middle East. Many of these risks continue to be present, but it is in such periods of volatility that the stability of infrastructure debt has historically demonstrated its real value to investors. Moreover, some macro-economic and political themes may be advantageous to the Company, such as the gradual global unwinding of quantitative easing, which is likely to increase the yield on debt investments, and President Trump's ambitious infrastructure plans, which are likely to require substantial private sector investment.

The Board believes that the Company's portfolio and investment pipeline will continue to deliver an attractive risk-adjusted return with a relatively low correlation to the broader financial markets.

Governance and Compliance

The Board recognises the importance of a strong corporate governance culture and continues to maintain principles of good corporate governance as set out in the UK Code which was updated in September 2014, and the Association of Investment Companies Code of Corporate Governance ("AIC Code"), which was updated in February 2015 and July 2016, and accompanying guide. A copy of the UK Code is available at www.frc.org; a copy of the AIC Code and Guide can be found at www.theaic.co.uk.

Your Board has now been working together for over two years. In that time, we have conducted ourselves in a manner which we believe is both required for and consistent with delivering satisfactory returns to our Shareholders. Specifically, we routinely and actively challenge our advisers on all key issues that affect our NAV per Share performance including the selection and retention of investments in our portfolio, our potential use of leverage, our policies towards capital raising and to Share redemption, our approach to risk and risk allocation and the terms of engagement of all our advisers. We also maintain a focus on costs and expenses in the Fund: the Ongoing Charges ratio has been consistently around 1% since the IPO but we expect this to decline over time as the Company benefits from economies of scale, and in particular most of its costs are designed to decrease in percentage terms as the Company's NAV increases.

Chairman’s Statement (continued)

I have been very pleased with the way in which the Board and our advisers have pulled together as a well-balanced team and how our approach has evolved over the first two years in our Company’s life. This has helped the Company to achieve its target dividend yield while also protecting the NAV per Share. We see our duty going forward as being to remain as actively focused as we have been to date so that we can sustain the target yield while also advancing NAV per Share. In turn this should help to support the premium at which our Shares have traded over the period since our admission to listing on 3 March 2015.

I would like to close by thanking you for your commitment and support.

Robert Jennings
Chairman

19 June 2017

Investment Adviser's Report

The Investment Adviser's Objectives for the Period

Over the course of the Company's second year of operations, Sequoia Investment Management Company ("Sequoia" or "the Investment Adviser") has had a number of objectives:

- To ensure that the asset base of the Fund (comprising the Company and its subsidiary) remains a diversified portfolio of high-quality infrastructure loans and bonds that is capable of generating a gross return of 8-9%, and a total return to Shareholders of 7-8%;
- To ensure that the Company remains financially robust and capable of continuing to pay a dividend of 6p per Share;
- To help the Company to grow through further capital raises, with the goals of further increasing the diversification of the portfolio, improving the liquidity in the Company's Ordinary Shares, and delivering economies of scale; and
- To ensure that communication with investors is clear, transparent and timely.

Sequoia is pleased to report to Shareholders that these four objectives have been met: the Company is practically fully invested in a portfolio of infrastructure loans and bonds that yields in excess of 8%; its NAV per Share has grown materially over the year; the size of the Company has approximately doubled through two well-received capital raises; and investors have been provided with clear monthly reports with best-in-class transparency.

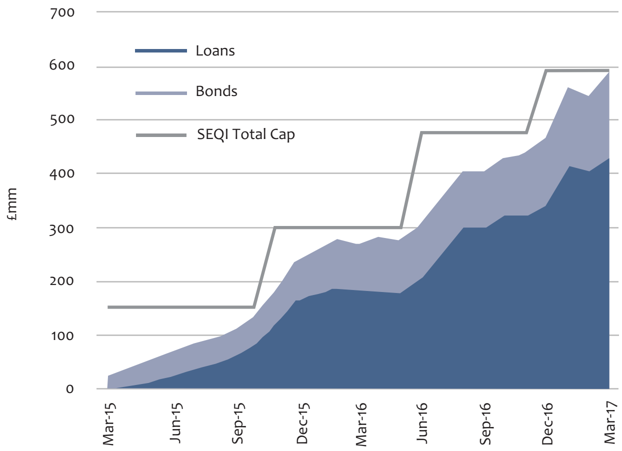
Capital Raised and Share Performance

The Company completed two capital raises during the year ended 31 March 2017: a C Share issue in June 2016, which raised gross proceeds of £175 million, and a placing of Ordinary Shares in December 2016, which raised a further £126 million of gross proceeds. Following the deployment of the substantial part of the C Share proceeds into a diversified portfolio of infrastructure loans and bonds, the C Share converted into Ordinary Shares in November 2016.

As at 31 March 2017, the Company had 595,642,196 Ordinary Shares in issue. The closing Share price on that day was 110.25p per Share, implying a market capitalisation for the Company of approximately £656.7 million, compared to £321.5 million a year previously.

Investors have received dividends of 6p per Ordinary Share over the year plus 4p of capital appreciation on their investment, which in total represent a gain of approximately 9.4%. This is on top of a 9.8% gain over the first year of the Company's life.

Capital Deployment Track Record



The Market Environment during the Period

The Company has operated in a volatile environment over the financial year, with the debt markets affected by political risk, and the currency markets, as noted above, also highly volatile. These events were offset by positive sentiment around the prospects for growth in the US economy, a partial recovery in commodity prices and the continuing quantitative easing programmes in Europe and the UK.

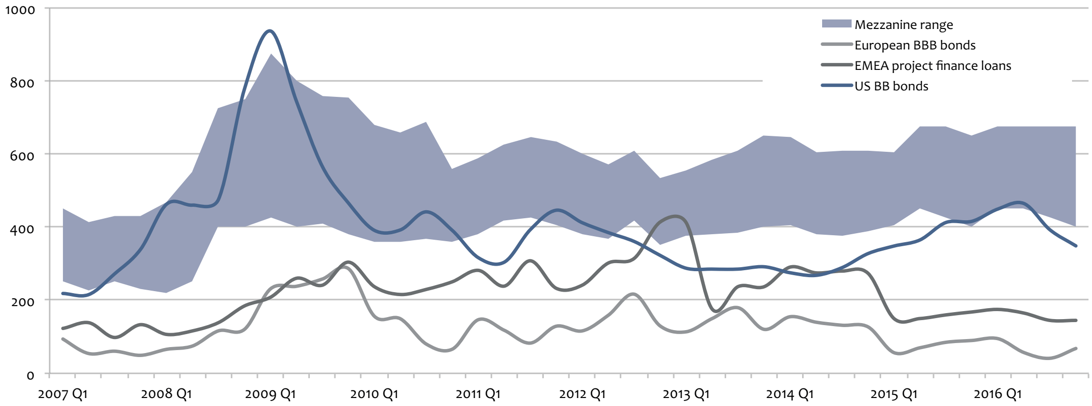
The infrastructure debt markets however were more robust than the broader credit markets, especially for the European and UK project finance loans where prices were generally firm over the year. In addition, overall market sentiment towards infrastructure has been positive, in part due to President Trump's infrastructure plans (which will require a sizeable private sector involvement) and the continued search by investors for yield in a low-return environment. The chart below shows long-term senior and mezzanine pricing on infrastructure debt, compared to the bond markets.[1]

Primary market issuance in the infrastructure loan markets has been strong, with 2016 volumes of $364 billion, split approximately 24% in the Americas, 53% in EMEA and 23% in Asia[2]. In addition, there were significant amounts of infrastructure debt issued in the bond markets, and through bilateral loans and private placements that are not always captured in the market data. The opportunity for the Fund to deploy capital, therefore, is exceedingly large.

[1] Source: Sequoia, Credit Agricole, Bloomberg
[2] IJ Global and Preqin: Infrastructure Deals 2016

Investment Adviser's Report (continued)

The Market Environment during the Period (continued)



The Acquired Portfolio

The Fund has assembled a diversified portfolio of infrastructure loans and bonds over its two years of operations. These investments are capable of providing the regular, sustained, and long-term distributions of income which is the primary stated investment objective of the Fund. In addition, the Fund has acquired in the secondary loan markets a number of assets at a material discount to their par value, which offer the potential for capital appreciation over time.

Portfolio Summary	31 March 2017	31 March 2016
Number of investments	45	34
Net asset value	£611.8m	£297.1 m
Net asset value (per Ordinary Share)	102.72p	98.20p
Percentage invested, including assets in the process of settlement	98.5%	96.5%
Number of sectors and subsectors invested in	8 / 25	8 / 13
Number of jurisdictions invested in	7	9
Weighted average yield-to-maturity[3]	8.3%	8.2%
Largest / average size	£37.1m / £13.2m	£28.8m / £7.9m
Largest investment as a percentage of NAV	6.1%	9.7%
Average maturity / average life (years)	5.8 / 4.6	7.5 / 6.1
Portfolio modified duration	2.3	3.4
Percentage of the portfolio consisting of private/public debt	73.0% / 27.0%	67.7% / 32.3%
Percentage of the portfolio consisting of senior debt	68.4%	65.6%
Percentage of the portfolio consisting of floating rate/fixed rate assets	50.2% / 49.8%	53.6% / 46.4%
Percentage of the portfolio with construction risk	12.4%	1.4%

[3] Or yield-to-worst in the case of callable bonds

Investment Adviser's Report (continued)

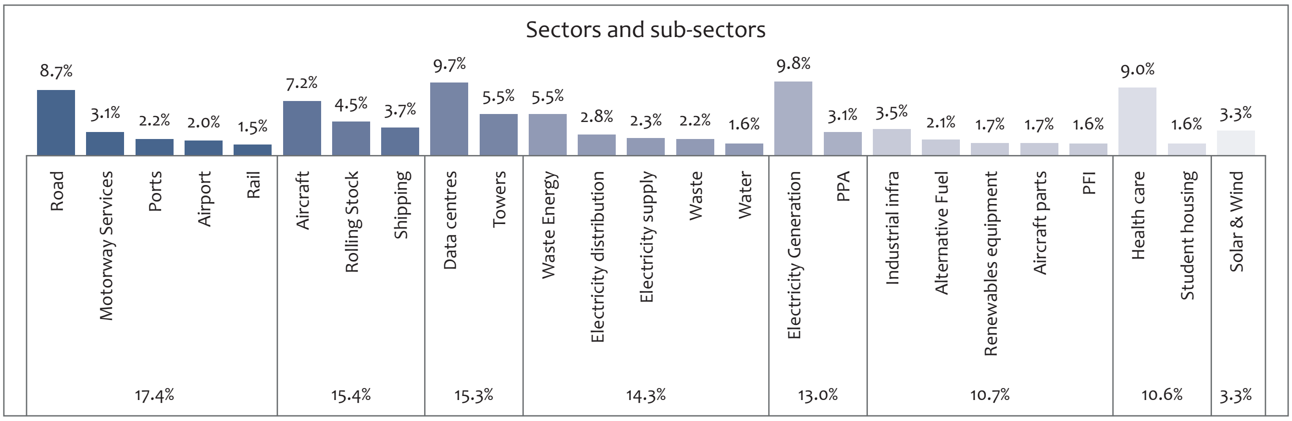
The Acquired Portfolio (continued)

The Company's focus is in economic infrastructure, which includes transportation, utility, power, telecommunication, renewable and other related sectors that exhibit infrastructure characteristics and typically have demand exposure. Sequoia believes that lending into these sectors is more attractive than lending into availability-based PFI/PPP projects, which are often hotly contested among lenders and therefore offer lower yields. Moreover, economic infrastructure projects usually have much more conservative capital structures than availability-based PFI/PPP projects, with equity cushions of typically 20-30% rather than 10% and in Sequoia's opinion this compensates for the potentially higher revenue risk.

Lending into the economic infrastructure sector has delivered an investment portfolio with equity-like returns but with the protections of debt, including lower volatility and less downside risk than equity. None of the loans or bonds acquired has defaulted and were selected, in part, based on their prospects for high recovery in the event of a default.

Each loan and bond in the portfolio is to a borrower with an adequate equity cushion which helps to protect the Fund from credit losses.

Sequoia believes that diversification is an important risk management tool for an infrastructure debt portfolio, since a large component of credit risk in infrastructure is idiosyncratic or project-specific risk, and is typically not highly correlated to exogenous factors such as the broader economy. As such, a properly diversified portfolio ought to have a more stable performance than one which is concentrated in one jurisdiction or sector. (For example, a debt portfolio that was largely focused on financing UK renewable projects might be highly exposed to specific risks such as regulatory changes.) The Fund's investment portfolio is therefore diversified by borrower, jurisdiction, sector and sub-sector, with strict investment limits in place to ensure that this remains the case. The chart below shows portfolio sectors and sub-sectors at 31 March 2017.



Geographically, the Fund invests in stable low-risk jurisdictions. Under the terms of its investment criteria, the Fund is limited to investment-grade countries but in addition Sequoia has not pursued any opportunities in Spain or Italy, where in addition to the obvious economic challenges, infrastructure projects have also been exposed to regulatory and legal risks. The Fund has been focused on the United States, Canada, Australia, the UK, and Northern and Western Europe.

Investment Adviser's Report (continued)

The Acquired Portfolio (continued)

Top 10 Investments as at 31 March 2017			Top 10 Investments as at 31 March 2016		
Investment	Value £	% age of Portfolio	Investment	Value £	% age of Portfolio
A'lienor S.A.S. (A65)	37.1m	6.3%	A'lienor S.A.S. (A65)	28.8m	10.7%
AP Wireless Infrastructure	32.8m	5.5%	Infinis Bridge	24.0m	8.9%
Cory Environmental	32.6m	5.5%	Exeltium Mezzanine	18.1m	6.7%
Beamish HoldCo 2017	29.9m	5.0%	Danaos Snr Secured 2018	17.9m	6.6%
IO Data Centers LLC	29.9m	5.0%	Neoen Production 1 S.A.S.U.	15.5m	5.7%
Abteen Ventures LLC	27.9m	4.7%	Biffa TL A	13.0m	4.8%
Regard Group Mezzanine	23.3m	3.9%	Dulles Greenway 2029	8.5m	3.1%
Natgasoline Snr. Unsecured	20.9m	3.5%	Reliance Rail Finance 2018	8.3m	3.1%
Exeltium Mezzanine	18.7m	3.1%	N. Las Vegas Water 2040	6.9m	2.6%
Welcome Break No.1 Ltd	18.3m	3.1%	NRG Energy Inc 2021	6.9m	2.6%

The Fund focuses predominantly on private debt which at 31 March 2017 represented approximately 73% of its portfolio (compared to 68% a year previously). This is because, typically, private debt enjoys an illiquidity premium: i.e. a higher yield than a liquid bond with otherwise similar characteristics. Since the Fund's main investment strategy is "buy and hold", it makes sense to capture this illiquidity premium. Sequoia's research indicates that infrastructure private debt instruments yield approximately 1% more than public, rated bonds. However, in some cases, bonds can also be an attractive investment for three reasons. Firstly, some bonds are "private placements" which, whilst in bond format, have an attractive yield that is comparable to loans. Secondly, some sectors, such as US utility companies, predominantly borrow through the bond markets, and therefore having an allocation to bonds can improve the diversification of the portfolio. And, thirdly, having some liquid assets in the portfolio can position the Fund to take advantage of future opportunities and can also be used to satisfy the Fund's potential obligations under its tender obligations.

The Fund remains cautiously positioned in relation to lending to projects with construction risk. Whilst up to 20% of the NAV can consist of lending to such projects, the actual level at 31 March 2017 was only 12.4% of the portfolio. Sequoia is careful to select projects where it believes the Fund is well compensated for taking a moderate level of construction risk, and where the underlying strength of the borrower's business or project mitigates the risk.

Another important element of the Fund's portfolio is its management of interest rate risk. Sequoia's approach is to target 50% or more of the Portfolio in floating rate investments. This has the dual merit of reducing the sensitivity of the NAV to long-term interest rates, and providing the Fund with the potential for higher income if and when LIBOR/EURIBOR begin to increase.

NAV Performance

Over the financial year, the Company's NAV increased from 98.2p per Share to 102.7p per Share, driven by the following major factors:

- Interest income on the Fund's investments of 5.59p per Share; plus gains on foreign exchange movements of 2.91p per Share, net of the effect of the Company's hedges; plus
- Positive market movements of 2.93p per Share, which is net of approximately 0.51p relating to the one-off cost of writing down acquired assets to their bid price; less
- Operating costs of 1.20p per Share; less
- Dividends of 6p per Share.

Investment Adviser's Report (continued)

NAV Performance (continued)

Notably, the Fund made a material gain of approximately 2.91p per Share from foreign exchange movements, arising from the weakness of Sterling after the Brexit vote and the subsequent months. This was in spite of the high level of currency hedging the Company had in place – as at 31 March 2016 approximately 60% of the NAV was hedged into Sterling, rising to 80% by 31 March 2017. The expectation is that the level of hedging will continue to increase over time, which will reduce the potential for volatility in the Company's NAV arising from movements in foreign exchange rates.

Excluding the gain arising from foreign exchange movements, the gain over the year was approximately 1.6p per Share, giving a total return (including the dividend) of 7.6p. This is in-line with the target return of 7-8%. In addition, some of the costs incurred over the year are of a one-off or non-recurring nature which implies the run-rate return from the Fund's assets may have been slightly in excess of the target return.

Origination Activities

The Fund's strategy is to invest in both the primary and secondary debt markets. Sequoia believes that this combination delivers a number of benefits: participating in the primary markets allows the Fund to generate upfront lending fees and to structure investments to meet its own requirements; buying investments in the secondary markets can permit the rapid deployment of capital into seasoned assets with a proven track record. As the Fund grows in size, Sequoia expects its assets to increasingly come from the primary market opportunities.

Primary market origination

The primary loan markets are an increasingly important opportunity for the Fund. The Investment Adviser has sourced bilateral loans and participated in "club" deals, where a small number of lenders join together, and the Fund has also participated in more widely-syndicated infrastructure loans. Primary market loans often have favourable economics because the Fund, as lender, benefits from upfront lending fees. The Fund has a cautious approach to construction risk, which is limited to at most 20% of the portfolio and therefore the primary financings it focuses on are frequently refinancings of operational projects.

Case Study – Welcome Break

Welcome Break is one of the three main Motorway Service Area (MSA) operators in the UK, with 34 locations situated on the most profitable stretches of the UK motorway network. These 34 sites attract c.85 million visitors per annum across the estate, resulting in £622mm of FY16 sales.

The MSA market benefits mainly from the fact that the vast majority (over 90%) of turn-ins are non-discretionary (i.e. driven by basic human need). The sector also demonstrates high barriers to entry through strict regulations on the location and distance between sites, as well as tight restrictions on permissions to build new sites.

The Company has invested £18.32mm in the junior debt facility, with an overall yield at acquisition in excess of 9% and a maturity in January 2023. The junior facility security package comprises second ranking security over the same assets as the senior security package.

Secondary market origination

Some of the Fund's investments were acquired from banks or other lenders in the secondary markets. This enabled a relatively rapid deployment of capital, since primary market transactions in infrastructure debt can often take a considerable time to execute. In addition, secondary market loans have performance history that permits credit analysis on actual results rather than financial forecasts. Finally, research[4] shows that infrastructure loans improve in credit quality over time so secondary loans in many cases have improved in credit quality from the time of their initial origination.

Outlook

Sequoia has developed a very strong pipeline of mostly private debt infrastructure lending opportunities, which are expected to become executable mostly over the next three to nine months. Pricing on these opportunities is consistent with the Company generating a gross return in excess of 8%. The potential investments are widely spread across a range of sectors and jurisdictions. Sequoia is especially excited about potential investments in the transport, accommodation and TMT (technology, media and telecommunications) sectors where the current portfolio is arguably underweight, lending opportunities are often attractive and additional investments would be desirable.

[4] Average annual European broad infrastructure and global project finance default rates. Moody's, "Default and Recovery Rates for Project Finance Bank Loans 1983-2013," Mar 2015 and 1983-2013 Addendum, Sept 2015.

Investment Adviser's Report (continued)

Outlook (continued)

Sequoia expects project finance senior lending margins, especially in the UK and Europe and for "core" infrastructure projects and availability-based PFI/PPP (public finance initiative/public-private partnerships) projects to remain tight, driven by sustained commercial bank appetite for these types of assets and by increasing demand from institutional investors such as continental European insurance companies. However spreads in the mezzanine market, and for senior debt in the US and some asset classes in the UK and Europe, are expected to remain more attractive.

US Dollar LIBOR has begun to increase and Sequoia expects this trend to continue over time, increasing the average cash-on-cash yield of the portfolio. Note that this potential growth is not being relied upon to pay dividends, and Sequoia's estimations of investment yields are based on constant LIBOR.

Overall, the opportunity for the Fund in economic infrastructure debt is strong and the asset class remains under-invested and attractive. Sequoia is optimistic about the prospects for growing the Company without jeopardising its track record of sourcing suitable investments and delivering to Shareholders a total return of 7-8%.

Sequoia Investment Management Company Limited
Investment Adviser

19 June 2017

Board of Directors

The Directors of Sequoia Economic Infrastructure Income Fund Limited, all of whom are non-executive and independent, are as follows:

Robert Jennings, CBE (Chairman)

Robert Jennings is a resident of the United Kingdom and qualified as a Chartered Accountant in 1979. He has over 30 years experience in the infrastructure sector. Mr Jennings was a managing director of UBS Investment Bank and was joint head of the Bank's Infrastructure Group until 2007. In that role, he particularly focused on the railway sector advising companies and governments across a very broad geographic range. He has twice acted as a special senior adviser to HM Treasury; in 2001/02 during Railtrack's administration and again in 2007/08 in relation to Crossrail. Mr Jennings is also a non executive director of Crossrail.

Jan Pethick

Jan Pethick is a resident of the United Kingdom and has over 35 years experience in the debt sector. Mr Pethick was chairman of Merrill Lynch International Debt Capital Markets for 10 years, from 2000 to 2010. He had previously been Head of Global Debt Origination at Dresdner Kleinwort Benson which had acquired the credit research boutique, Luthy Baillie which he had co founded in 1990. Prior to that, he worked for 12 years at Lehman Brothers where he was a member of the Executive Management Committee in Europe. Mr Pethick is currently also Chairman of Troy Asset Management and an independent member of the Supervisory Board of Moody's Investor Services Europe.

Jonathan (Jon) Bridel

Jon Bridel is a resident of Guernsey. Mr Bridel is currently a non executive director of a number of investment funds and managers including Alcentra European Floating Rate Income Fund Limited, The Renewables Infrastructure Group Limited (FTSE 250), Funding Circle SME Income Fund Limited and Starwood European Real Estate Finance Limited, which are listed on the Main Market of the London Stock Exchange, and of DP Aircraft I Limited and Fair Oaks Income Limited. Mr Bridel was previously Managing Director of Royal Bank of Canada's investment businesses in the Channel Islands.

After qualifying as a Chartered Accountant in 1987, Mr Bridel worked with Price Waterhouse Corporate Finance in London. He subsequently held senior positions in banking, credit and corporate finance, investment management and private international businesses where he was Chief Financial Officer.

Mr Bridel holds a Master of Business Administration and also holds qualifications from the Institute of Chartered Accountants in England and Wales, where he is a Fellow, the Chartered Institute of Marketing, where he is a Chartered Marketer, and the Australian Institute of Company Directors. He is also a member of the Institute of Directors and is a Chartered Fellow of the Chartered Institute for Securities and Investment.

Sandra Platts

Sandra Platts is a resident of Guernsey and holds a Masters in Business Administration. Mrs Platts joined Kleinwort Benson (CI) Ltd in 1986 and was appointed to the board in 1992. She undertook the role of Chief Operating Officer for the Channel Islands business and in 2000 for the Kleinwort Benson Private Bank Group – UK and Channel Islands. In January 2007, she was appointed to the position of Managing Director of the Guernsey Branch of Kleinwort Benson and led strategic change programmes as part of her role as Group Chief Operating Officer. Mrs Platts also held directorships on the strategic holding board of the KB Group, as well as sitting on the Bank, Trust Company and Operational Boards. She resigned from these boards in 2010. Mrs Platts is a non executive director of NB Global Floating Rate Income Fund and UK Commercial Property Trust (both listed on the Main Market of the London Stock Exchange) and Investec Bank (Channel Islands) Limited, plus a number of other investment companies. She is a member of the Institute of Directors.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The Directors hold the following directorships in other public companies:

Company Name	Stock Exchange
Robert Jennings, CBE	
None	
Jan Pethick	
None	
Jon Bridel	
Alcentra European Floating Rate Income Fund Limited	London Stock Exchange – Main Market
DP Aircraft 1 Limited	London Stock Exchange – SFS
Fair Oaks Income Limited	London Stock Exchange – SFS
Funding Circle SME Income Fund	London Stock Exchange – Main Market
Starwood European Real Estate Finance Limited	London Stock Exchange – Main Market
The Renewables Infrastructure Group Limited	London Stock Exchange – Main Market
Sandra Platts	
NB Global Floating Rate Income Fund Limited	London Stock Exchange – Main Market
UK Commercial Property Trust	London Stock Exchange – Main Market

Directors' Report

The Directors of Sequoia Economic Infrastructure Income Fund Limited (the "Company") are pleased to submit their Annual Report and the Audited Financial Statements (the "Financial Statements") for the year ended 31 March 2017.

Going Concern

The Company has been incorporated with an unlimited life. In accordance with the Company's Articles of Incorporation, the Directors were required to propose an ordinary resolution (the "Continuation Resolution") on or before 3 September 2016 that the Company continues as a registered closed-ended collective investment scheme. The Continuation Resolution was passed by Shareholders at an Extraordinary General Meeting of the Company on 25 May 2016. Further Continuation Resolutions must be proposed on the nearest business day falling every three years thereafter. Should a Continuation Resolution not be passed, the Directors are required to put forward proposals within six months for the reconstruction or reorganisation of the Company to the Shareholders for their approval. These proposals may or may not involve winding up the Company and, accordingly, failure to pass a Continuation Resolution will not necessarily result in the winding up of the Company.

After a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income deriving from those investments and the likelihood that future Continuation Resolutions will be passed, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements as the Company has adequate financial resources to meet its liabilities as they fall due.

Viability Statement

The Directors have assessed the viability of the Company over a four year period to June 2021, taking account of the Company's current position and the potential impact of the principal risks outlined in this statement.

In making this statement, the Directors have considered the resilience of the Company, taking into account its current position, the principal risks facing the Company in severe but reasonable scenarios and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

The Directors have determined that the four year period to June 2021 is an appropriate period over which to provide its viability statement as the average remaining life to maturity of the Group's portfolio of investments is 4.6 years. In making their assessment, the Directors have taken into account the Company's NAV, net income, cash flows, dividend cover, regulatory compliance and other key financial ratios over the period. These metrics are subject to sensitivity analysis, which involves flexing a number of main assumptions underlying the forecast. This analysis is carried out to evaluate the potential impact of the Company's principal risks actually occurring, primarily the following: severe changes in macro-economic conditions; increased defaults; deterioration in underlying credit ratings; and downgrading or illiquidity of loans. This analysis included stress-testing to simulate the combined effects of the recession of the early 2000s and the 2008 global financial crisis.

The Directors have also considered the possibility that a Continuation Proposal, due in May 2019, may not be passed by Shareholders. The Directors noted the overwhelming majority vote in favour of the Continuation Proposal passed in May 2016 and the strong appetite for the Company's investment proposition evidenced by the successful launch in March 2015, two subsequent well-supported C Share issues, and the significantly over-subscribed Placing in December 2016 and Open Offer, Placing and Offer for Subscription in May 2017. They also noted that the rejection of a Continuation Proposal by Shareholders does not necessarily oblige the Directors to wind up the Company.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to June 2021.

Principal Risks and Uncertainties

The Board has established a Risk Committee, which is responsible for reviewing the Company's overall risks and monitoring the risk control activity designed to mitigate these risks. The Risk Committee has carried out a robust assessment of the principal risks facing the Company, including those that would threaten the Company's business model, future performance, solvency or liquidity. The Board has appointed International Fund Management Limited ("IFML" or the "Investment Manager") as the Alternative Investment Fund Manager ("AIFM") to the Company. IFML is also responsible for providing risk management services compliant with that defined in the Alternative Investment Fund Managers Directive ("AIFMD") and as deemed appropriate by the Board.

Directors’ Report (continued)

Principal Risks and Uncertainties (continued)

Under the instruction of the Risk Committee, IFML is responsible for the implementation of a risk management policy and ensuring that appropriate risk mitigation processes are in place; for monitoring risk exposure; preparing quarterly Risk Reports to the Risk Committee; and otherwise reporting on an ad hoc basis to the Board as necessary.

The principal risks associated with the Company are as follows:

Market Risk

The value of the investments made and intended to be made by the Company will change from time to time according to a variety of factors, including the performance of the underlying borrowers, expected and unexpected movements in interest rates, exchange rates, inflation and bond ratings and general market pricing of similar investments will all impact the Company and its net asset value.

Credit Risk

Borrowers in respect of loans or bonds in which the Group has invested may default on their obligations. Such default may adversely affect the income received by the Company and the value of the Company’s assets.

Liquidity Risk

Infrastructure debt investments in loan form are not likely to be publicly-traded or freely marketable, and debt investments in bond form may have limited or no secondary market liquidity. Such investments may therefore be difficult to value or sell and therefore the price that is achievable for the investments might be lower than the valuation of these assets.

Counterparty Risk

Counterparty risk can arise through the Company’s exposure to particular counterparties for executing transactions and the risk that the counterparties will not meet their contractual obligations.

Leverage Risk

Leverage risk arises where the Company takes on additional exposure to other risks because of the leverage of exposures, along with the specific potential for loss arising from a leverage counterparty being granted a charge over assets. The Board monitors the level of leverage on an ongoing basis as well as the credit ratings of any leverage counterparties.

Compliance & Regulatory Risk

Compliance and Regulatory risk can arise where processes and procedures are not followed correctly or where incorrect judgement causes the Company to be unable to fulfil its objectives or obligation, exposing the Company to the risk of loss, sanction or action by Shareholders, counterparties or regulators. The Investment Adviser and the Administrator monitor compliance with regulatory requirements and the Administrator presents a report at quarterly Board meetings.

Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This can include but is not limited to internal/external fraud, business disruption and system failures, data entry errors and damage to physical assets.

A detailed review of the main financial risks faced by the Company, and how they are managed or mitigated, is set out in note 5.

Results and Dividends

The results for the year are shown in the Statement of Comprehensive Income on page 30.

The Directors have declared and paid dividends of £24,303,425 for the year ended 31 March 2017 (2016: £5,252,534). Further details of dividends declared or paid are detailed in note 4.

The Company’s dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to pay dividends totalling 6% per annum of the Company’s original issue price per Ordinary Share (5% in the first period of operations). The Company pays dividends on a quarterly basis.

Independent Auditor

KPMG Channel Islands Limited was appointed as Auditor on 28 January 2015. A resolution to re-appoint KPMG Channel Islands Limited as Auditor will be put to the forthcoming Annual General Meeting (“AGM”).

Directors' Report (continued)

Investment Manager and Investment Adviser

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company has entered into an Investment Management Agreement with the Investment Manager with effect from 28 January 2015. On the same date, the Investment Manager, with the consent of the Company, entered into an Investment Advisory Agreement with Sequoia Investment Management Company Limited (the "Investment Adviser") to manage the assets of the Company in accordance with the Company's investment policy. The Investment Adviser is responsible for the day-to-day management of the Company's portfolio and the provision of various other management services to the Company, subject to the overriding supervision of the Directors.

The Directors consider that the interests of Shareholders, as a whole, are best served by the continued appointment of the Investment Manager and the Investment Adviser to achieve the Company's investment objectives. A summary of the terms of their appointments, including the investment management and advisory fees and notice of termination periods, is set out in note 10 to the Financial Statements.

Custody Arrangements

The Company's assets are held in custody by The Bank of New York Mellon (the "Custodian") pursuant to a Custody Agreement dated 27 February 2015. A summary of the terms, including fees and notice of termination period, is set out in note 10 to the Financial Statements.

The Company's assets are registered in the name of the Custodian within a separate account designation and may not be appropriated by the Custodian for its own account.

The Board conducts an annual review of the custody arrangements as part of its general internal control review and is pleased to confirm that the Company's custody arrangements continue to operate satisfactorily. The Board also monitors the credit rating of the Custodian, to ensure the financial stability of the Custodian is being maintained to acceptable levels. As at 31 March 2017, the long-term credit rating of the Custodian as reported by Standard and Poor's is AA- (2016: AA-), which is deemed to be an acceptable level.

Directors and Directors' Interests

The Directors, all of whom are independent and non-executive, are listed on page 12.

None of the Directors has a service contract with the Company and no such contracts are proposed. Robert Jennings is entitled to a fee of £52,000 per annum for his services as Chairman of the Board of Directors (£56,000 per annum with effect from 1 April 2017). The remaining Directors are each entitled to a fee of £35,000 per annum for their services as Directors (£36,500 per annum with effect from 1 April 2017).

Robert Jennings serves as Chairman of the Nomination Committee; Jan Pethick as Chairman of the Management Engagement Committee; Jon Bridel as Chairman of the Risk Committee; and Sandra Platts as Chairman of the Audit Committee and the Remuneration Committee. Jan Pethick, Jon Bridel and Sandra Platts are each entitled to an additional fee of £5,500 per annum in relation to their roles as Committee Chairman (£7,000 with effect from 1 April 2017).

During the year, Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a further listing fee of £5,000 in connection with the listing of C Shares on 10 June 2016.

Subsequent to the year end, Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a further listing fee of £6,000, which was subject to admission, in connection with the Open Offer, Ordinary Share Placing and Offer for Subscription on 31 May 2017.

As at 31 March 2017, the Directors had the following interests in the Shares of the Company.

Name	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Robert Jennings (Chairman) (with other members of his family)	181,000	0.03%
Jan Pethick (with his spouse)	219,504	0.04%
Jon Bridel (with his spouse)	10,452	0.00%
Sandra Platts (in a family RATS)	10,452	0.00%

During the year, the Directors (including family members) acquired the following holdings in the listing of C Shares on 10 June 2016: Robert Jennings 63,000 C Shares (subsequently converted to 62,002 Ordinary Shares); Jan Pethick 63,000 C Shares (subsequently converted to 62,004 Ordinary Shares); Jon Bridel 3,000 C Shares (subsequently converted to 2,952 Ordinary Shares); and Sandra Platts 3,000 C Shares (subsequently converted to 2,952 Ordinary Shares). Robert Jennings (with other members of his family) acquired 3,998 Ordinary Shares on 7 December 2016.

Directors' Report (continued)

Directors and Directors' Interests (continued)

Subsequent to the year end, the Directors (including family members) acquired the following holdings in the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 31 May 2017: Robert Jennings 36,200 Ordinary Shares; and Sandra Platts 5,687 Ordinary Shares. There have been no other changes to the Directors' shareholdings since 31 March 2017.

Substantial Shareholdings

As at 21 April 2017, the Company had the following shareholdings in excess of 5% of the issued Share Capital:

Name	Number of Ordinary Shares	Percentage
SEB Pensionsforsikring	66,236,639	11.12%
Old Mutual Global Investors	51,478,363	8.64%
Investec Wealth & Investment	42,033,610	7.06%
Smith & Williamson Investment Management	39,523,124	6.64%
Rathbone Investment Management	36,925,190	6.20%
Sarasin & Partners	34,847,381	5.85%
Quilter Cheviot Investment Management	33,079,756	5.55%

Related Parties

Details of transactions with related parties are disclosed in note 10 to the Financial Statements.

Listing Requirements

Since its listing on the Main Market of the London Stock Exchange and admission to the premium segment of the Official List of the UK Listing Authority, the Company has complied with the Prospectus Rules, the Disclosure Guidance and Transparency Rules ("DTR") and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury, in order to facilitate the requirements of FATCA. The Company registered with the Internal Revenue Service ("IRS") on 25 February 2015 as a Foreign Financial Institution ("FFI") and a Sponsoring Entity.

United Kingdom-Guernsey Intergovernmental Agreement

On 22 October 2013, the Chief Minister of Guernsey signed an intergovernmental agreement with the United Kingdom ("UK-Guernsey IGA") under which certain disclosure requirements may be imposed in respect of certain Shareholders in the Company who are, or are entities that are controlled by one or more, residents of the United Kingdom. The UK-Guernsey IGA is implemented through Guernsey's domestic legislation, in accordance with guidance which is currently published in draft form.

Common Reporting Standard

The Common Reporting Standard ("CRS"), formerly the Standard for Automatic Exchange of Financial Account Information, became effective on 1 January 2016. CRS is an information standard for the automatic exchange of information developed by the Organisation for Economic Co-operation and Development ("OECD"). CRS is a measure to counter tax evasion and it builds upon other information sharing legislation, such as FATCA, the UK-Guernsey IGA for the Automatic Exchange of Information and the European Union Savings Directive. The first reporting under CRS for Guernsey will be made during 2017.

Alternative Investment Fund Managers Directive

The Company is categorised as a non-EU Alternative Investment Fund ("AIF"). The AIFMD seeks to regulate managers of AIFs, such as the Company. It imposes obligations on AIFMs who manage AIFs in a member state of the European Economic Area ("EEA state"), or who market shares in AIFs to investors who are domiciled, or with a registered office, in an EEA state. Under the AIFMD, an AIFM must be appointed and must comply with various organisational, operational and transparency requirements.

On 28 January 2015, the Company appointed the Investment Manager to act as AIFM on behalf of the Company. The Investment Manager is responsible for fulfilling the role of the AIFM and ensuring the Company complies with the AIFMD requirements. Details of the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and the number of beneficiaries, are made available to Shareholders on request to the Investment Manager.

By order of the Board

Sandra Platts
Director
19 June 2017

Corporate Governance

Compliance

The Board has taken note of the Code of Corporate Governance issued by the Guernsey Financial Services Commission (the "Guernsey Code"). The Guernsey Code provides a governance framework for GFSC licensed entities, authorised and registered collective investment schemes. Companies reporting against the UK Corporate Governance Code (the "UK Code") or the Association of Investment Companies Code of Corporate Governance (the "AIC Code"), as updated in February 2015 and July 2016, are deemed to satisfy the provisions of the Guernsey Code. The UK Code is available on the Financial Reporting Council website, www.frc.org.uk. The AIC code is available on the AIC website, www.theaic.co.uk.

The Board places a high degree of importance on ensuring that high standards of corporate governance are maintained, and has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Code. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to Shareholders.

For the year ended 31 March 2017, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code. Issues that are not reported on in detail here are excluded because they are deemed to be irrelevant to the Company, as explained in the AIC Guide.

Composition of the Board and Independence of Directors

As at 31 March 2017, the Board of Directors comprised four non-executive and independent Directors as set out below. The Company has no executive Directors or any employees. The Directors' biographies are disclosed on page 12.

Robert Jennings is the Chairman of the Board and of the Nomination Committee.

Jan Pethick is the Chairman of the Management Engagement Committee.

Jon Bridel is the Chairman of the Risk Committee.

Sandra Platts is the Chairman of the Audit Committee and of the Remuneration Committee.

In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that Robert Jennings is an Independent Director.

Under the terms of their appointment, all non-executive Directors were subject to re-election at the first Annual General Meeting ("AGM"). Thereafter, in accordance with the Company's Articles of Incorporation, two Directors shall retire each year and may offer themselves for re-election. In accordance with the AIC Code, when a Director has served for nine years or more, the Board shall review whether that Director can be considered to remain independent, however there is no formal finite limit to the length of tenure of the Directors.

Although no formal training is given to Directors by the Company, the Directors are kept up to date on various matters such as Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary, the AIC and other professional firms.

The Board receives quarterly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its disposal. At these meetings the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to the Company's investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board monitors the level of the Share price premium or discount to determine what action, if any, is required.

The Board and relevant personnel of the Investment Adviser acknowledge and adhere to the Market Abuse Regulation, which was implemented on 3 July 2016.

Directors' Performance Evaluation

The Board has established an informal system for the evaluation of its own performance and that of the Company's individual Directors. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers.

Corporate Governance (continued)

Directors' Performance Evaluation (continued)

The Directors undertake, on an annual basis, an assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Manager, Investment Adviser and other key service providers. The evaluations consider the balance of skills, experience, independence and knowledge of the Company. The Board also evaluates the effectiveness of each of the Directors.

Directors' Remuneration

It is the responsibility of the Remuneration Committee to debate and make recommendations to the Board in relation to the Directors' remuneration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chairman of the Board, who is a member of the Committee, takes no part in discussions relating to his own remuneration.

No Director has a service contract with the Company and details of the Directors' remuneration can be found in the Directors Remuneration Report on page 23.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of directors' and officers' liability in relation to the Directors' actions on behalf of the Company.

Relations with Shareholders

The Company reports to Shareholders twice a year by way of the Interim and Annual Reports. In addition, net asset values are published monthly and the Investment Adviser publishes monthly reports to Shareholders on its website www.seqifund.com.

The Board receives quarterly reports on the Shareholder profile of the Company and regular contact with major Shareholders is undertaken by the Company's corporate brokers and the executives of the Investment Adviser. Any issues raised by major Shareholders are reported to the Board on a regular basis.

The Chairman and individual Directors are willing to meet major Shareholders to discuss any particular items of concern regarding the performance of the Company. Members of the Board, including the Chairman and the Audit Committee Chairman, and the Investment Adviser, are also available to answer any questions which may be raised by any Shareholder at the Company's Annual General Meeting.

Directors' Meetings and Attendance

The table below shows the Directors' attendance at Board and Committee meetings during the year.

Name	Board - scheduled	Board - ad hoc/ committee	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee	Management Engagement Committee
Number of meetings held	4	10	3	4	1	1	2
Robert Jennings*	4	10	3	4	1	1	N/A
Jan Pethick*	4	7	N/A	4	N/A	N/A	2
Jon Bridel	4	10	3	4	1	1	N/A
Sandra Platts	4	8	3	4	1	1	2

* Onshore resident Directors
'N/A' - attendance record not applicable, as the Director concerned is not a member of the stated Committee.

Corporate Governance (continued)

Board Committees

Audit Committee

The Audit Committee comprises Sandra Platts, Jon Bridel and Robert Jennings and meets at least three times a year. It is chaired by Sandra Platts.

The key objectives of the Audit Committee include a review of the Financial Statements to ensure they are prepared to a high standard and comply with all relevant legislation and guidelines, where appropriate, and to maintain an effective relationship with the Auditor. With respect to the Auditor, the Audit Committee's role will include the assessment of their independence and the effectiveness of the audit, and a review of the Auditor's engagement letter and remuneration and any non-audit services provided by the Auditor. For the principal duties and report of the Audit Committee please refer to the Report of the Audit Committee on pages 24 to 26.

Risk Committee

The Risk Committee comprises Jon Bridel, Robert Jennings, Jan Pethick and Sandra Platts and meets at least twice a year. It is chaired by Jon Bridel.

The principal function of the Risk Committee is to identify, assess, monitor and, where possible, oversee the management of risks to which the Company's investments are exposed, principally to enable the Company to achieve its target investment objective of regular, sustained, long-term distributions over the planned life of the Company, with regular reporting to the Board. As the Company is an externally managed non-EU AIFM for the purposes of AIFMD, the Directors have appointed the Investment Manager as AIFM to manage the additional risks faced by the Company as well as the relevant disclosures to be made to investors and the necessary regulators. On 30 January 2015, the FCA confirmed that the Company was eligible to be marketed via the FCA's National Private Placement Regime and the Company will comply with Article 22 and 23 of the AIFMD for the year ended 31 March 2017.

Nomination Committee

The Nomination Committee comprises Robert Jennings, Jon Bridel and Sandra Platts and meets at least once a year. It is chaired by Robert Jennings.

The Committee's key duties include, but are not limited to, reviewing the structure, size and composition of the Board, to consider the succession planning for Directors and senior executives, reviewing the leadership needs of the organisation and identifying candidates for appointment to the Board.

Remuneration Committee

The Remuneration Committee comprises Sandra Platts, Jon Bridel and Robert Jennings and meets at least once a year. It is chaired by Sandra Platts.

The Committee is responsible for considering the remuneration of the Directors. For details of the remuneration of the Directors during the year, please refer to the Directors' Remuneration Report on page 23.

Management Engagement Committee

The Management Engagement Committee comprises Jan Pethick and Sandra Platts and meets at least once a year. It is chaired by Jan Pethick.

The Committee is responsible for the regular review of the terms of the Investment Advisory and Investment Management Agreements, along with the performance of the Administrator, Investment Adviser and the Investment Manager and the Group's other service providers.

Internal Control Review and Risk Management System

The Board of Directors is responsible for putting in place a system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. The review of internal controls is an on going process for identifying and evaluating the risks faced by the Company, and which are designed to manage risks rather than eliminate the risk of failure to achieve the Company's objectives.

It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks facing the Company. These internal controls are implemented by the Company's four main service providers, the Investment Adviser, the Investment Manager, the Administrator and the Custodian. The Board receives periodic updates from these main service providers at the quarterly Board meetings of the Company. The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and are therefore satisfied with the internal controls of the Company.

Corporate Governance (continued)

Internal Control Review and Risk Management System (continued)

The Board of Directors considers the arrangements for the provision of Investment Advisory, Investment Management, Administration and Custody services to the Company on an on-going basis and a formal review is conducted annually. As part of this review the Board considered the quality of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

Anti-bribery and Corruption

The Board acknowledge that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of The Bribery Act 2010, enacted in the UK, at the date of this report the Board had conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law, International Financial Reporting Standards ("IFRS") as issued by the IASB and the Companies (Guernsey) Law, 2008, which give a true and fair view of the state of affairs of the Company and its profit or loss for that year.

Company law requires that the Directors prepare Financial Statements, which present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

In preparing Financial Statements the Directors are required to:

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

The Directors are also responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 and the Listing Rules of the Main Market of the London Stock Exchange. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are also responsible for taking all necessary steps to make themselves aware of any relevant audit information and for establishing that the Company's Auditor is aware of that information. So far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware.

Responsibility Statement

Each of the Directors, who are listed on page 12, confirms to the best of their knowledge and belief:

- the Financial Statements, prepared in accordance with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Company, as required by DTR 4.1.12R;
- the Management Report (comprising the Chairman's Statement, the Investment Adviser's Report, the Directors' Report and other Committee Reports) includes a fair review of the development and performance of the business during the year, and the position of the Company at the end of the year, together with a description of the principal risks and uncertainties that the Company faces, as required by DTR 4.1.8R and DTR 4.1.9R; and
- the Annual Report, comprising the Financial Statements and the Management Report, taken as a whole, is fair, balanced and understandable.

Directors' Remuneration Report

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The Directors received the following remuneration in the form of Directors' fees:

	Per annum £	Year ended 31 March 2017 Actual £	Period from incorporation on 30 December 2014 to 31 March 2016 Actual £
Robert Jennings (Chairman of the Board and the Nomination Committee)	52,000	52,000	55,625
Jan Pethick (Chairman of the Management Engagement Committee)	40,500	40,500	43,264
Jon Bridel (Chairman of the Risk Committee)	40,500	40,500	43,264
Sandra Platts (Chairman of the Audit and Remuneration Committees)	40,500	40,500	43,264
Total	**173,500**	**173,500**	**185,417**

In addition, a further one-off fee of £5,000 was made to each Director in relation to work performed in connection with the listing of C Shares on 10 June 2016.

The remuneration policy set out above is the one applied for the year ended 31 March 2017. With effect from 1 April 2017, Robert Jennings' annual fee increased to £56,000 per annum, and the annual fees for Jan Pethick, Jon Bridel and Sandra Platts increased to £43,500 each, comprising a basic fee of £36,500 per annum and a fee for their services as Committee Chairman of £7,000 per annum.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued on 6 January 2015. Each Director's appointment letter provides that, upon the termination of their appointment, they must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The notice period for the removal of Directors is two months as specified in the Director's appointment letter. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for twelve months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Under the terms of their appointment, each Director was subject to re-election at the first Annual General Meeting ("AGM") and annually thereafter. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective.

The amounts payable to Directors as at 31 March 2017 are shown in note 10 and related to services provided as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Sandra Platts
Remuneration Committee Chairman

Report of the Audit Committee

The Company has established an Audit Committee with formally delegated duties and responsibilities within written terms of reference (which are available from the Company's Secretary).

Chairman and Membership

The Audit Committee is chaired by Sandra Platts and its other members are Jon Bridel and Robert Jennings. All members of the Committee are independent Directors; have no links with KPMG Channel Islands Limited, the Company's Auditor (the "Auditor" or "KPMG"); and are independent of the Investment Manager and Investment Adviser. The membership of the Audit Committee and its terms of reference are kept under review. The relevant qualifications and experience of each member of the Audit Committee are detailed on page 12 of these Financial Statements. The Audit Committee's intention is to meet three times a year in any full year and to meet with the Auditor as appropriate.

Duties

The Audit Committee's main role and responsibility is to provide advice to the Board on whether the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. The Audit Committee gives full consideration and recommendation to the Board for the approval of the contents of the Interim and Annual Financial Statements of the Company, which includes reviewing the Auditor's report.

The other principal duties of the Committee are to consider the appointment of the Auditor; to discuss and agree with the Auditor the nature and scope of the audit; to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the Auditor; and to review the Auditor's letter of engagement, planning report for the financial period and management letter, as applicable.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The Audit Committee also focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial control is maintained.

The Audit Committee also reviews, considers and, if appropriate, recommends for the purposes of the Company's Financial Statements the valuations prepared by the Investment Manager and Investment Adviser. These valuations are the most critical element in the Company's Financial Statements and the Audit Committee considers them carefully.

Financial Reporting and Audit

The Audit Committee has an active involvement and oversight in the preparation of both the interim and annual Financial Statements and in doing so is responsible for the identification and monitoring of the principal risks associated with the preparation of the Financial Statements. The principal risk identified in the preparation of these Financial Statements is the valuation of the Company's investment in Sequoia IDF Asset Holdings S.A., its subsidiary company ("the Subsidiary").

The Company's investment in the Subsidiary had a fair value of £604,801,618 as at 31 March 2017, representing a substantial proportion of the net assets of the Company, and as such is the biggest factor in relation to the accuracy of the Financial Statements. Until the termination of their contract subsequent to the year end, Mazars LLP ("Mazars") was engaged as Valuation Agent throughout the year and was responsible for carrying out a fair market valuation of the Subsidiary's investments on a monthly basis. Draft pricing for the Subsidiary's investments is provided by the Investment Adviser for review by the Valuation Agent, who is responsible for determining the reasonableness of the valuation of the investments, and in turn produces a final valuation report for review and approval by the Investment Adviser and the Investment Manager. This report is then submitted to TMF Luxembourg S.A. (the "Subsidiary Administrator"), for inclusion in the Subsidiary's NAV.

The Audit Committee, on an ongoing basis, discusses with the Investment Manager and Investment Adviser the methods of valuation used and reviews the controls and processes in the valuation methods used to value the Subsidiary's investments. The Audit Committee has also considered the Auditor's approach to their audit of the valuation of the Subsidiary's investments and discussed with the Auditor their approach to testing the appropriateness and robustness of the valuation methodologies applied. The Auditor has not reported any significant differences between the valuations used and the results of the work performed during their testing process. The Audit Committee regularly reviews the valuations prepared by the Investment Adviser for investments where market prices are not readily available. At the year end these represented 53.5% (2016: 45.0%) of total investments. Where appropriate these valuations are scrutinised and compared against valuations of investments with similar characteristics or subject to a sensitivity analysis based on changes in key assumptions.

Report of the Audit Committee (continued)

Financial Reporting and Audit (continued)
Based on the review and analysis described above, the Audit Committee is satisfied that, as at 31 March 2017, the fair value of the Subsidiary's investments, and therefore the fair value of the Company's investment in the Subsidiary, as stated in the Financial Statements, is reasonable.

The Audit Committee reviewed the Company's accounting policies applied in the preparation of the Annual Financial Statements, together with the relevant critical judgements, estimates and assumptions made by the Board and, having discussed matters with the Auditor, determined that these were in compliance with International Financial Reporting Standards ("IFRS") and were reasonable. The Audit Committee reviewed the materiality levels applied by the Auditor to the financial statements as a whole and was satisfied that these materiality levels were appropriate. The Auditor reports to the Audit Committee all material corrected and uncorrected differences. The Auditor explained the results of their audit and that on the basis of their audit work, there were no adjustments proposed that were material in the context of the Financial Statements as a whole.

The Audit Committee also reviews the Company's financial reports as a whole to ensure that such reports appropriately describe the Company's activities and that all statements contained in such reports are consistent with the Company's financial results and projections. Accordingly, the Audit Committee was able to advise the Board that the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

External Auditor
The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment or removal of the Auditor. KPMG was appointed as the first Auditor of the Company. During the year, the Audit Committee received and reviewed the audit plan and report from the Auditor.

To assess the effectiveness of the Auditor, the Audit Committee reviewed:

- The Auditor's fulfilment of the agreed audit plan and variations from it;
- The Auditor's report to the Audit Committee highlighting the major issues that arose during the course of the audit; and
- Feedback from the Investment Manager, Investment Adviser and Administrator evaluating the performance of the audit team.

For the year ended 31 March 2017, the Audit Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good.

Where non-audit services are to be provided to the Company by the Auditor, full consideration of the financial and other implications on the independence of the Auditor arising from any such engagement will be considered before proceeding. All non-audit services are pre-approved by the Audit Committee if it is satisfied that relevant safeguards are in place to protect the Auditors' objectivity and independence.

To fulfil its responsibility regarding the independence of the Auditor, the Audit Committee considered:

- a report from the Auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the Auditor.

During the year ended 31 March 2017, KPMG provided non-audit services in relation to reporting accountant services on the C Shares issuance. At the Audit Committee meetings in June and November 2016, KPMG confirmed that this had not impacted their independence and outlined the reasons for this. These non-audit services comply with the Financial Reporting Council Revised Ethical Standard 2016. The Audit Committee considered this and was satisfied these non-audit services had no bearing on the independence of the Auditor.

Report of the Audit Committee (continued)

External Auditor (continued)

The following table summarises the remuneration paid to KPMG and to other KPMG member firms for audit and non-audit services.

	For the year ended 31 March 2017 £	For the period from 30 December 2014 (date of incorporation) to 31 March 2016 £
- Annual audit of the Company	62,500	37,270
- Interim review of the Company	17,500	15,000
- Annual audit of the Subsidiary	18,903	19,320
- C share conversion	-	6,000
- Reporting accountant services – LSE Main Market Listing	-	80,000
- Reporting accountant services – issuance of C shares	60,000	86,000

Internal Controls

As the Company's investment objective is to invest all of its assets into the Subsidiary, the Audit Committee, after consultation with the Investment Manager, Investment Adviser and Auditor, considers the key risk of misstatement in its Financial Statements to be the valuation of its investment in the Subsidiary, but are also mindful of the risk of the override of controls by its service providers, the Investment Manager, the Investment Adviser, the Administrator and the Sub-administrator.

The Investment Manager, Investment Adviser and Administrator together maintain a system of internal control on which they report to the Board. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Manager, Investment Adviser and Administrator provide sufficient assurance that a sound system of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the internal financial control systems and risk management systems on which the Company is reliant. These systems are designed to ensure proper accounting records are maintained, that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the guidance published in the 'Turnbull Report' by the Financial Reporting Council (the "FRC"), the Audit Committee has reviewed the Company's internal control procedures. These internal controls are implemented by the Company's four main service providers, the Investment Manager, the Investment Adviser, the Administrator and the Custodian. The Audit Committee has performed reviews of the internal financial control systems and risk management systems during the year. The Audit Committee is satisfied with the internal financial control systems of the Company.

Sandra Platts
Audit Committee Chairman

Independent Auditor's Report to the Members of Sequoia Economic Infrastructure Income Fund Limited

Opinions and conclusions arising from our audit

Opinion on financial statements

We have audited the financial statements of Sequoia Economic Infrastructure Income Fund Limited (the "Company") for the year ended 31 March 2017 which comprise the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of financial position, the statement of cash flows and the related notes, comprising significant accounting policies and other explanatory information. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards. In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its total comprehensive income for the year ended 31 March 2017;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Our assessment of risks of material misstatement

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

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of non-derivative financial assets at fair value through profit or loss (98.85% of Net Asset Value)

Refer to pages 24 to 25 of the Audit Committee Report, note 2 (significant accounting policies), note 3 (use of judgements and estimates) and note 6 (financial assets at fair value through profit or loss).

The risk – The Company's investment in Sequoia IDF Asset Holdings S.A. (the "Subsidiary") is carried at fair value through profit or loss and represents a significant proportion of the Company's net assets. The carrying amount is calculated by assessing the fair value of the Subsidiary which reflects its net asset value incorporating the fair value of the Subsidiary's underlying portfolio of senior and subordinated economic infrastructure debt investments, namely private loans ("Private Debt") and publicly traded bonds ("Public Debt") (together, the "Portfolio"). The carrying amount incorporates £433,216,991 of Private Debt and £159,972,002 of Public Debt.

Private Debt is primarily valued using third party broker quotes and syndication desks. Where such market information is not externally available, the valuations are determined by the use of discounted cash flow models based on yields derived from comparable loans and bonds taking into consideration the instrument's project type, structural and credit characteristics. Public Debt is valued using market pricing data sourced from approved third party pricing vendors.

The valuation of Private Debt involves the application of valuation techniques which are judgemental. There is a risk of inappropriate selection and application of inputs and assumptions in determining the fair value of Private Debt. Consequently, the valuation of Private Debt is considered to be a significant risk and area of audit focus. The valuation of Public Debt represents a significant area of audit focus given its size relative to the overall Portfolio.

Our response – Our audit procedures over the valuation of the Portfolio held by the Subsidiary included, but were not limited to, the following:

- We evaluated the design and implementation of the Company's controls over the valuation of the Portfolio.
- We assessed the objectivity, capabilities and competence of the third party valuation agent engaged by the Company to review the reasonableness of the valuation of the Portfolio. We considered the methodology applied by the third party valuation agent in performing their work. We obtained and assessed the third party valuation agent's findings and considered the impact, if any, on our audit work.
- With the support of our own valuation specialists we assessed the appropriateness of the valuation methodology applied against our own expectations based on our knowledge of the asset class and experience in the industry.

Independent Auditor's Report to the Members of Sequoia Economic Infrastructure Income Fund Limited (continued)

Opinions and conclusions arising from our audit (continued)

Our response – Our audit procedures over the valuation of the Portfolio held by the Subsidiary included, but were not limited to, the following: (continued)

- For 100% by value of the Public Debt and 29.23% by value of the Private Debt our valuation specialist either independently obtained prices from pricing vendors or, where this pricing information was not available, derived an independent mark to model valuation based on market inputs for comparable instruments with similar structural and credit characteristics.
- For the remaining Private Debt positions:
  - we noted the proximity of purchase transactions close to the year end and considered whether these were an appropriate representation of fair value;
  - with the support of our valuation specialist, for a risk based selection, we challenged the application of the Company's valuation methodology by considering the appropriateness of the use of market inputs and management's assumptions against independent market data, recent market transactions and using our own specialist's experience in valuing similar investments; and
  - we selected a statistical sample and performed procedures, including a review of contracted versus actual cash flow and credit memorandums, to assess and challenge whether there had been any specific credit events which would impact their fair value.

We also considered the Company's disclosures (see note 3) in relation to the use of estimates and judgments in determining the fair value of the Portfolio and the Company's investment valuation policies adopted and fair value disclosures in note 2 and note 6 for compliance with International Financial Reporting Standards.

Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The auditor has to apply judgment in identifying whether a misstatement or omission is material and to do so the auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £18,300,000. This has been calculated using a percentage of the Company's net asset value (of which it represents approximately 3%), which we believe is the most appropriate benchmark as net asset value is considered as the prime driver of return to the members.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £915,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

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

Independent Auditor's Report to the Members of Sequoia Economic Infrastructure Income Fund Limited (continued)

Opinions and conclusions arising from our audit (continued)

Disclosures of principal risks
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' viability statement on page 14, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the Company's continuing in operation over the four years to May 2021; or
- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

Matters on which we are required to report by exception
Under International Standards on Auditing ("ISAs") (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the Report of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

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

Under the Listing Rules we are required to review the part of the Corporate Governance Report on pages 18 to 21 relating to the Company's compliance with the eleven provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

The purpose of this report and restrictions on its use by persons other than the Company's members as a body
This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. 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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors, Guernsey

19 June 2017

Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	Year ended 31 March 2017 £	Period from incorporation on 30 December 2014 to 31 March 2016 £
Revenue			
Net gains on non-derivative financial assets at fair value through profit or loss	6	43,736,615	13,125,865
Net losses on derivative financial assets at fair value through profit or loss	7	(24,911,786)	(4,923,830)
Investment income	9	28,195,214	6,312,815
Net foreign exchange gain/(loss)		508,958	(1,115,380)
Total revenue		**47,529,001**	**13,399,470**
Expenses			
Investment Adviser fees	10	3,482,915	1,269,449
Investment Manager fees	10	271,786	133,857
Directors' fees and expenses	10	181,351	186,674
Administration fees	10	358,286	207,978
Audit fees		84,771	52,270
Legal and professional fees		190,650	102,311
Valuation fees		248,670	139,408
Custodian's fees		140,408	-
Listing, regulatory and statutory fees		60,804	41,492
Finance costs	15	527,090	-
Other expenses		175,212	44,215
Total operating expenses		**5,721,943**	**2,177,654**
Profit and total comprehensive income for the year/period		**41,807,058**	**11,221,816**
Basic and diluted earnings per Ordinary Share	13	**8.74p**	**5.39p**

All items in the above statement are from continuing operations.

The accompanying notes on pages 34 to 60 form an integral part of the Financial Statements.

Statement of Changes in Shareholders' Equity

For the year ended 31 March 2017

Year ended 31 March 2017	Note	Share capital £	Retained earnings £	Total £
At 1 April 2016		**291,136,398**	**5,969,282**	**297,105,680**
Issue of Ordinary Shares during the year, net of issue costs	12	125,018,266	–	125,018,266
Issue of C Shares converted to Ordinary Shares during the year, net of issue costs	12	172,199,698	–	172,199,698
Total comprehensive income for the year		–	41,807,058	41,807,058
Dividends paid during the year	4	–	(24,303,425)	(24,303,425)
At 31 March 2017		**588,354,362**	**23,472,915**	**611,827,277**

Period from incorporation on 30 December 2014 to 31 March 2016	Note	Share capital £	Retained deficit £	Total £
At 30 December 2014 (date of incorporation)		**–**	**–**	**–**
Issue of Ordinary Shares during the period, net of issue costs	12	147,185,871	–	147,185,871
Issue of C Shares converted to Ordinary Shares during the period, net of issue costs	12	143,950,527	–	143,950,527
Total comprehensive income for the period		–	11,221,816	11,221,816
Dividends paid during the period	4	–	(5,252,534)	(5,252,534)
At 31 March 2016		**291,136,398**	**5,969,282**	**297,105,680**

The accompanying notes on pages 34 to 60 form an integral part of the Financial Statements.

Statement of Financial Position

At 31 March 2017

	Note	31 March 2017 £	31 March 2016 £
Non-current assets			
Non-derivative financial assets at fair value through profit or loss	6	604,801,618	292,199,356
Current assets			
Cash and cash equivalents	8	46,734,809	7,382,306
Trade and other receivables	14	8,584,225	1,675,766
Derivative financial assets at fair value through profit or loss	7	2,886,733	335,134
Total current assets		**58,205,767**	**9,393,206**
Total assets		**663,007,385**	**301,592,562**
Current liabilities			
Loan payable	15	40,527,090	–
Trade and other payables		1,287,213	685,814
Derivatives financial liabilities at fair value through profit or loss	7	9,365,805	3,801,068
Total liabilities		**51,180,108**	**4,486,882**
Net assets		**611,827,277**	**297,105,680**
Equity			
Share capital	12	588,354,362	291,136,398
Retained earnings		23,472,915	5,969,282
Total equity		**611,827,277**	**297,105,680**
Number of Ordinary Shares	12	**595,642,196**	**302,548,728**
Net asset value per Ordinary Share		**102.72p**	**98.20p**

The Financial Statements on pages 30 to 60 were approved and authorised for issue by the Board of Directors on 19 June 2017 and signed on its behalf by:

Sandra Platts
Director

The accompanying notes on pages 34 to 60 form an integral part of the Financial Statements.

Statement of Cash Flows

For the year ended 31 March 2017

	Note	Year ended 31 March 2017 £	Period from incorporation on 30 December 2014 to 31 March 2016 £
Cash flows from operating activities			
Profit for the year/period		41,807,058	11,221,816
Adjustments for:			
Net gains on revaluation of non-derivative financial assets at fair value through profit or loss	6	(43,736,615)	(13,125,865)
Net losses on derivative financial assets at fair value through profit or loss	7	24,911,786	4,923,830
Net foreign exchange (gain)/loss		(508,958)	1,115,380
Increase in trade and other receivables	14	(6,908,459)	(1,675,766)
Increase in trade and other payables		601,399	685,814
Increase in finance costs payable	15	527,090	–
		16,693,301	**3,145,209**
Net cash paid on settled forward contracts	7	(21,898,648)	(1,457,896)
Purchases of investments	6	(412,036,161)	(315,555,382)
Sales of investments	6	143,170,514	36,481,891
Net cash outflow from operating activities		**(274,070,994)**	**(277,386,178)**
Cash flows from financing activities			
Proceeds from issue of Ordinary Shares	12	297,217,964	291,136,398
Proceeds from drawdown of loan	15	40,000,000	–
Dividends paid	4	(24,303,425)	(5,252,534)
Net cash inflow from financing activities		**312,914,539**	**285,883,864**
Net increase in cash and cash equivalents		38,843,545	8,497,686
Cash and cash equivalents at beginning of year/period		7,382,306	–
Effect of foreign exchange rate changes on cash and cash equivalents during the year/period		508,958	(1,115,380)
Cash and cash equivalents at end of year/period		**46,734,809**	**7,382,306**

The accompanying notes on pages 34 to 60 form an integral part of the Financial Statements.

Notes to the Financial Statements

For the year ended 31 March 2017

1. General Information

Sequoia Economic Infrastructure Income Fund Limited (the "Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 30 December 2014. The Company's registration number is 59596 and it is regulated by the Guernsey Financial Services Commission as a registered closed ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

The Company makes its investments through Sequoia IDF Asset Holdings S.A. (the "Subsidiary"). The Company controls the Subsidiary through a holding of 100% of its shares. The Company further invests in the Subsidiary through the acquisition of Variable Funding Notes ("VFNs") issued by the Subsidiary. The Subsidiary is domiciled in Luxembourg and has no underlying subsidiaries.

Through its Subsidiary, the Company invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments.

With effect from 28 January 2015, Sequoia Investment Management Company Limited (the "Investment Adviser") was appointed as the Investment Adviser and International Fund Management Limited (the "Investment Manager") was appointed as the Investment Manager.

2. Significant Accounting Policies

Statement of compliance

The Annual Financial Statements (the "Financial Statements"), which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and are in compliance with the Companies (Guernsey) Law, 2008, the Prospectus Rules, the Disclosure Guidance and Transparency Rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

Basis of preparation

The Company's Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of financial instruments measured at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and judgements are discussed in note 3. The principal accounting policies adopted are set out below.

The Directors believe that the Annual Report and Financial Statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the year to which it relates and does not omit any matter or development of significance.

In accordance with the investment entities exemption contained in IFRS 10, "Consolidated Financial Statements", the Board has determined that the Company satisfies the criteria to be regarded as an investment entity and that the Company provides investment related services. As a result the Company is required to only prepare individual Financial Statements under IFRS and measures its investment in its Subsidiary at fair value. This determination involves a degree of judgement (see note 3 for further details).

Going concern

The Board has assessed the Company's financial position as at 31 March 2017 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these Financial Statements on a going concern basis.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

2. Significant Accounting Policies (continued)

New accounting standards and interpretations applicable to future reporting periods

At the date of approval of these Financial Statements, the following relevant standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IAS 7 (amended) "Statement of Cash Flows" (amendments arising as a result of the disclosure initiative, effective for periods commencing on or after 1 January 2017); and
- IFRS 9, "Financial Instruments" (relating to the classification and measurement of financial assets and liabilities, effective for periods commencing on or after 1 January 2018). This standard specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39 'Financial Statements: Recognition and Measurement' ("IAS 39").

In addition, the IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2017 or 1 January 2018.

The Directors intend to adopt these standards when they become effective. They do not anticipate that the adoption of these standards will have a material impact on the Financial Statements of the Company.

The following amended standards have been applied for the first time in these financial statements:

- IAS 1 (amended) "Presentation of Financial Statements" (amendments arising as a result of the disclosure initiative, effective for periods commencing on or after 1 January 2016);
- IFRS 10 (amended), "Consolidated Financial Statements" (amendments regarding the application of the consolidation exception, effective for periods commencing on or after 1 January 2016); and
- IFRS 12 (amended), "Disclosure of Interests in Other Entities" (amendments regarding the application of the consolidation exception, effective for periods commencing on or after 1 January 2016).

In addition, the IASB completed its September 2014 Annual Improvements to IFRSs project in September 2014. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2016.

The adoption of these amended standards has had no material impact on the Financial Statements of the Company.

Investment income

Investment income is recognised in profit or loss of the Statement of Comprehensive Income on the effective interest rate method basis and includes interest income from the Company's investment in VFNs issued by the Subsidiary and from cash and cash equivalents.

VFN interest

Interest on VFNs issued by the Subsidiary is paid to the Company on a quarterly basis. VFN interest is calculated on an accruals basis, as the amount of revenue receivable in the quarter by the Subsidiary deriving from its investments and cash and cash equivalents, less any expenses due or payable by the Subsidiary.

Net gains/(losses) on financial assets at fair value through profit or loss

Net gains/(losses) on financial assets at fair value through profit or loss consists of realised and unrealised gains and losses on both non-derivative and derivative financial assets at fair value through profit or loss, and are recognised in profit or loss of the Statement of Comprehensive Income. Gains or losses on non-derivative financial instruments are calculated as described in the section 'Non-derivative financial instruments - fair value and subsequent measurement' within this note; gains or losses on derivative financial instruments are calculated as described in the section 'Derivative financial instruments – fair value and subsequent measurement' within this note.

Expenses

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

2. Significant Accounting Policies (continued)

Ordinary Shares

The Ordinary Shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32. The proceeds from the issue of participating shares are recognised in the Statement of Changes in Shareholders' Equity, net of issue costs.

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes. Certain amounts of the Company's cash are held as collateral against the Company's forward foreign exchange trading facilities (see note 8).

Financial instruments

Classification

The Company classifies its financial assets and financial liabilities into categories in accordance with IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets at fair value through profit and loss

Financial assets classified in this category are designated by management on initial recognition as part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy. This category includes the Company's investment in shares and VFNs issued by the Subsidiary. The Investment Entities exception to consolidation in IFRS 10, "Consolidated Financial Statements" requires subsidiaries of an investment entity to be accounted for at fair value through profit or loss in accordance with IAS 39.

Loans and receivables

This category comprises cash and cash equivalents and trade and other receivables.

Financial liabilities at amortised cost

This category comprises loans payable and trade and other payables.

Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value, being the transaction price, on the trade date. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Non-derivative financial instruments - fair value and subsequent measurement

After initial measurement, the Company measures non-derivative financial assets classified at fair value through profit or loss at their fair values. Changes in fair value are recorded within "Net gains/(losses) on non-derivative financial assets at fair value through profit or loss" in the Statement of Comprehensive Income. This account includes foreign exchange differences but excludes interest income.

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Please refer to note 6 for further details.

Non-derivative financial instruments - fair value and subsequent measurement

After initial measurement, other financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

2. Significant Accounting Policies (continued)

Derivative financial instruments – fair value and subsequent measurement

The Company holds derivative financial instruments to minimise its exposure to foreign exchange risks and from time to time may also hold derivative financial instruments to minimise its exposure to interest rate risks or for economic leveraging. Derivatives are classified as financial assets or financial liabilities (as applicable) at fair value through profit or loss and are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes thereto are recorded within 'Net gains/(losses) on derivative financial instruments at fair value through profit or loss' in the Statement of Comprehensive Income. This account includes foreign exchange differences but excludes interest income. The fair values of derivative transactions are measured using their market prices at the reporting date.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Foreign currency

Functional and presentation currency

The Financial Statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Directors have considered the primary economic currency of the Company; the currency in which the original finance was raised; the currency in which distributions will be made; and ultimately what currency would be returned to Shareholders if the Company was wound up. The Directors have also considered the currency to which the Company's investments are exposed. On balance, the Directors believe that Sterling best represents the functional currency of the Company during the year. Therefore, the books and records are maintained in Sterling and, for the purpose of the Financial Statements, the results and financial position of the Company are presented in Sterling, which has been selected as the presentation currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency balances at the year end are translated into the functional currency at the exchange rates prevailing at the year end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss of the Statement of Comprehensive Income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Dividends

Interim dividends paid to Shareholders are recorded through the Statement of Changes in Shareholders' Equity when they are declared to Shareholders. Final dividends are recorded through the Statement of Changes in Shareholders' Equity when they are approved by Shareholders. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008.

Segmental reporting

The Board has considered the requirements of IFRS 8 – "Operating Segments". The Company has entered into an Investment Management and Investment Advisory Agreement with the Investment Manager and Investment Adviser respectively, under which the Board has delegated the day to day responsibility for the management of the Company's investment portfolio to the Investment Manager, who has then delegated that responsibility to the Investment Adviser per the Investment Advisory Agreement, subject to the overall supervision of the Board. Subject to its terms and conditions, the Investment Advisory Agreement requires the Investment Adviser to manage the Company's investment portfolio in accordance with the Company's investment guidelines in effect from time to time, including the authority to purchase and sell securities and other investments and to carry out other actions as appropriate to give effect thereto. However, the Board retains full responsibility to ensure that the Investment Adviser adheres to its mandate. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Adviser. Accordingly, the Board is deemed to be the "Chief Operating Decision Maker" of the Company.

In the Board's opinion, the Company is engaged in a single segment of business, through its investment in the Subsidiary, being investment in senior and subordinated infrastructure debt instruments and related and/or similar assets.

The Company receives no revenues from external customers, nor holds any non-current assets, in any geographical area other than Guernsey.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3. **Use of Judgments and Estimates**

The preparation of Financial Statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making 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 a semi-annual 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.

The principal judgements and estimates are as follows:

Judgements

Functional currency

Refer to note 2 'Functional and presentation currency'.

Investment Entity

The Board has determined that the Company has all the elements of control as prescribed by IFRS 10 in relation to the Subsidiary as the Company owns 100% of the equity of the Subsidiary, is exposed and has rights to the returns of the Subsidiary and has the ability either directly or through the Investment Adviser to affect the amount of its returns from the Subsidiary.

The Company provides investment management services and has a number of investors who pool their funds to gain access to these services and investment opportunities that they might not have had access to individually. The Company, being listed on the Main Market of the London Stock Exchange, obtains funding from a diverse group of external Shareholders, to whom it has committed that its business purpose is to invest funds solely for the returns from capital appreciation and investment income.

The Company has only one investment – the Subsidiary, in which it holds 100% of the equity, however its investment in the Subsidiary is used to acquire exposure to a portfolio comprising a large number of investments. The fair value method is used to represent the Subsidiary's performance in its internal reporting to the Board, and to evaluate the performance of the Subsidiary's investments and to make investment decisions for mature investments. Those investments have documented maturity/redemption dates, or will be sold if other investments with better risk/reward profile are identified, which the Directors consider demonstrates a clear exit strategy.

The Subsidiary serves as an asset holding company and does not provide investment-related services.

Accordingly, when the Subsidiary is assessed based on the structure of the Company and its Subsidiary as a whole as a means of carrying out activities, the Board has concluded that the Company satisfies sufficient of the criteria above to meet the definition of an investment entity. As a result, under the terms of IFRS 10, the Company is not permitted to consolidate the Subsidiary, but must measure its investment in the Subsidiary at fair value through profit or loss. The Company has determined that the fair value of the Subsidiary is the Subsidiary's net asset value and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures.

Estimates

Fair value of non-derivative and derivative financial instruments at fair value through profit or loss

The Company records its investment in the Subsidiary and in forward foreign exchange contracts at fair value. The valuations of the investments held by the Subsidiary, and thus the net asset value of the Subsidiary itself, are prepared in accordance with the methodologies described in note 6. The valuations of forward foreign exchange contracts are prepared with reference to prevailing exchange rates. The Directors consider that these valuations represent the best estimate of the fair values of the Company's investment in the Subsidiary and in forward foreign exchange contracts.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

4. Dividends

The Company's dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to pay dividends totalling 6% per annum of the Company's original issue price per Ordinary Share (5% in the first period of operations). The Company pays dividends on a quarterly basis.

The Company paid the following dividends on its Ordinary and C Shares during the year ended 31 March 2017:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
31 March 2016	25 May 2016	1.50	4,538,231	29 April 2016	28 April 2016
30 June 2016	26 August 2016	1.50	4,540,113	29 July 2016	28 July 2016
30 September 2016	25 November 2016	1.50	4,542,174	28 October 2016	27 October 2016
31 December 2016	24 February 2017	1.50	8,931,189	27 January 2017	26 January 2017

Period to	Payment date	Dividend rate per C Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
30 September 2016	25 November 2016	1.00	1,751,718	28 October 2016	27 October 2016

The Company paid the following dividends during the period ended 31 March 2016:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
30 June 2015	14 August 2015	1.00	1,500,399	24 July 2015	23 July 2015
30 September 2015	30 November 2015	1.00	1,500,854	13 November 2015	12 November 2015
31 December 2015	29 February 2016	1.50	2,251,281	29 January 2016	28 January 2016

Under Guernsey law, the Company can pay dividends in excess of its accounting profit provided it satisfies the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of the dividend declared in the year.

5. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Below is a non-exhaustive summary of the risks that the Company is exposed to as a result of its use of financial instruments:

Market Risk

Market risk is the risk that changes in market factors such as foreign exchange rates, interest rates and equity prices will affect the Company's income and/or the value of its holdings in financial instruments.

The Company's exposure to market risk comes mainly from movements in the value of its investment in the Subsidiary and on a look-through basis to the underlying investments in the Subsidiary's portfolio. Changes in credit spreads may further affect the Subsidiary's net equity or net income, and hence the value of the Company's investment in the Subsidiary.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. Financial Risk Management (continued)

Market Risk (continued)

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The Company's strategy for the management of market risk is driven by its investment objective to provide investors with regular, sustained, long-term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments, which are held in a portfolio at the Subsidiary level. The various components of the Company's market risk are managed on a daily basis by the Investment Manager in accordance with policies and procedures in place, as detailed below.

In addition, the Company, through the underlying Subsidiary, intends to mitigate market risk generally by not making investments that would cause it to have exposure to any one individual infrastructure asset exceeding 10% of the Group's investments at the time of investment. The Subsidiary's market positions are monitored on a quarterly basis by the Board of Directors and by the Investment Manager at the point of investment and on an ongoing basis.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Subsidiary's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company is exposed to cash flow interest rate risk in respect of its cash and cash equivalents and the floating rate debt investments held by the Subsidiary and to fair value interest rate risk in respect of the fixed rate debt investments held by the Subsidiary.

As the Company has no investment restrictions which would confine its investment universe to short-dated issues, the Investment Manager is mindful that fixed interest portfolios with longer durations may be subject to relatively greater adverse effects of a rising interest rate environment and inflationary considerations.

Interest rate risk is mitigated through the diversification of assets by duration and jurisdiction and with maintaining in excess of 50% of its portfolio in floating rate or inflation-linked debt once fully invested.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Interest rate risk on cash and cash equivalents at Company and Subsidiary level is not considered significant.

The following table shows the profile of the Subsidiary's investment portfolio:

	Range of interest rates	31 March 2017 £	Range of interest rates	31 March 2016 £
Investments with floating interest rates	0.99% to 12.09%	298,073,616	1.22% to 9.00%	125,532,129
Investments with fixed interest rates	0.00% to 12.00%	295,115,376	0.00% to 13.50%	144,720,893
Financial assets at fair value through profit or loss (note 6)		**593,188,992**		**270,253,022**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. **Financial Risk Management** (continued)

Market Risk (continued)

Interest Rate Risk (continued)

The following table shows the Directors' best estimate of the sensitivity of the Subsidiary's portfolio of investments to stressed changes in interest rates, with all other variables held constant. The table assumes parallel shifts in the respective forward yield curves and is based on the modified duration of the assets.

Possible reasonable change in interest rate	31 March 2017 effect on net assets and profit or loss £	31 March 2016 effect on net assets and profit or loss £
+1%	(15,422,914)	(9,210,276)
-1%	17,202,481	10,398,699

The possible change in the interest rate of 1% is regarded as reasonable in view of the current low level of global interest rates.

Under the terms of the Prospectus, the Company is permitted to use interest rate hedging instruments to protect against exposure to interest rate risk. However, no such hedging arrangements were entered into during the year and none were in place at the year end.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is directly exposed to currency risk in respect of its cash and cash equivalents and derivatives denominated in currencies other than Sterling, and indirectly through its investment in the Subsidiary.

The functional and presentational currency of the Company is Sterling. The Company invests in its Subsidiary through VFNs denominated in various currencies other than the functional currency, primarily US Dollar, Euro, Australian Dollar and Canadian Dollar. The Subsidiary in turn invests in financial instruments and enters into transactions that are denominated in currencies other than the functional currency. Consequently, the Company is exposed to risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Company's financial assets or liabilities.

The Investment Manager monitors the exposure to foreign currencies and reports to the Board on a regular basis. The Investment Manager measures the risk of the foreign currency exposure by considering the effect on the net asset value and income of a movement in the rates of exchange to which the assets, liabilities, income and expenses are exposed. A currency hedging program is in place at the Company level, in line with the intentions stated in the Prospectus, to protect against the effects of currency exposure on the future income arising from the underlying portfolio of investments held by the Subsidiary.

The total net foreign currency exposure of the Company and the Subsidiary combined at the year end was as detailed in the following table. These figures have been presented on a combined basis, as there exist foreign currency assets and liabilities in both the Company and the Subsidiary, and the forward foreign exchange contracts held at the Company level are taken out to hedge currency exposure existing at the Subsidiary level.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. **Financial Risk Management** (continued)
Market Risk (continued)
Currency Risk (continued)

	31 March 2017 £	31 March 2016 £
USD Exposure		
Financial assets at fair value through profit or loss	287,417,335	111,065,510
Forward foreign exchange contracts	(198,253,283)	(46,342,812)
Cash and cash equivalents	9,452,997	8,548,658
Trade and other receivables	4,416,321	1,790,010
Net USD Exposure	**103,033,370**	**75,061,366**
EUR Exposure		
Financial assets at fair value through profit or loss	101,725,454	82,431,392
Forward foreign exchange contracts	(102,144,794)	(50,496,329)
Cash and cash equivalents	5,025,022	543,497
Trade and other receivables	1,033,581	930,137
Trade and other payables	(7,466)	(21,545)
Net EUR Exposure	**5,631,797**	**33,387,152**
CAD Exposure		
Financial assets at fair value through profit or loss	–	6,405,783
Forward foreign exchange contracts	–	(3,056,372)
Cash and cash equivalents	–	2,430
Trade and other receivables	–	135,996
Net CAD Exposure	**–**	**3,487,837**
AUD Exposure		
Financial assets at fair value through profit or loss	26,926,275	18,929,192
Forward foreign exchange contracts	(13,731,529)	(8,812,190)
Cash and cash equivalents	172,806	141,550
Trade and other receivables	9,942	4,733
Net AUD Exposure	**13,377,494**	**10,263,285**
Total Exposure	**122,042,661**	**122,199,640**

	Possible reasonable change in exchange rate	31 March 2017 net exposure £	31 March 2017 effect on net assets and profit or loss £	31 March 2016 net exposure £	31 March 2016 effect on net assets and profit or loss £
USD/GBP	+/- 10%	103,033,370	+/- 10,303,337	75,061,366	+/- 7,506,137
EUR/GBP	+/- 10%	5,631,797	+/- 563,180	33,387,152	+/- 3,338,715
CAD/GBP	+/- 10%	–	–	3,487,837	+/- 348,784
AUD/GBP	+/- 10%	13,377,494	+/- 1,337,749	10,263,285	+/- 1,026,329

The possible change in exchange rates of 10% is regarded as reasonable in view of the recent volatility of Sterling against most major currencies.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. **Financial Risk Management** (continued)

Market Risk (continued)

Currency Risk (continued)

The following table details the split of currencies based on fair value of bonds and loans in the Subsidiary's investment portfolio:

	31 March 2017	31 March 2016
Currency	**£**	**£**
Sterling	177,119,928	51,421,145
US Dollar	287,417,335	111,065,510
Euro	101,725,454	82,431,392
Canadian Dollar	–	6,405,783
Australian Dollar	26,926,275	18,929,192
Total	**593,188,992**	**270,253,022**

Credit and Counterparty 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 or the Subsidiary or a vehicle in which the Company or Subsidiary invests, resulting in a financial loss to the Company. It arises principally from debt securities held, and also from derivative financial assets and cash and cash equivalents. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk).

In respect of the debt investments, credit risk is the risk that the fair value of a loan (or more generally, a stream of debt payments) will decrease due to a change in the borrower's ability to make payments, whether that change is an actual default or a change in the borrower's probability of default.

The Investment Manager's management of the Subsidiary's portfolio is underpinned by the ongoing monitoring and mitigation of credit risk in the portfolio to ensure that any credit events or institutional ratings changes are identified in a timely manner.

The following table analyses the external ratings of the Subsidiary's portfolio investments, calculated using all available ratings for the portfolio investments from Standard and Poor's, Moody's and Fitch.

	31 March 2017	31 March 2016
Standard & Poor's rating (or equivalent)	**£**	**£**
AA- to AA+	11,784,860	8,481,894
BBB- to BBB+	19,686,451	21,419,112
BB- to BB+	72,419,579	27,606,157
B- to B+	105,674,308	52,894,671
CCC- to CCC+	–	6,493,802
Unrated	383,623,794	153,357,386
	593,188,992	**270,253,022**

Prior to any investment purchase, the Investment Adviser provides a credit memorandum to the Investment Manager which includes a Sequoia Credit Rating (based on an in-house rating system, which takes into account certain facets of the investment, including the issuer's security, financial statements, debt covenants and the type of debt) for the debt investment, along with a recommendation to purchase the asset. The Investment Manager vets the recommendation and liaises with the Risk Committee where appropriate.

The mitigation of credit risk starts with the Investment Adviser's Investment Committee, which monitors risks associated with potential debt investments and makes recommendations for acquisitions whilst allocating a Sequoia Credit Rating.

The Investment Adviser formally performs credit reviews of the full portfolio at least semi-annually or as and when a particular 'Credit Event' occurs.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. **Financial Risk Management** (continued)

Credit and Counterparty Risk (continued)

The table below analyses the Company's maximum exposure to credit risk for the components of the Statement of Financial Position.

	31 March 2017	31 March 2016
	£	£
Non-derivative financial assets at fair value through profit or loss	604,801,618	292,199,356
Cash and cash equivalents	46,734,809	7,382,306
Trade and other receivables	8,558,623	1,647,136
Derivative financial assets at fair value through profit or loss	2,886,733	335,134
	662,981,783	**301,563,932**

In line with the Prospectus a Cash Management Policy has been put in place. Cash deposits will only be placed with banks that hold a short-term rating of at least A-1, P-1 or F1 from Standard and Poor's, Moody's or Fitch respectively and no more than 40% of net assets may be placed with any one bank at any time. The Investment Manager carefully manages this process ensuring uninvested cash is dispersed to adequately rated banks whilst maximising interest received. The Bank of New York Mellon, as custodian, holds cash in relation to the portfolio operations and in order to settle investment transactions. Uninvested cash is managed through Lloyds Bank International Limited ("LBI") and ABN Amro Bank NV ("ABN Amro") (2016: BNP Paribas SA ("BNP Paribas") and ABN Amro) under a cash management agreement with PraxisIFM Treasury Services Limited, with other adequately-rated banks considered should cash levels require. At the year end the Standard and Poor's short-term credit ratings of the institutions were as follows: LBI: A-2; ABN Amro: A-1; and Bank of New York Mellon: A-1+ (2016: ABN Amro: A-1; BNP Paribas: A-1; and Bank of New York Mellon: A-1+).

For operational purposes, the Fund's policy is to utilise banks with an investment grade rating or higher (A-3, P-3 or F3 from Standard and Poor's, Moody's or Fitch respectively). The Company's operational cash is held with The Royal Bank of Scotland International Limited ("RBSI"). The Company uses Monex Europe Limited ("Monex"), RBSI, Investec Bank (Channel Islands) Limited ("IBCI") and Global Reach Partners ("Global Reach") to undertake forward foreign exchange transactions. Hedging collateral may be held with these institutions if required, however no cash collateral is held at the year end. At the year end the short-term credit ratings of these institutions were as follows (Standard & Poors unless otherwise specified): RBSI: A-3; IBCI: F2 (Fitch); Monex: B; Global Reach: no rating (2016: RBSI: A-3; IBCI: F2 (Fitch); and Monex: B).

Bankruptcy or insolvency of any of the above financial institutions may cause the Company's rights with respect to the cash held to be delayed or limited. The Company monitors its risk by regularly monitoring the credit ratings of these financial institutions.

Credit risk arising on debt securities held by the Subsidiary is constantly monitored by the Investment Manager. Credit risk is mitigated by the diversification of assets by maturity profile and jurisdiction.

The Subsidiary's exposure to credit risk in respect of its investments, based on the country of registration, is summarised below:

	31 March 2017	31 March 2016
	£	£
United States of America/Canada	274,022,542	117,471,293
Europe	99,079,743	87,473,011
United Kingdom	179,765,638	46,379,526
Australia	40,321,069	18,929,192
Subsidiary financial assets at fair value through profit or loss (note 6)	**593,188,992**	**270,253,022**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. **Financial Risk Management** (continued)

Credit and Counterparty Risk (continued)

The table below summarises the Subsidiary's portfolio concentrations:

	Largest portfolio holding of a single asset % of total portfolio	Average portfolio holding % of total portfolio
31 March 2017	6.26	2.22

	Largest portfolio holding of a single asset % of total portfolio	Average portfolio holding % of total portfolio
31 March 2016	10.67	2.86

The following table summarises the Subsidiary's exposure to market risk, based on its concentration by industry:

	31 March 2017 £	31 March 2016 £
Accommodation	62,608,274	10,400,236
Power	77,064,984	38,087,517
Renewable Energy	52,061,633	39,452,888
Telecommunication, Media and Technology	90,603,924	8,850,486
Transport	103,409,776	40,046,559
Transportation Equipment	91,606,081	67,551,393
Utilities	52,374,469	53,853,194
Other	63,459,851	12,010,749
Subsidiary financial assets at fair value through profit or loss (note 6)	**593,188,992**	**270,253,022**

Activities undertaken by the Company and its Subsidiary may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, settlement risk is mitigated by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes. The Investment Manager also conducts reviews of the settlement process and custodian to ensure stringent settlement process is in place.

Liquidity Risk

Liquidity risk is the risk that the Company or the Subsidiary will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy and the Investment Manager's approach to managing liquidity risk in both the Company and the Subsidiary is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company has implemented a liquidity policy that is consistent with its underlying obligations and redemption policy, in accordance with the requirements relating to quantitative and qualitative risk limits and which considers both funding and trading liquidity.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

5. **Financial Risk Management** (continued)

Liquidity Risk (continued)

The Investment Manager manages the Company's liquidity risk by taking into account the liquidity profile and strategy of the Company and at the Subsidiary level primarily through investing in a diverse portfolio of assets. Liquidity risk mitigation will be sought through careful selection of assets, asset duration, asset liquidity profiling through loan market interaction, geographical focus, currency allocations, cash management and other Company considerations.

Given the Company's permanent capital structure as a closed-ended fund, it is not exposed to redemption risk. However, the financial instruments of the Company and the Subsidiary include derivative contracts traded over-the-counter and debt investments, which are not traded in an organised public market and which may be illiquid.

The overall liquidity risk of the Company and the Subsidiary is monitored on a quarterly basis by the Board of Directors and on an ongoing basis by the Investment Manager. Shareholders will have no right of redemption and must rely, in part, on the existence of a liquid market in order to realise their investment.

There are no company assets subject to special arrangements arising from their illiquid nature.

With the exception of the loan payable (see note 15) and certain forward foreign exchange contracts (see note 7), the Company's accounts receivable and financial liabilities at 31 March 2017 will all mature within four months of the reporting date.

Operational Risk

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

Operational risk is managed so as to balance the limiting of financial losses and reputational damage with achieving the investment objective of generating returns to investors.

The Investment Manager works with the Board to identify the risks facing the Company and the Subsidiary. The key risks are documented and updated in the Risk Matrix by the Investment Manager.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers.

The Directors' assessment of the adequacy of the controls and processes in place at service providers with respect to operational risk is carried out through having discussions with and reviewing reports from the Investment Manager, who conducts regular discussions with the service providers.

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 is represented by its share capital. Capital is managed in accordance with the investment policy, in pursuit of its investment objectives. There are no duration restrictions on the investments acquired by the Subsidiary. Target annual returns for investors in the Company are an income return of 5% to 6% and a capital return of 1% to 2%.

The Company may employ leverage for short term liquidity or investment purposes. During the year, the Company has executed an 18 month £40 million loan with JP Morgan Chase Bank (see note 15).

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

6. Financial Assets at fair value through Profit or Loss

	Year ended 31 March 2017 £	Period from incorporation on 30 December 2014 to 31 March 2016 £
Cost at the start of the year/period	279,073,491	–
VFNs purchased during the year/period	412,036,161	315,555,382
VFNs redeemed during the year/period	(143,170,514)	(36,481,891)
Realised gains on VFNs redeemed during the year/period	79,252	–
Cost at the end of the year/period	548,018,390	279,073,491
Net gains on non-derivative financial assets at the end of the year/period	56,783,228	13,125,865
Non-derivative financial assets at fair value through profit or loss at the end of the year/period	**604,801,618**	**292,199,356**

The following table provides a reconciliation of the financial assets at fair value through profit or loss of the Subsidiary to the Company's financial assets at fair value through profit or loss:

	31 March 2017 £	31 March 2016 £
Subsidiary's non-derivative financial assets at fair value through profit or loss	593,188,992	270,253,022
Subsidiary's net current assets	11,612,626	21,946,334
Company's non-derivative financial assets at fair value through profit or loss	**604,801,618**	**292,199,356**

None of the Subsidiary's non-derivative financial assets at fair value through profit or loss is subject to any special arrangements arising from their illiquid nature.

The Company's net gains on non-derivative financial assets at fair value through profit or loss in the year/period comprises the following:

	Year ended 31 March 2017 £	Period from incorporation on 30 December 2014 to 31 March 2016 £
Unrealised gains on VFNs during the year/period	33,043,413	14,732,542
Realised gains on VFNs redeemed during the year/period	79,252	–
Unrealised gain/(loss) on revaluation of the Subsidiary in the year/period	10,613,950	(1,606,677)
Net gains on non-derivative financial assets at fair value through profit or loss at the end of the year/period	**43,736,615**	**13,125,865**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

6. Financial Assets at fair value through Profit or Loss (continued)

On a look-through basis, the Group's cumulative net gains on non-derivative financial assets at fair value through profit or loss as at 31 March 2017 comprises the following:

	Year ended 31 March 2017 £	Period from incorporation on 30 December 2014 to 31 March 2016 £
Subsidiary		
Investment income	28,242,532	9,014,145
Realised gains/(losses) on non-derivative financial assets at fair value through profit or loss	12,824,516	(2,169,461)
Unrealised gains on non-derivative financial assets at fair value through profit or loss	30,014,630	12,673,725
Foreign exchange losses	(32,419,787)	(14,827,007)
Interest on VFNs	(28,007,811)	(6,155,742)
Net expenses	(40,130)	(142,337)
	10,613,950	(1,606,677)
Subsidiary losses brought forward	(1,606,677)	–
	9,007,273	(1,606,677)
Company		
Unrealised foreign exchange gains on VFNs brought forward	14,732,542	–
Unrealised foreign exchange gains on VFNs in the year/period	33,043,413	14,732,542
Net gains on non-derivative financial assets at fair value through profit or loss at the end of the period	**56,783,228**	**13,125,865**

Fair Value Measurement

IFRS 13 requires that a fair value hierarchy be established that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

– Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

– Level 2: 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). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

– Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be market data that is readily available, regularly distributed or updated, reliable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

6. Financial Assets at fair value through Profit or Loss (continued)

Fair Value Measurement (continued)

The Company's investment in the Subsidiary, through the acquisition of shares and the issue of VFNs, is classified within Level 3, as it is not traded and contains unobservable inputs. The Board considers that the NAV of the Subsidiary is representative of its fair value.

	31 March 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets				
Non-derivative financial assets at fair value through profit or loss	–	–	604,801,618	604,801,618
Derivative financial assets at fair value through profit or loss	–	2,886,733	–	2,886,733
Total	**–**	**2,886,733**	**604,801,618**	**607,688,351**
Liabilities				
Derivative financial liabilities at fair value through profit or loss	–	9,365,805	–	9,365,805
Total	**–**	**9,365,805**	**–**	**9,365,805**

	31 March 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets				
Non-derivative financial assets at fair value through profit or loss	–	–	292,199,356	292,199,356
Derivative financial assets at fair value through profit or loss	–	335,134	–	335,134
Total	**–**	**335,134**	**292,199,356**	**292,534,490**
Liabilities				
Derivative financial liabilities at fair value through profit or loss	–	3,801,068	–	3,801,068
Total	**–**	**3,801,068**	**–**	**3,801,068**

During the year assets with a value of £12,185,836 have been transferred from Level 2 to Level 1, and assets with a value of £24,813,828 have been transferred from Level 3 to Level 2. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

Movements in the Company's Level 3 financial instruments during the period were as follows:

	Year ended 31 March 2017	**Period from incorporation on 30 December 2014 to 31 March 2016**
	£	**£**
Opening balance	292,199,356	–
Purchases	412,036,161	315,555,382
Sales	(143,170,514)	(36,481,891)
Net gains on non-derivative financial assets at the end of the period	43,736,615	13,125,865
Closing balance	**604,801,618**	**292,199,356**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

6. Financial Assets at fair value through Profit or Loss (continued)

Fair Value Measurement (continued)

The investments held by the Subsidiary in the underlying portfolio are classified within the fair value hierarchy as follows:

	31 March 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets:				
Non-derivative financial assets at fair value through profit or loss	60,738,269	225,880,018	306,570,705	593,188,992

	31 March 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets:				
Non-derivative financial assets at fair value through profit or loss	27,699,347	96,236,866	146,316,809	270,253,022

The Subsidiary's Level 3 investment valuations are calculated by discounting future cashflows at a yield appropriate to comparable infrastructure loans or bonds (with such yield assessed primarily from publicly available sources and secondarily in consultation with brokers and syndicate desks). Spread data will also be cross-referenced to recently priced primary market transactions if possible. When identifying comparable loans or bonds, for the purpose of assessing market yields, structural and credit characteristics and project type are also considered.

The following table shows the Directors' best estimate of the sensitivity of the Subsidiary's Level 3 investments to changes in the principal unobservable inputs, with all other variables held constant.

Unobservable input	**Possible reasonable change in input**	**31 March 2017 effect on net assets and profit or loss £**	**31 March 2016 effect on net assets and profit or loss £**
Yield	+ 1%	(5,340,034)	(2,423,577)
	-1%	5,439,526	2,464,877
Discount rate	+ 1%	(3,879,266)	(3,305,376)
	-1%	4,274,344	3,717,481

The possible changes in the yield and discount rate of 1% are regarded as reasonable in view of the current low level of global interest rates.

The cash and cash equivalents, trade and other receivables and trade and other payables are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Valuation techniques for the investment portfolio of the Subsidiary

With effect from 28 January 2015, the Company engaged Mazars LLP ("Mazars") as Valuation Agent, with responsibility for reviewing the valuations applied by the Investment Adviser in relation to the acquisition of loans and bonds, and for calculating the valuations of portfolio loans and bonds on a monthly basis. Subsequent to the year end, the Company has terminated Mazars' engagement and has engaged PricewaterhouseCoopers LLP as Valuation Agent with effect from 18 April 2017. The principles and techniques utilised by Mazars during the year in calculating the valuations are described below.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

6. Financial Assets at fair value through Profit or Loss (continued)

Valuation techniques for the investment portfolio of the Subsidiary (continued)

Performing Portfolio Loans and Bonds

Valuations of performing portfolio loans and bonds are based on actual market prices (bid-side prices) obtained from third-party brokers and syndicate desks if available (such brokers to be agreed with the Investment Adviser); if such prices are not available, then valuations are calculated by discounting future cashflows at a yield appropriate to comparable infrastructure loans or bonds (with such yield assessed primarily from publically available sources and secondarily in consultation with brokers and syndicate desks). Spread data will also be cross-referenced to recently-priced primary market transactions if possible.

When identifying comparable loans or bonds, for the purpose of assessing market yields, the following will be taken into account:

- Project type: jurisdiction, sector, project status, transaction counterparties such as construction companies, facility management providers;
- Structural characteristics: maturity and average life, seniority, secured/unsecured, amortisation profile, cash sweeps, par versus discount; and
- Credit characteristics: credit ratios (e.g. equity cushion, asset cover/LTV, debt service coverage ratios or equivalent, debt/EBITDA), ratings and ratings trajectory.

In calculating the net present value of future cashflows on loans with uncertain cashflows (such as cash-sweep mechanisms), "banking base case" cashflows are used unless there is clear evidence that the market is using a valuation based upon another set of cashflows.

In the case of discount loans with step-up margins, the assumption will be that market discounts are calculated on a yield-to-worst basis, unless there is clear evidence that the market convention for that loan is different.

For variable rate loans and bonds, for the purposes of projecting cashflows, the market convention of simple compounding to the next interest payment date is used and swap rates for subsequent interest payments, unless there is clear evidence that the market convention for that loan or bond is different.

Non-performing Portfolio Loans and Bonds

Valuations of non-performing portfolio loans and bonds are based on actual market prices obtained from third-party brokers if available, otherwise the net present value of future expected loan cashflows will be calculated, estimated on the basis of the median outcome and discount rate that reflects the market yield of distressed/defaulted loans or bonds.

In assessing the median outcome cashflows, a project/corporate model that reflects the distressed state of the project will be used in order to assess a range of potential outcomes for expected future cashflows with regards to, for example, interest or principal recoveries and timing. The Investment Adviser will work closely with the independent third party valuer and they will have access to the Investment Adviser's own model, analysis and internal valuations. These valuations will be subject to a high degree of management oversight by the Investment Manager and will be reviewed with high frequency.

Finalising the Net Asset Value

Once the appropriate position price has been determined to be applied to each investment, the calculation of the Subsidiary's net asset value is finalised through the following steps:

- Conversion of each investment into GBP based on month end FX exchange rates;
- Reconciliation of any interest accrued since issue of the most recent coupon; and
- Aggregation of the investments into a single Fund NAV position statement (clean and dirty price).

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

7. Derivative Financial Assets at fair value through Profit or Loss

As at 31 March 2017, the Company had the following outstanding commitments in respect of open forward foreign exchange contracts.

31 March 2017

Maturity date	Counterparty	Contract amount	Buy	Sell	Unrealised gain/(loss)
					£
6 April 2017	RBSI	USD 17,500,000	GBP	USD	216,015
10 April 2017	RBSI	EUR 5,000,000	GBP	EUR	79,250
11 April 2017	RBSI	USD 15,750,000	GBP	USD	329,778
13 April 2017	Global Reach	USD 5,000,000	GBP	USD	58,721
13 April 2017	Monex	EUR 5,000,000	GBP	EUR	98,125
18 April 2017	RBSI	USD 15,000,000	GBP	USD	428,855
27 April 2017	Investec Bank	EUR 9,100,000	GBP	EUR	350,331
27 April 2017	Investec Bank	USD 22,000,000	GBP	USD	304,108
3 May 2017	RBSI	EUR 16,000,000	GBP	EUR	5,182
4 May 2017	Global Reach	USD 10,000,000	GBP	USD	105,690
4 May 2017	Global Reach	USD 5,000,000	GBP	USD	318
17 May 2017	Investec Bank	EUR 10,000,000	GBP	EUR	148,462
25 May 2017	Monex	USD 10,000,000	GBP	USD	40,118
30 May 2017	Global Reach	EUR 10,000,000	GBP	EUR	79,894
25 August 2017	RBSI	USD 10,600,000	GBP	USD	42,176
6 September 2017	RBSI	EUR 15,500,000	GBP	EUR	122,050
15 September 2017	RBSI	USD 12,637,800	GBP	USD	84,179
18 December 2017	Investec Bank	EUR 5,000,000	GBP	EUR	98,370
18 December 2017	Investec Bank	EUR 15,000,000	GBP	EUR	295,110
					2,886,733
10 April 2017	Global Reach	USD 5,000,000	GBP	USD	(53,025)
25 April 2017	RBSI	USD 10,500,000	GBP	USD	(9,960)
26 April 2017	Monex	AUD 12,500,000	GBP	AUD	(1,708,399)
28 April 2017	RBSI	USD 17,500,000	GBP	USD	(64,393)
17 May 2017	Investec Bank	AUD 6,000,000	GBP	AUD	(36,841)
25 May 2017	Monex	USD 49,500,000	GBP	USD	(4,897,025)
25 May 2017	Monex	USD 12,000,000	GBP	USD	(165,860)
15 June 2017	Monex	EUR 29,000,000	GBP	EUR	(2,153,419)
10 August 2017	RBSI	AUD 4,000,000	GBP	AUD	(4,771)
24 August 2017	RBSI	USD 15,750,000	GBP	USD	(50,406)
18 September 2017	Investec Bank	USD 15,000,000	GBP	USD	(221,707)
					(9,365,805)
Net unrealised loss on forward foreign exchange contracts					**(6,479,072)**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

7. Derivative Financial Assets at fair value through Profit or Loss (continued)

31 March 2016

Maturity date	Counterparty	Contract amount	Buy	Sell	Unrealised gain/(loss)
					£
25 April 2016	Investec Bank	USD 9,568,750	GBP	USD	87,531
2 June 2016	RBSI	USD 5,000,000	GBP	USD	92,483
3 June 2016	RBSI	USD 10,000,000	GBP	USD	121,907
22 June 2016	RBSI	USD 10,000,000	GBP	USD	33,213
					335,134
21 April 2016	Monex	AUD 2,500,000	GBP	AUD	(170,048)
21 April 2016	RBSI	USD 2,500,000	GBP	USD	(123,635)
21 April 2016	Monex	AUD 4,000,000	GBP	AUD	(293,584)
25 April 2016	Investec Bank	EUR 6,600,000	GBP	EUR	(155,710)
25 April 2016	Investec Bank	EUR 1,500,000	GBP	EUR	(35,389)
3 May 2016	RBSI	AUD 4,000,000	GBP	AUD	(180,893)
3 May 2016	RBSI	EUR 10,000,000	GBP	EUR	(330,836)
3 May 2016	RBSI	USD 3,000,000	GBP	USD	(2,609)
16 May 2016	Investec Bank	AUD 6,000,000	GBP	AUD	(271,271)
16 May 2016	Investec Bank	CAD 4,500,000	GBP	CAD	(183,285)
16 May 2016	Investec Bank	EUR 10,000,000	GBP	EUR	(165,315)
23 May 2016	Investec Bank	EUR 1,000,000	GBP	EUR	(87,278)
23 May 2016	Investec Bank	USD 2,000,000	GBP	USD	(114,924)
2 June 2016	RBSI	EUR 14,000,000	GBP	EUR	(215,027)
17 June 2016	Monex	USD 24,500,000	GBP	USD	(527,416)
21 June 2016	RBSI	EUR 1,500,000	GBP	EUR	(4,088)
21 June 2016	RBSI	EUR 5,000,000	GBP	EUR	(43,731)
21 June 2016	Monex	CAD 1,200,000	GBP	CAD	(50,680)
21 June 2016	Monex	EUR 5,000,000	GBP	EUR	(415,168)
21 June 2016	Monex	EUR 4,000,000	GBP	EUR	(299,056)
21 June 2016	Monex	EUR 5,000,000	GBP	EUR	(131,125)
					(3,801,068)
Net unrealised loss on forward foreign exchange contracts					**(3,465,934)**

All forward foreign exchange positions at the period end were held with Investec Bank plc, Monex Europe Limited, the Royal Bank of Scotland International or Global Reach Partners, as noted above. There are no master netting arrangements in place.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

7. Derivative Financial Assets at fair value through Profit or Loss (continued)

The net loss on forward foreign exchange contracts in the period comprises both realised and unrealised losses as follows:

	Year ended 31 March 2017 £	Period from incorporation on 30 December 2014 to 31 March 2016 £
Net realised losses on forward foreign exchange contracts during the period	(21,898,648)	(1,457,896)
Net unrealised losses on forward foreign exchange contracts during the period	(3,013,138)	(3,465,934)
Net losses on forward foreign exchange contracts during the period	**(24,911,786)**	**(4,923,830)**

8. Cash and Cash Equivalents

	31 March 2017 £	31 March 2016 £
Cash held on call or overnight deposit accounts	46,734,809	7,382,306
	46,734,809	**7,382,306**

Under the terms of its forward foreign exchange trading agreements with Investec Bank plc, Royal Bank of Scotland International, Monex Europe and Global Reach Partners, the Company may be required in certain circumstances to retain balances in collateral accounts representing the applicable margin on each facility. As at 31 March 2017, £6,270,139 (31 March 2016: £Nil) was held in collateral accounts.

9. Investment Income

	Year ended 31 March 2017 £	Period from incorporation on 30 December 2014 to 31 March 2016 £
Interest income on financial assets carried at amortised cost:		
Cash and cash equivalents	187,403	157,073
Interest income on the Company's non-derivative financial assets at fair value through profit and loss	28,007,811	6,155,742
	28,195,214	**6,312,815**

10. Related Parties and Other Material Contracts

Directors' Fees

Robert Jennings is entitled to a fee in remuneration for his services as Chairman of the Board of Directors at a rate payable of £52,000 per annum (increasing to £56,000 per annum with effect from 1 April 2017). The remaining Directors are entitled to a fee in remuneration for their services as Directors at a rate of £35,000 each per annum (increasing to £36,500 per annum with effect from 1 April 2017).

Jan Pethick, Jon Bridel and Sandra Platts are also each entitled to a fee of £5,500 per annum (increasing to £7,000 per annum with effect from 1 April 2017) in respect of their roles as Chairman of the Management Engagement Committee, Chairman of the Risk Committee and Chairman of the Audit and Remuneration Committees respectively.

Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £5,000 in relation to the listing of C shares on 10 June 2016.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

10. Related Parties and Other Material Contracts (continued)

Ordinary Shares held by related parties

The Shareholdings of the Directors in the Company were as follows:

Name	31 March 2017 Number of Ordinary Shares	31 March 2017 Percentage of Ordinary Shares in Issue	31 March 2016 Number of Ordinary Shares	31 March 2016 Percentage of Ordinary Shares in Issue
Robert Jennings (Chairman) (with other members of his family)	181,000	0.03%	115,000	0.04%
Jan Pethick (with his spouse)	219,504	0.04%	157,500	0.05%
Jon Bridel (with his spouse)	10,452	0.00%	7,500	0.00%
Sandra Platts (in a family RATS)	10,452	0.00%	7,500	0.00%

Subsequent to the year end, the Directors (including family members) acquired the following holdings in the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 31 May 2017: Robert Jennings 36,200 Ordinary Shares; and Sandra Platts 5,687 Ordinary Shares. There have been no other changes to the Directors' shareholdings since 31 March 2017.

As at 31 March 2017, the members of the Investment Adviser's founding team held an aggregate of 670,215 Ordinary Shares (2016: 670,215 Ordinary Shares), which is 0.11% (2016: 0.22%) of the issued share capital. Subsequent to the year end, a member of the Investment Adviser's founding team acquired a further holding of 11,428 Ordinary Shares in the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 31 May 2017.

As at 31 March 2017, the members of the Investment Manager held an aggregate of 50,000 Ordinary Shares (2016: 50,000 Ordinary Shares), which is 0.01% (2016: 0.02%) of the issued share capital.

Transactions with Investment Manager and Investment Adviser

Investment Manager

With effect from 28 January 2015, International Fund Management Limited (the "Investment Manager") was appointed as the Investment Manager. With effect from 1 May 2016, the Investment Manager was entitled to receive a management fee for AIFM services calculated as follows:

- if the Company's NAV is less than £200 million, 0.075% per annum of the value of the Company's NAV; plus
- if the Company's NAV is more than £200 million and less than £400 million, 0.05% per annum of the Company's NAV not included above; plus
- if the Company's NAV is more than £400 million, 0.04% per annum of the Company's NAV not included above.

Prior to 1 May 2016, the rate applied to the first £200 million of the NAV was 0.064%.

With effect from 1 December 2016, the fee receivable is calculated as follows:

- if the Company's NAV is less than £200 million, 0.075% per annum of the value of the Company's NAV; plus
- if the Company's NAV is more than £200 million and less than £400 million, 0.05% per annum of the Company's NAV not included above; plus
- if the Company's NAV is more than £400 million and less than £500 million, 0.04% per annum of the Company's NAV not included above; plus
- if the Company's NAV is more than £500 million, 0.015% per annum of the Company's NAV not included above.

The fee is subject to an annualised minimum of £80,000 applied on a monthly basis and is payable monthly in arrears.

The Investment Management agreement can be terminated by either party giving not less than 6 months written notice.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

10. Related Parties and Other Material Contracts (continued)

Transactions with Investment Manager and Investment Adviser (continued)

Investment Adviser

With effect from 28 January 2015, Sequoia Investment Management Company Limited (the "Investment Adviser") was appointed as the Investment Adviser. The Investment Adviser is entitled to receive from the Company a base fee calculated as follows and payable quarterly:

- 0.5% per annum of the value of the listed debt securities owned by the Subsidiary; plus
- if the Company's NAV is less than £250 million, 0.9% per annum of the value of the Company's other investments (excluding listed debt securities and cash); plus
- if the Company's NAV is more than £250 million and less than £500 million, 0.8% per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above; plus
- if the Company's NAV is more than £500 million, 0.7% per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above.

One quarter of the Investment Adviser's fee will be applied in subscribing for Ordinary Shares in the Company, which the Investment Adviser shall retain with a three-year rolling lock-up (such that those Ordinary Shares may not be sold or otherwise disposed of by the Investment Adviser without the prior consent of the Company before the third anniversary of the date of issue of the relevant Ordinary Shares). If the Company raises further capital or otherwise increases its net asset value, the Investment Adviser will receive a reduced percentage fee.

On 20 April 2016, the Company issued 125,488 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 31 March 2016 under the Investment Advisory Agreement.

On 19 July 2016, the Company issued 137,370 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 June 2016 under the Investment Advisory Agreement.

On 18 October 2016, the Company issued 196,908 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 September 2016 under the Investment Advisory Agreement.

On 18 January 2017, the Company issued 229,583 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 31 December 2016 under the Investment Advisory Agreement.

As at 31 March 2017, the Investment Adviser held 877,439 Ordinary Shares (2016: 188,090 Ordinary Shares) in the Company.

On 20 April 2017 the Company issued 218,497 Ordinary Shares to the Investment Adviser in relation to fees payable for the quarter ended 31 March 2017 under the Investment Advisory Agreement.

The Investment Advisory agreement can be terminated by either party giving not less than 6 months written notice. The Investment Adviser's appointment will be automatically terminated upon termination of the Investment Manager's appointment under the Investment Management Agreement.

Other Material Contracts

Administrator

With effect from 28 January 2015, Praxis Fund Services Limited (the "Administrator") was appointed as the Administrator. With effect from 1 June 2016, the Administrator is entitled to receive from the Company a base fee calculated as follows and payable monthly:

- if the Company's NAV is less than £300 million, 0.07% per annum of the value of the Company's NAV; plus
- if the Company's NAV is more than £300 million and less than £400 million, 0.05% per annum of the Company's NAV not included above; plus
- if the Company's NAV is more than £400 million, 0.04% per annum of the Company's NAV not included above.

Prior to 1 June 2016, the base fee was calculated at a single rate of 0.07% of the Company's NAV. The base fee is subject to a minimum of £65,000 applied on a monthly basis and is capped at £300,000 per annum. The Administrator is also entitled to a fee for company secretarial services based on time costs.

In addition, the Administrator received a fee during the year of £19,500 for services rendered in connection with the initial set up of the C share class, preparation of pre-launch document and other services rendered in connection with the launch of the C shares.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

10. Related Parties and Other Material Contracts (continued)

Other Material Contracts (continued)

Subsidiary Administrator

With effect from 28 January 2015, TMF Luxembourg S.A. (the "Subsidiary Administrator") was appointed as the administrator of the Subsidiary. With effect from 1 January 2017, the Subsidiary Administrator is entitled to receive an annual fee of €24,600 (prior to 1 January 2017: €24,000 per annum) and, in addition, a fee for NAV reconciliation and reporting services based on time costs but capped at €6,150 per annum (prior to 1 January 2017: €6,000 per annum).

Custodian

With effect from 27 February 2015, The Bank of New York Mellon (the "Custodian") was appointed as the Custodian. The Custodian is entitled to receive fees, as agreed from time to time, for services provided as portfolio administrator, depositary, calculating agent, account bank and custodian.

The amounts charged for the above-mentioned fees during the year ended 31 March 2017 and outstanding at 31 March 2017 are as follows:

Year ended 31 March 2017	Charge for the year £	Amounts outstanding at 31 March 2017 £
Directors' fees and expenses	181,351	-
Investment management fee	271,786	26,056
Investment advisory fee	3,482,915	1,060,127
Administration fee	358,286	35,628
Sub-administration fee*	60,965	2,950
Fees payable to the Custodian*	295,447	96,632
	4,650,750	**1,221,393**

Period from incorporation on 30 December 2014 to 31 March 2016	Charge for the period £	Amounts outstanding at 31 March 2016 £
Directors' fees and expenses	186,674	–
Investment management fee	133,857	15,004
Investment advisory fee	1,269,449	510,076
Administration fee	207,978	26,968
Sub-administration fee*	37,884	–
Fees payable to the Custodian*	87,160	16,987
	1,923,002	**569,035**

* Includes expenses of the Subsidiary

Overdraft facility

On 15 February 2016 the Company entered into an overdraft facility with the Royal Bank of Scotland International Limited with a limit of £1,500,000. As at 31 March 2017, this facility had not been utilised.

Loan collateral

The Company is the guarantor of a Senior VFN in the sum of £40 million, which serves as collateral for a loan of £40 million payable to JP Morgan Chase Bank, London Branch (see note 15).

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

11. **Tax Status**

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200 under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

12. **Share Capital**

The Company's Ordinary Shares and C Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and C Shares are recognised as a deduction in equity and are charged to the relevant share capital account, including the initial set up costs.

The Company undertakes that it shall ensure that its records and bank accounts are operated in such a way that the assets attributable to the Ordinary Shares and the C Shares can be separately identified. On the conversion of C Shares to Ordinary Shares, C Shareholders shall be allocated an appropriate number of Ordinary Shares, calculated by reference to the conversion ratio.

The authorised share capital of the Company is represented by an unlimited number of Shares of nil par value, to which are attached the following rights:

(a) Dividends: Ordinary Shareholders and C Shareholders are entitled to receive, and participate in, any dividends or other distributions resolved to be distributed from their respective pools of assets in respect of any accounting period or other period, provided that no calls or other sums due by them to the Company are outstanding.

(b) Winding Up: On a winding up, the Ordinary Shareholders and C Shareholders shall be entitled to the surplus assets remaining in their respective pools of assets after payment of creditors.

(c) Voting: Ordinary Shareholders have the right to receive notice of and to attend, speak and vote at general meetings of the Company and each holder being present in person or by proxy shall upon a show of hands have one vote and upon a poll one vote in respect of every Ordinary Share held. C Shareholders have no right to attend or vote at any meeting of the Company, except that the consent of C Shareholders is required for any alteration to the Memorandum or Articles of the Company; for the passing of any resolution to wind up the Company; and for the variation or abrogation of the rights attached to the C Shares.

Issued Share Capital

Ordinary Shares

	31 March 2017		31 March 2016	
	C shares Number	**Ordinary shares Number**	**C shares Number**	**Ordinary shares Number**
Share Capital at the beginning of the year/period	–	302,548,728	–	–
Share Capital issued and fully paid	175,171,834	120,689,349	146,887,513	150,152,934
Converted from C to Ordinary Shares	(175,171,834)	172,404,119	(146,887,513)	152,395,794
Total Share Capital at the end of the year/period	**–**	**595,642,196**	**–**	**302,548,728**

	31 March 2017		31 March 2016	
	C shares £	**Ordinary shares £**	**C shares £**	**Ordinary shares £**
Share Capital at the beginning of the year/period	-	291,136,398	–	–
Share Capital issued and fully paid	175,171,834	126,755,714	146,887,599	150,155,871
Share issue costs	(2,962,136)	(1,737,448)	(2,937,072)	(2,970,000)
Converted to Ordinary Shares	(172,209,698)	172,199,698	(143,950,527)	143,950,527
Total Share Capital at the end of the year/period	**-**	**588,354,362**	**–**	**291,136,398**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

12. Share Capital (continued)

Issued Share Capital (continued)

On 8 June 2016, 175,171,834 C Shares were issued at an issue price of £1.00 per Share. On 1 November 2016, each C Share was converted to Ordinary Shares at a rate of 0.9842 Ordinary Shares per C Share, on the basis of the NAVs of the respective share classes. Costs of £10,000 were incurred in relation to the conversion.

On 9 December 2016, 120,000,000 Ordinary Shares were issued under the Company's Placing Programme at an issue price of £1.05 per Share.

During the year, 689,349 Ordinary Shares have been issued to the Investment Adviser in relation to fees payable for the period from 1 January 2016 to 31 December 2016, at an average issue price of £1.10 per Ordinary Share (see note 10).

13. Basic and Diluted Earnings Per Share

	Year ended 31 March 2017	Period from incorporation on 30 December 2014 to 31 March 2016
Profit for the financial year/period	£41,807,058	£11,221,816
Weighted average number of Ordinary Shares	478,586,965	208,066,979
Basic and diluted earnings per Ordinary Share	**8.74p**	**5.39p**

The weighted average number of Ordinary Shares is based on the number of Ordinary and C Shares in issue during the period under review, as detailed in note 12.

On 31 May 2017, the Company issued 151,658,768 Ordinary Shares through an Open Offer, Placing and Offer for Subscription. Had these Ordinary Shares been issued during the year, the basic and diluted earnings per Ordinary Share would have been reduced.

There was no dilutive effect for potential Ordinary Shares for the year ended 31 March 2017.

14. Trade and Other Receivables

	31 March 2017 £	31 March 2016 £
VFN interest receivable	8,558,623	1,647,136
Prepaid expenses	25,602	28,630
	8,584,225	**1,675,766**

15. Loan Payable

On 17 October 2016, the Company executed an 18 month £40 million loan with JP Morgan Chase Bank, London Branch ("JP Morgan Chase"). The proceeds of the loan have been used in or towards the making of investments in accordance with the Company's investment policy. Collateral for the loan is provided by a Senior VFN in the sum of £40 million issued by the Subsidiary to the Company. Should the value of the underlying assets held in the Subsidiary fall below a certain level, further margin calls may be made by JP Morgan Chase, however no margin calls have been made during the year. Interest on the loan is charged at a rate of LIBOR plus 2.5% per annum. Loan interest of £527,090 has been incurred on the loan during the year. No upfront fees or commitment fees were payable on the loan, however a fee is payable upon early prepayment.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

16. Subsequent Events

On 18 April 2017, PricewaterhouseCoopers LLP was appointed as the Company's Valuation Agent. On 25 April 2017, the Company gave 21 days' notice to Mazars LLP ("Mazars") of termination of Mazars' engagement as Valuation Agent.

On 20 April 2017, the Company issued 218,497 Ordinary Shares to the Investment Adviser at an issue price of £1.11 per Share, in relation to fees payable for the quarter ended 31 March 2017.

On 20 April 2017, the Company declared an interim dividend of 1.5p per Ordinary Share in respect of the quarter ended 31 March 2017. The dividend was paid on 24 May 2017.

On 31 May 2017, the Company raised net proceeds of approximately £157.3 million through an Open Offer, Placing and Offer for Subscription of Ordinary Shares.

A total of 151,658,768 Ordinary Shares have been issued at an Issue Price of 105.5p per Share, of which 85,639,804 Ordinary Shares were issued pursuant to the Open Offer (including the Excess Application Facility) and 66,018,964 Ordinary Shares were issued pursuant to the Placing and the Offer for Subscription.

The Directors of the Company (including family members) acquired the following holdings in the listing: Robert Jennings 36,200 Ordinary Shares; and Sandra Platts 5,687 Ordinary Shares.

There have been no other significant events since the year end which would require revision of the figures or disclosures in the Financial Statements.

Officers and Advisers

Directors
Robert Jennings, CBE (Independent non-executive Chairman)
Jan Pethick (Independent non-executive Director)
Jon Bridel (Independent non-executive Director)
Sandra Platts (Independent non-executive Director)

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Investment Adviser
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Administrator and Secretary
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Valuation Agent (from 18 April 2017)
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