SQN ASSET FINANCE INCOME FUND LIMITED

Annual Report and Accounts 2015

SQN Asset Finance Income Fund, the only diversified equipment leasing fund listed in the UK.

COMPANY OVERVIEW

The investment objective of SQN Asset Finance Income Fund Limited (the "Company" and together with its subsidiaries, "the Group") is to provide its Shareholders with regular, sustainable dividends and to generate capital appreciation through investment, directly or indirectly, in business-essential, revenue producing (or cost-saving) equipment and other physical assets. Capitalised terms have the meaning ascribed to them in Part 13 (Definitions) of the Prospectus dated 6 June 2014.

The Company's investment policy is set out on page 4 of this report.

Company	**SQN Asset Finance Income Fund Limited** Incorporated in Guernsey on 28 May 2014 Closed-ended investment company Admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 July 2014 178,985,507 Shares in issue as at 30 June 2015
Investment Managers	**SQN Capital Management, LLC (the "US Investment Manager")** Incorporated in the United States of America on 7 December 2007 A Registered Investment Adviser with the United States Securities and Exchange Commission Registration number 4466742
	SQN Capital Management (UK) Limited (the "UK Investment Manager") Incorporated in England & Wales on 12 May 2014 as a Private Limited Company A wholly owned subsidiary of the US Investment Manager Registration number 9033846
	(together the "Investment Managers")

Details of other service providers are provided on page 54.

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KEY FIGURES

FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

	At 30 June 2015 (Sterling in millions, except per share data)
Comprehensive income for the period before dividends	6.32
Earnings per share	4.47p
Market capitalisation	193.30
Total Net Asset Value	178.86
Net Asset Value per share	99.93p
Investments	99.24
Cash and cash equivalents	75.65
Dividends paid during the period	4.28
Share price	107.75p
Weighted average yield (in excess of)	9.50%
Weighted average term	72.30 months

INVESTMENT OBJECTIVE

The investment objective of the Company is to provide its Shareholders with regular, sustainable dividends and to generate capital appreciation through investment, directly or indirectly, in business-essential, revenue producing (or cost-saving) equipment and other physical assets.

INVESTMENT POLICY

The Company will seek to invest in business-essential, revenue producing (or cost-saving) equipment and other assets with high in place value and long economic life relative to the investment term.

The Company expects the majority of investments, over time, to be in the specialist segment of the leasing market where, typically, assets provide cashflow during the base term of the leases as well as offering the potential for additional proceeds through lease extensions or sales at the end of the lease. The Company generally does not intend to invest in the large single asset segment of the leasing market, such as aircraft leasing, which is heavily reliant on residual value to meet its return targets, or the high volume, low margin segment of the leasing market, such as photocopier and automobile leasing, although it may do so, from time to time, if appropriate opportunities are identified in these segments.

The Company may invest in assets in any industry. The Company, however, generally expects to be invested in such industries where the Investment Managers see the potential to make the most attractive risk adjusted returns which currently include, but are not limited to, Agriculture, Energy, Environmental, Manufacturing, Material Handling, Medical, Modular Accommodation, Technology and Transportation.

The Investment Managers will target transaction sizes below £20 million but, generally, the average transaction size is expected to be £3 million to £6 million, although it may fluctuate based on the market opportunities and portfolio composition that the Investment Managers believe will best achieve the Company's investment objectives. Whilst there is no minimum lease term, it is typical for the initial lease terms to be 3 to 10 years depending on the asset. Where appropriate, however, the term of the lease may vary significantly from this range reflecting the opportunities available and the needs of the lessee.

It is intended that the Company will primarily acquire assets directly and function as the lessor under equipment lease contracts. In such situations, the Company will own all rights, title, and interest in and to the assets and will lease them to the end-user. In other situations, the Company may own assets and enter into hire-purchase agreements where the Company will own the assets until all payments are made under the agreement and a pre-agreed nominal purchase price is paid to the Company.

The assets held by the Company will generally be leased to a third party and will be subject to either a direct finance (cashflow) lease or an operating lease. The Company intends to balance the portfolio between direct finance leases, to provide regular cashflow, and operating leases, to provide capital appreciation opportunities. Many, but not all, investments will be structured to provide return of capital and interest during the lease term with an opportunity for additional realisation from the residual value after the initial lease term.

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

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

The Company may invest in residual interests in assets or equipment. When the Company invests in residual interests, it or its subsidiaries will acquire the rights and/or title to equipment, assets, income or proceeds in respect of the period after the end of the initial lease term or other underlying contract term. Cashflow from the residual interests generally will not commence until all of the obligations under the initial term are satisfied. Once those obligations are satisfied, rights and/or title to the underlying equipment, assets, income or proceeds will be transferred to the Company or its subsidiaries. Furthermore, the Company may elect to sell all or part of the lease receivables to a third party investor or bank and retain its exposure to the asset by retaining ownership of the residual value (in addition to any proportion of the lease receivables retained). Therefore, in relation to certain investments, the Company may be reliant on the residual value to obtain its return on that investment. It is not expected that residual interests would represent more than 35 per cent of the portfolio at the time of investment.

Investments will primarily be made in the United Kingdom, the United States and Europe which is expected to represent at least 75 per cent of the portfolio. The Company may also invest in assets and equipment located or subject to law in Canada and Australia and other countries, regions, or jurisdictions where the Investment Managers believe they can adequately secure the Company's interest in assets and equipment whilst achieving an appropriate risk-adjusted return consistent with the rest of the portfolio.

For further details on the Investment Objective and Policy refer to the Prospectus which can be viewed on the website, www.sqnassetfinance.com.

Chairman's statement

In this first annual report, I am pleased to announce the results of the Group for the period ending 30 June 2015.

The Company commenced trading, on the Main Market of the London Stock Exchange on 14 July 2014 having raised £150 million in an oversubscribed Initial Public Offering (the "IPO"). After committing most of the net proceeds of the IPO, and given the level of approvals and the strong pipeline of transactions, the Company raised additional capita in June 2015 with a placing of £30 million, which was three times oversubscribed.

To date, the Group has invested approximately £147 million in a diversified portfolio of asset financings and equipment leases. At 30 June 2015, the Group's net investments were £99.24 million with cash of £75.65 million, the cash balance includes the proceeds received from the successful placing in June 2015. A total of £123.91 million had been drawn or committed as at 30 June 2015. Additionally the Group has credit approved and committed to funding a pipeline of transactions that accounts for substantially all of the net proceeds of the IPO and subsequent placing.

In accordance with the Prospectus issued in June 2014, the Company paid two quarterly dividends during the first six months of operations and then began paying monthly dividends from January 2015. As the Group continued to deploy capital, the monthly dividend has steadily increased and has now reached the targeted annualised rate of 7.25%.

Expenses related to the offering process were lower than anticipated, with the running expenses of the Group in line with expectations at the time of the IPO.

The Group's operating activities generated comprehensive income for the period before dividends of £6.32 million or 4.47p per Ordinary Share.

The average yield on investments made is in excess of 9.50% which is higher than that initially anticipated. This is believed to be a function of the broader range of investments available to the Group having reached a meaningful critical mass and the Group's specialisation in middle market assets which, for our purposes, is defined as collateralised investment opportunities between £1 and £20 million. Over time, it is expected that the average yield on investments will decrease but will be offset by lower marginal operating costs and an increasing capital base as a result of compounding excess earnings above the dividend rate and after expenses.

The average investment size, excluding the Group's interest in the seasoned portfolios of equipment leases, was approximately £4.71 million with the committed funding pipeline looking to maintain an average in the £3 to £6 million range.

Investments in the portfolio, including amounts committed but not paid, are spread over 12 separate asset classes in 10 different industries with assets in the transportation industry accounting for 18.07% of the Net Asset Value ("NAV"), followed by assets in the hospitality and agricultural industries making up 13.79% and 13.46% respectively.

The transportation assets consist of first lien financings of unleveraged marine vessels, a senior interest in a portfolio of helicopters, and ground support equipment including aircraft de-icers. The assets in the agricultural industry are primarily anaerobic digestion plants and facilities while the assets in the hospitality industry include IT infrastructure and modular accommodation.

Other asset classes in the portfolio include energy, manufacturing, material handling, medical, remotely operated vehicles, and telecommunications equipment. As the approved and committed transactions continue to draw down, it is expected that manufacturing equipment and assets in the technology industry will account for a more meaningful portion of the portfolio.

The Group has indirect exposure to falling oil prices through its investments in remote operating vehicles which make up less than 3.5% of NAV. These assets have utility outside the energy industry but lower oil prices affect both the demand for the equipment and the revenue base of many of the end-users. As a whole, the portfolio is insulated from negative effects primarily because all the underlying assets and equipment are on fixed contracts and lower energy costs generally contribute to better operating margins for the end-users. Further, committed and approved investments in the energy asset class have already secured long-term revenue agreements or are in industries or regions less sensitive to falling energy costs.

The Group has made a number of investments in assets and equipment that generate renewable energy in which part of the economics are derived from government incentive programmes. The Group has a pipeline of additional opportunities in this space which it intends to pursue. In each circumstance, the investments have pre-qualified under the schemes currently in place and will not be affected by changes in any of the government programmes anticipated or announced for 2016 and beyond. To the extent that the Group finds it advantageous to invest in future opportunities with less government support, each transaction will be underwritten to maintain the same risk-reward profile as existing transactions.

The NAV of the Group stayed within a tight range of 98.00 and 99.41 pence per Ordinary Share over the period. The Group is now in a position that it expects to see incremental NAV growth on a monthly basis after paying dividends.

In regard to the investments in the portfolio, including amounts committed but not paid, as a percentage of NAV, the Group has 24.68% of the assets in US Dollar denominated investments and 15.50% in Euro denominated investments with the balance of assets, including un-invested cash, in Sterling. All non Sterling investments currently in the portfolio are fully hedged. As the portfolio fills out, it is expected that the US Dollar and Euro positions will increase and will be hedged where appropriate with the cost of the hedge priced into the investments. The Group realised some foreign exchange gains while implementing the hedges for some of the earlier seasoned portfolio investments.

Chairman's statement (continued)

The Group's Ordinary Shares have traded at a premium which, combined with the dividend paid, has generated a total shareholder return in excess of 12% in the twelve month period since the IPO.

The Group does not see a change in the competitive landscape from independent financing sources or banks and can only benefit from rising interest rates.

With a weighted average remaining term of the investments in the portfolio at 72.30 months as at 30 June 2015, the Group has taken a long term view of the market such that recent market volatility and concerns about China's sustained growth should not have an impact on the Group's ability to generate regular monthly income derived from a diversified base of business-essential assets and equipment subject to non-cancellable fixed contracts.

In light of the strength of the pipeline and the continued performance of the investments, I am pleased to confirm that the Company will be returning to the market to raise additional capital through a C Share issue. An announcement will be forthcoming regarding the potential equity issue, with a prospectus to be published shortly thereafter.

Peter Niven
Chairman
16 September 2015

STRATEGIC REPORT

The Investment Objective and Policy on page 4, the Chairman's Statement on pages 5 to 6 and the Investment Managers' Report on pages 10 to 15 form part of the Strategic Report.

Business Review

A review of the Company's activities is provided in the Company Overview on the inside cover of this report, the Chairman's Statement on pages 5 to 6 and the Investment Managers' Report on pages 10 to 15. These include a review of the business of the Group and its core activities, the principal risks and uncertainties it faces, dividend policy and results for the period.

Structure

The Company is a non-cellular company limited by shares, incorporated in Guernsey on 28 May 2014. The Company is regulated in Guernsey by the Guernsey Financial Services Commission as a Registered Closed-ended Collective Investment Scheme, registration number 58519.

The Company is a member of the Association of Investment Companies (the "AIC") and is classified within the Specialist: Leasing sector.

Share Capital

The Company's issued share capital as at 30 June 2015 consisted of 178,985,507 Ordinary Shares of no par value. The share capital of the Company is represented by an unlimited number of shares of no par value. All shares hold equal rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up.

The IPO of the Company took place on 9 July 2014, raising gross proceeds of £150,000,000. The initial 150,000,000 Ordinary Shares were admitted to the Premium Segment of the UK Listing Authority's Official List and to trading on the Main Market of the London Stock Exchange on 14 July 2014.

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

Subsidiaries

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

- SQN Asset Finance (Guernsey) Limited incorporated on 5 June 2014
- SQN AFIF (Amber) Limited incorporated on 6 February 2015
- SQN AFIF (Bronze) Limited incorporated on 4 March 2015

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

Diversification Strategy

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

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

Principal Risks and Uncertainties

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

Industry/Sector risk

The Group's success is subject to risks inherent in the equipment leasing and finance business, in particular, the quality of the assets it acquires and the risk of default by the Group's lessees or other counterparties, which may affect the Group's ability to operate profitably. Further, any decline in the residual value of the Group's underlying assets at the end of a lease term, which will depend on factors outside the Group's control, may erode the ability of the Group to make a profit on those investments.

Geopolitical and economic risks

It is the intention of the Group to lease or make loans to customers in several jurisdictions exposing the Group to potential economic, social, legal and political risks. The adequacy and timeliness of Management's response to risks in these jurisdictions are of critical importance to the mitigation of these risks.

Key personnel risk

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

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

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

Movements in foreign currency rates may result in losses

The Group will enter into investment transactions where the payments to be made or received are not in Sterling. The Investment Managers hedge the principal amount of such investments and anticipate that, where appropriate, they may also hedge the expected income against foreign currency fluctuation risks. However, there can be no assurance that the hedges put in place are cost-effective or will provide adequate protection in all circumstances. Refer to Note 15 for more detail on hedging.

Regulatory risk

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

Tax risk

Changes in tax legislation could result in adverse changes in the tax position of the Group or the imposition of additional and possibly material tax liabilities on Shareholders.

Other risks

The Directors wish to draw the attention of Shareholders to the other risks as set out in the Company's Prospectus, which is available on the Group's website: www.sqnassetfinance.com. Refer to Note 15, for details on the Group's risk mitigation strategies and details of additional risks.

Going Concern

Going concern refers to the assumption that the Group has the resources to continue in operation for the foreseeable future. After analysing the following, the Directors believe that it is appropriate to adopt the going concern basis in preparing these Financial Statements:

- Working capital – As at 30 June 2015, there was a working capital surplus. The Directors noted that as at 30 June 2015 the Group had no borrowings, as such it has sufficient capital in hand to cover all expenses (which mainly consist of Investment Managers' fees, administration fees and professional fees) and to meet all of its obligations as they fall due.

- Consideration of various areas of possible financial risk, including comprehensive financial forecasts.

- Closed-ended Company - The Company has been registered with the Guernsey Financial Services Commission as a Registered Closed-ended Collective Investment Scheme, as such Shareholders have no right to have their Ordinary Shares redeemed, and there will therefore be no cash flows out of the Company in this respect.

STRATEGIC REPORT (CONTINUED)

Based on the above assessments, the Directors are of the opinion that the Group is able to meet its liabilities as they fall due because it has and is expected to maintain adequate cash resources. Given the nature of the Group's business, the Directors have a reasonable expectation that the Group has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the Financial Statements have been prepared on a going concern basis.

Key Related Party Transactions

The contracts with the US Investment Manager (and related entities) and the UK Investment Manager are the key related party transactions currently in place. Other than fees payable in the ordinary course of business, there have been no material transactions with these related parties which have affected the financial position or performance of the Group in the period. Further details on related party transactions can be found in Note 16.

Certain of the assets in the initial portfolio purchased by the Company shortly after first admission were purchased from other funds managed by the Investment Managers and from the Investment Managers. Such assets were proposed by the Investment Managers, were subject to the approval of the Board and were purchased at the equivalent of arm's length terms.

Financial Review

At 30 June 2015, the Net Assets of the Group amounted to £178,855,243. Further details are provided in the Chairman's Statement and in Note 5.

Borrowing

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

Hedging

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

Performance Measurement and Key Performance Indicators

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

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

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

- Formal quarterly reports from the Investment Managers and Broker which assess the performance of the Group, including the average discount/premium, against its peers.

INVESTMENT MANAGERS' REPORT

Overview

In just short of twelve months following the Company's IPO, the Group had entered into 65 transactions to provide financing for, or acquire an interest in, business-essential assets and equipment totalling more than £123 million (drawn and committed). The investments were with 26 different corporate entities counting each of the Group's four investments in seasoned equipment lease portfolios as single entities as opposed to the more than 100 underlying corporate entities that were part of those portfolios.

The Group purchased an interest in four separate portfolios of operating leases with various US and international end-users. These US Dollar denominated investments, which were hedged, were intended to facilitate the deployment of capital immediately following the IPO, provide instant diversification over different industries, asset classes, and end users, and provide cash to support dividends beginning in the first quarter following the IPO. Two of these portfolios were sold prior to the period end and an agreement was reached to sell the other two portfolios (Assets 9 and 11 in the table below) subsequent to the period end. The original investment in these portfolios totalled approximately £15.3 million which was slightly more than 10% of the gross IPO proceeds. The sale of the Company's interests in these portfolios resulted in a weighted average net return to the Group of 13.79% which was a premium to the 9.00% to 9.50% originally projected.

Throughout the period, all of the investments performed as expected with the exception of one asset that had been redeployed on a new contract (refer to Asset 10 below).

Investment Portfolio

The table below details the assets held in the Group's portfolio as at 30 June 2015, stated at the original investment amount. The total amount of £123.91 million includes amounts committed but not paid and excludes investments bought and sold during the period.

	Asset	Original Investment Amount (including committed) (Sterling in millions)	% of NAV	Location
1	Integrated Set Top Cable and Internet Boxes	14.49	8.10%	EU / UK / US
2	Marine Vessels	14.07	7.87%	UK
3	Marine Vessels	13.25	7.41%	Netherlands
4	Modular Accommodation	10.18	5.69%	UK
5	Medical Equipment and Fixtures and Fittings	8.45	4.73%	US
6	Combined Heat and Power Centre	8.27	4.62%	UK
7	Combined Heat and Power Centre	7.73	4.32%	UK
8	Semiconductor Manufacturing & Test Equipment	5.39	3.01%	US / Taiwan
9	Seasoned Portfolio	5.26	2.94%	US
10	Remote Operated Vehicle and LARS	5.04	2.82%	UK
11	Seasoned Portfolio	4.04	2.26%	US
12	Helicopters	3.63	2.03%	US
13	Telecommunication Towers	3.51	1.96%	Brazil
14	Wind Turbines	3.20	1.79%	UK
15	Wind Turbines	2.85	1.60%	UK
16	Anaerobic Digestion Plant	2.01	1.12%	UK
17	Anaerobic Digestion Plant	1.96	1.10%	UK
18	Anaerobic Digestion Plant	1.87	1.04%	UK
19	Anaerobic Digestion Plant (NI AD Funding platform)	1.41	0.79%	UK
20	Ground Support Equipment	1.36	0.76%	UK
21	Wind Turbine and 50 Meter Tower	1.36	0.76%	UK
22	Remote Operated Vehicles	1.33	0.74%	UK
23	Machine Tools	1.10	0.62%	UK
24	IT and Software	0.91	0.51%	Australia
25	Anaerobic Digestion Plant (NI AD Funding platform)	0.84	0.47%	UK
26	IT Equipment	0.40	0.22%	UK
	Total	**123.91**		

As at 30 June 2015, the carrying value of the Group's investment portfolio, after amortisation and disposals and excluding amounts hard committed but not paid (refer to Note 11), was £99.24 million. Cash was £75.65 million equal to 42.17% of the Company's NAV at 30 June 2015, owing in part to the proceeds raised on 5 June 2015 under the placing programme.

Integrated Set Top Cable and Internet Boxes (Asset 1)

The single largest exposure is an investment in a portfolio of integrated set top cable and internet boxes on lease or under service agreements with 1,400 different customers representing approximately 2,200 hotels and 230,000 hotel rooms at primarily four and five star hotels throughout Europe. This hedged, Euro denominated investment of approximately £14.49 million represents 8.10% of the Group's NAV and is insured by an investment grade insurance syndicate for all principal and interest under the contract. The equipment enables hotels to provide its guests with high-speed wireless internet, cable television, on-demand movies, live streaming videos, and access to the hotel's services and amenities. This fully amortising investment has a term of 60 months.

Marine Vessels (Assets 2 and 3)

The second and third largest positions held by the Group are in six marine vessels with two different counter parties.

Two of the six vessels are Supramax Dry Bulk Carriers built in 2002 and 2003. The term of the financing is 48 months. This one investment of approximately £14.07 million represents 7.87% of the Group's NAV.

Four of the six vessels are Jumbo Class Multipurpose Vessels built between 2007 and 2009. The term of the financing is 60 months. This investment of approximately £13.25 million represents 7.41% of the Group's NAV.

The average advance rate against the market value of the six vessels at the time of the financing was approximately 75%. The Company has a senior secured mortgage on each of the vessels and there is no debt associated with these investments. The Group does not have any residual exposure on these transactions and each are backed by corporate guarantees.

Modular Accommodation (Asset 4)

The Group has provided financing for modular accommodation designed as portable hotel bedroom units. The units provide 592 beds as luxury on-site accommodation and although originally located at major events and festivals across the UK, Ireland, and the Isle of Man, are now being deployed on semi-permanent contracts for hotels, youth hostels and worker accommodation. The financing is in the form of a seven year full pay out lease with a three year extension option.

Medical Equipment and Fixtures and Fittings (Asset 5)

The Group has made an investment of approximately £8.45 million, or 4.73% of NAV, secured by medical equipment and furniture and fixtures for a new hospital in the US. The investment is in the form of two loans each with primary and secondary liens on additional assets including unencumbered real estate. The larger investment is in the amount of approximately £7.85 million and is secured by medical equipment throughout the hospital subject to a fully amortising loan with a term of 60 months. The smaller investment, in the approximate amount of £605,000, is secured by the furniture and fixtures in the hospital's cafeteria and gift shop and has an amortisation schedule of 48 months.

Combined Heat and Power Centres (Assets 6 and 7)

The Group has entered into two transactions to provide long term financing for the construction and lease of two natural gas based 11 megawatt energy generation plants. The Group has invested a total of £15.99 million broken out into two leases to separate, but related, lessees located on one of the largest tomato farms in the UK. The two investments, which were funded simultaneously, are approximately £8.27 million and £7.73 million which represents 4.62% and 4.32% of the Group's NAV, respectively.

The equipment is four 5.5 megawatt Rolls-Royce combined heat and power units which will be used to maintain the heat level in the greenhouses and provide CO_2 to enhance the growth of the tomatoes. The Group's advance rate was approximately 62.5% of loan to value and the equipment is fully supported by a manufacturer's performance warranty. Following the 12 month construction phase, the leases have a term of 13 years in which the investment is fully amortised.

Semiconductor Manufacturing & Test Equipment (Asset 8)

The Group has invested approximately £5.39 million representing 3.01% of NAV, in a loan secured by a short-term equipment lease for semiconductor manufacturing and test equipment located in Taiwan and used to make crucial components for a variety of smartphones. The loan is guaranteed by the US lessor of the equipment. The loan is coterminous with the underlying lease which was extended for twelve months during 2015.

Seasoned Portfolios (Assets 9 and 11)
Acquired during period and sold after period end – see overview.

Remote Operated Vehicles with Launch and Recovery Systems ("LARS") (Asset 10)
Remote Operated Vehicles ("ROVs") are difficult assets to categorise because of their varied uses and lack of reliance on any one sector of the global offshore services industry. The equipment is easily transportable, has a world-wide market, and can be used for undersea oil and gas exploration, well capping, pipeline laying or maintenance, bridge and pier construction and maintenance, offshore wind farm construction and maintenance, salvage work, educational exploration and research, among many other applications. There has historically been a 12 to 24 month back-log for new orders and as a result the equipment tends to hold its value over time, even spiking in periods of high demand. With the significant drop in oil prices, demand for these assets has softened but given the historic backlog and the varied uses, supply and demand should rebalance over the next year.

The Group made an investment of approximately £5.04 million in two ROVs that were originally subject to a lease with a company engaged in oil field services in the North Sea for a term of 60 months at a fixed rate. In the first quarter of 2015, the original end-user went into administration, and, as a result, the Investment Managers decided to take possession of the assets and re-lease them directly to the company on whose vessel the launch and recovery systems servicing the ROVs are mounted.

The new lease is for a term of 36 months with a variable rate based on utilisation. The unamortised balance of the original lease was approximately £5.04 million which is approximately 2.82% of the Group's NAV. Assuming a utilisation rate of 50%, which is below the industry average of 70% to 80%, the income would generate a return in line with the original lease over a term of ten years.

Currently, this is the only investment in the portfolio that does not have a fixed underlying contract or contracts that cover all principal and interest repayments. Over time, the portfolio may have more investments of this nature though not necessarily as a result of repositioning assets.

Helicopters (Asset 12)
The Group has invested £3.63 million which represents 2.03% of its NAV in a portfolio secured by eight helicopters on lease to three separate US public companies.

Four of the eight helicopters are sub-leased to the US military of which two are in service on NATO missions, one is in service with the US Navy, and one is in service with the US Army. These helicopters are all used to transport personnel and deliver supplies and humanitarian aid. These leases expire between 2016 and 2019.

One of the helicopters is used for emergency medical transportation for a hospital in Missouri in the US. This lease expires at the end of 2015 and will likely be re-leased to a third-party at the end of the current term.

The remaining three helicopters are in service with private corporations and have lease expiries between October 2018 and December 2019.

The senior financing provided by the Group is to be repaid by the free cash flow of the underlying leases and lease extensions, and, to a lesser extent, the residual value of the helicopters at the end of the lease or extension term.

Telecommunication Towers (Asset 13)
The Group has invested £3.51 million, or 1.96% of its NAV, in a portfolio of telecommunication towers in Brazil. The investment was made through a US operating company under a loan and participation agreement. The entire investment, which has a variable term not to exceed 36 months, is insured by a major investment grade re-insurance syndicate against political risks as well as principal or interest loss stemming from any payment default.

Wind Turbines (Assets 14, 15 and 21)
The Investment Managers have been executing a strategy that focuses on single stick wind turbines which are eligible for the highest level of government subsidies in the UK. These investments are made using the same structure as the anaerobic digestion plant investments (details on the following page). Similarly, performance is warrantied, power purchase agreements are in place, and long term feed-in-tariffs or renewable obligation certificates ("ROCs") are secured. The Group's investment ranks above equity investors and the Group maintains the ability to change operators or seize the equipment in an event of default. These are particularly attractive assets in the portfolio as they are long dated investments that keep capital at work generating regular income.

The Group has invested approximately £7.41 million in nine project financings for single stick wind turbines, where each of the Group's investments involve a construction phase of three to four months followed by a ten year full pay out lease.

Eight of the nine project financings were through an established vendor programme in Northern Ireland (unrelated to the NI Funding Platform). These investments were made through two special purpose entities (Assets 14 and 15) which were set up to cross-collateralise the assets and hold a comprehensive security package including, but not limited to, share pledges, assignments of land leases, performance warranties, and step-in agreements. The total amount invested and committed in this programme is approximately £6.05 million which represents approximately 3.39% of the Group's NAV. It is expected that this programme will deliver at least another £15 million of opportunities in this space in the next twelve months.

Outside the vendor programme, the Group has invested another £1.36 million, or 0.76% of its NAV, in a 500kw wind turbine and 50 meter tower (Asset 21) in Eastern England. The assets are subject to a full pay out ten year lease with a renewal option at the end of the term providing the Group further yield enhancement.

Anaerobic Digestion Plants (Assets 16, 17, 18, 19 and 25)
The financing opportunities that the Investment Managers believe add the most value to the portfolio at this time are the investments in anaerobic digestion plants and facilities at farms throughout the UK. Not only are these well collateralised investments supported by established engineers and top tier manufacturers, they fully amortise over the base term of 7 to 15 years paying interest in the high single digit to low double digit range and then generate additional revenues during the secondary term.

The investments are structured in such a way that the Group can take control of the plant or change the operator in the event of a default. A very important distinction in the way the Group is investing in these assets relative to some of the Green Funds in the market place is where the Group's investment sits in terms of collateralisation and claim on cash flow. The Group is the lessor and senior lender giving it both claim to the assets and the cash flows of the operation unlike an equity investor who is only entitled to proceeds after all lenders are paid off.

The Investment Managers' focus has been and will remain on opportunities with stable feedstock, long term power purchase agreements, and 20 year feed-in-tariffs or ROCs. The plants are all warrantied to produce at a pre-determined threshold. A failure to produce at that level results in monetary compensation and a duty to make modifications until such threshold is maintained.

With the feed-in-tariff, ROCs fixed and the warranties in place, once these plants hit a period of sustained production, they become very attractive assets to banks and specialist investment funds looking either for exposure to the sector or an opportunity to aggregate. The Investment Managers have already been engaged in discussions with a number of third parties who would be interested in participating, purchasing, or refinancing the investments in the Group's portfolio and pipeline. In each case, these are at rates below where the leases are written which would provide further yield enhancement for the Group. This allows the Group to generate high yielding secured earnings early on and continue to focus on new opportunities while staying within the concentration parameters outlined in the Group's investment policy. This is a strategy that the Investment Managers intend to continue to implement as long as the market opportunity exists.

The Group has made five investments in anaerobic digestion plants totalling approximately £8.09 million (excluding amounts committed but undrawn). The Investment Managers have pipelined, approved and/or committed to fund more than £40 million of additional opportunities involving anaerobic digestion plants for which the Group has a first right of refusal.

The Group has invested approximately £1.87 million, equal to 1.04% of NAV, in a 500kw farm based anaerobic digestion system (Asset 18) in Devon. Under the terms of the financing arrangement, there is a nine month construction period followed by a seven year full pay out lease.

In conjunction with the Green Investment Bank through the NI Funding Platform, the Company has made two investments in anaerobic digestion plants in Northern Ireland. The Group has committed to up to eight investments under this programme, totalling up to £12 million. The Group's investments in this programme are made through its subsidiary, SQN AFIF (Amber) Limited.

The first investment (Asset 19) through the NI Funding Platform of approximately £1.41 million, 0.79% of NAV, was for a 50% interest in a 500kw anaerobic digestion plant subject to a ten year fully amortising hire purchase agreement following a nine month construction period.

The Group has committed to invest a total of approximately £2.04 million in a second investment (Asset 25) through the NI Funding Platform which had funded approximately £0.84 million, 0.47% of NAV, during the period. This investment is for a 50% interest in a 500kw anaerobic digestion plant subject to a hire purchase agreement. The terms of the hire purchase agreement include a nine month period of construction finance followed by 60 quarterly payments which fully amortises the investment.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Outside of the NI Funding Platform, the Group has made two direct investments in anaerobic digestion plants in Northern Ireland. The Company has invested and committed £2.01 million which represents 1.12% of NAV, for a 500kw farm based anaerobic digestion plant (Asset 16) in Northern Ireland. Under the terms of the financing arrangement, there is a construction period of up to twelve months followed by a ten year full pay out lease.

The Group has committed to invest another approximately £1.96 million which represents 1.10% of NAV in a 500kw anaerobic digestion plant (Asset 17) located in Northern Ireland and subject to a ten year full pay out lease. The Group has funded approximately £108,000 of this commitment.

Ground Support Equipment (Asset 20)
With the sale of the seasoned portfolios, the Group reduced its exposure to ground support equipment to 0.76% of NAV. The Group currently has two investments in four aircraft de-icers totalling £1.36 million. The de-icers are subject to 60 month full pay out leases with two pieces of equipment located at Heathrow Airport and two located at Gatwick Airport.

Remote Operated Vehicle (Asset 22)
The Group has invested in two ROVs on a hire purchase contract for 60 months with an end-user unrelated to the Group's earlier investment in ROVs. The Group's investment in these smaller ROVs is approximately £1.33 million which represents 0.74% of NAV.

Machine Tools (Asset 23)
The Group has invested in two leases for manufacturing equipment totalling approximately £1.10 million, 0.62% of NAV, with the same counter-party. The leases are for a term of 48 months for machine tools used to make parts for the new Jaguars and Land Rovers. The Group purchased the full pay out portion of these leases from another leasing company which holds the residuals.

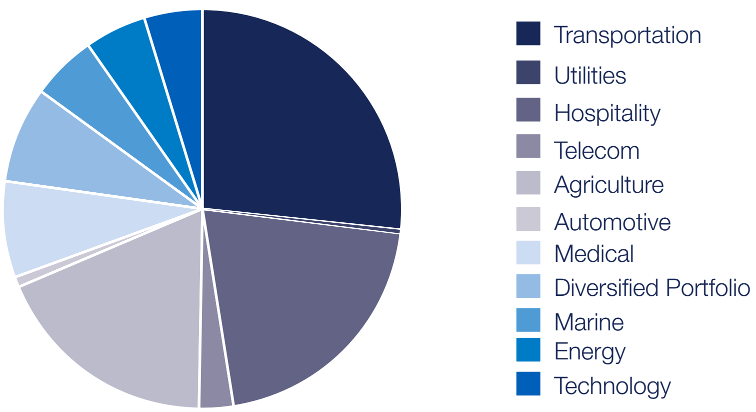
IT and Software (Asset 24)
The Group has provided financing for IT systems and software used by a major hospital group in Australia. Under the terms of the financing arrangement, the Group's approximate £0.91 million investment, which makes up 0.51% of its NAV, is fully amortised over 60 months.

IT Equipment (Asset 26)
The Group acquired a seasoned lease for IT equipment used by a company engaged in providing utilities to residential customers. The remaining term of the lease was discounted to generate a yield to the Group of 9% if all payments were made when due. The purchase price of the lease was approximately £398,000 which represents 0.22% of the Group's NAV. Subsequent to the year end, this lease made its final payment.

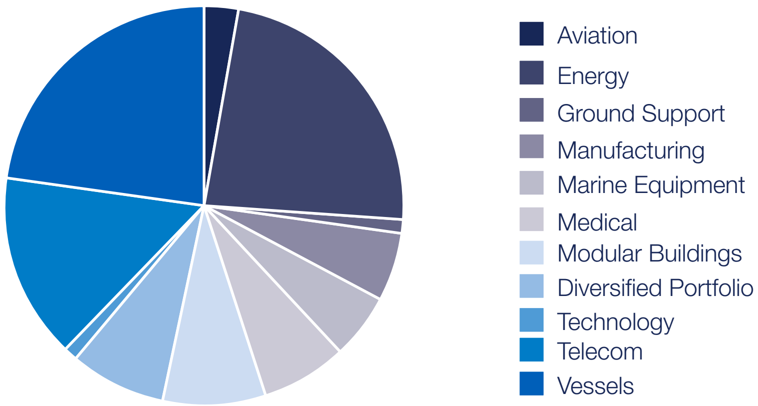
Industry and Asset Class Breakdown

Certain asset intensive industries will always provide opportunities for business essential asset financing and equipment lease investing. The transportation, energy, manufacturing, and technology industries make up the largest share of global lease and asset finance volume. As such, these industries and the asset classes related to them will always represent a meaningful portion of any diversified portfolio.

Industry Diversification as at 30 June 2015



Asset Class Diversification as at 30 June 2015



OUTLOOK

Overall we as Investment Managers are very pleased with the portfolio that is being constructed. The average yield on investments is higher than we had initially targeted, without any compromise in credit quality. The portfolio has turned over short dated US Dollar denominated investments for longer term Sterling denominated opportunities as anticipated, while at the same time reducing its exposure to residual values to less than 3.5%. Earnings have ramped up sufficiently to sustain monthly dividends at an annual rate of 7.25%. The pipeline remains robust, outstripping the capital raised during the IPO and subsequent placing programme. At this time, we do not foresee any changes in market dynamics that would affect our ability to continue to profitably deploy capital in our specialist segment of equipment lease and asset financing opportunities in the £1 to £20 million range.

SQN Capital Management, LLC
16 September 2015

SQN Capital Management (UK) Limited
16 September 2015

DIRECTORS' REPORT

The Directors present the Annual Report and Financial Statements of the Group for the period ended 30 June 2015.

Board of Directors

The Directors of the Company who served during period were:

Peter Niven (Chairman)
John Falla
Carol Goodwin
Christopher Spencer

Directors' Interests

All Directors held a minor interest in the Company's share capital during the period ended 30 June 2015 as below. There have been no changes in the interests of the Directors since the period end.

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

Notifications of Shareholdings

During the period to 30 June 2015, the Company had been notified in accordance with Chapter 5 of the Disclosure and Transparency Rules (which covers the acquisition and disposal of major shareholdings and voting rights), of the following voting rights as a Shareholder of the Company. When more than one notification has been received from any Shareholder only the latest notification is shown.

Notifications of Shareholdings	Number of Ordinary Shares	Percentage of total voting rights (%)
AXA Investment Managers SA	9,800,000	6.53%
Bank of Montreal	12,000,000	8.00%
City Financial	7,055,000	4.70%
Investec Wealth & Investment Limited	35,776,653	19.99%
Rathbone Brothers Plc	10,116,381	5.65%
Schroders Plc	15,530,604	10.35%

Life of the Company

The Company has an indefinite life. The Directors shall propose one or more ordinary resolutions at the Annual General Meeting (the "AGM") to be held in 2017 and at every third AGM thereafter that the Company continues as a closed ended investment company (the "Continuation Resolution"). In the event that a Continuation Resolution is not passed, the Directors shall formulate proposals to be put to Shareholders as soon as is practicable but, in any event, by no later than six months after the Continuation Resolution is not passed, to reorganise, unitise or reconstruct the Company or for the Company to be wound up with the aim of enabling Shareholders to realise their holdings in the Company.

Dividends

The Company targets a dividend of 7.25 pence per Ordinary Share. The dividend target is a target only and there can be no guarantee that this will be achieved. Dividends were initially declared and paid quarterly with the first dividend declared for the period to 30 September 2014, and were declared and paid monthly from January 2015.

Refer to Note 13 for details on dividends that the Company has declared and paid to its Shareholders during the period and Note 17 for details on dividends declared and paid after the period end.

Ordinary Share Buybacks

On 11 June 2015 the Directors were granted authority to repurchase 22,485,000 Ordinary Shares (being equal to 14.99% of the number of Ordinary Shares in issue as at 14 July 2014 when the Ordinary Shares were first admitted to the London Stock Exchange Official List) for cancellation or to be held as treasury shares. This authority, which has not been used, will expire at the forthcoming AGM. The Directors intend to seek annual renewal of this authority from the Shareholders. Pursuant to this authority, and subject to the Companies Law and the discretion of the Directors, the Company may purchase Ordinary Shares in the market if they believe it to be in Shareholders' interests; in particular, as a means of correcting any imbalance between the supply and demand for the Ordinary Shares.

DIRECTORS' REPORT (CONTINUED)

Disclosure of Information to the Auditor

The Directors who were members of the Board at the time of approving this Report are listed on page 19. Each of those Directors confirms that:

- to the best of his or her knowledge and belief, there is no information relevant to the preparation of their report of which the Group's Auditor was unaware; and

- he or she has taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's Auditor was aware of that information.

Indemnities

To the extent permitted by Guernsey Law, the Company's Articles provide an indemnity for the Directors against any liability except such (if any) as they shall incur by or through their own breach of trust, breach of duty or negligence.

During the period, the Group has maintained insurance cover for its Directors and Officers under a Directors' and Officers' liability insurance policy.

2015 AGM

The AGM will be held in Guernsey on 19 November 2015. The notice for the AGM sets out the ordinary and special resolutions to be proposed at the meeting. Separate resolutions are proposed for each substantive issue.

The Articles of the Company state that fourteen clear days' notice of the AGM of the Company is required. It is, however, the intention of the Board that the Notice of AGM is issued to Shareholders so as to provide at least twenty clear days' notice of the meeting. The Directors welcome communication with all Shareholders and can be contacted in writing at the Company's Registered Address, which can be found on page 54.

Voting on all resolutions at the 2015 AGM will be on a poll. The proxy votes cast, including details of votes withheld are disclosed to those in attendance at the meeting and the results are published on our website and announced via the Regulatory Information Service.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing Financial Statements for each financial year which give a true and fair view, in accordance with applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union ('IFRS'), of the state of affairs of the Group and of the profit or loss for the period. In preparing those Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008, as amended ("Companies Law"). The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm to the best of their knowledge that:

- the Financial Statements which have been prepared in conformity with IFRS and give a true and fair view of the assets, liabilities, financial position and profit of the Group, and the undertakings included in the Financial Statements taken as a whole as required by the United Kingdom Listing Authority Disclosure and Transparency Rules ("DTR") 4.1.12R and are in compliance with the requirements set out in the Companies Law;
- the Financial Statements include a fair review of the information required by DTR 4.1.8R and DTR 4.1.11R, which provide an indication of important events and a description of principal risks and uncertainties during the period;
- there is no information relevant to the preparation of their report of which the Auditor is unaware and he or she has taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Auditor is aware of that information; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group's performance, business model and strategy.

The maintenance and integrity of the Company's website is the responsibility of the Directors; the work carried out by the Auditor does not involve consideration of these matters and, accordingly, the Auditor accept no responsibility for any changes that may have occurred to the Annual Report and Financial Statements since they were initially presented on the website.

Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

By order of the Board

Peter Niven
Chairman
16 September 2015

Christopher Spencer
Director
16 September 2015

DIRECTORS' BIOGRAPHIES

Peter Niven (Non-executive Chairman)

Peter Niven is a resident of Guernsey. He has worked in the financial services industry in the UK, offshore and internationally for almost 40 years, 30 of those with the Lloyds Banking Group from which he retired in 2005 as the head of the Group's Offshore Banking Division. Since then Peter has worked for the Guernsey Government and the local financial services sector, through Guernsey Finance, with the remit to develop and promote the island on the world stage as a premier international finance centre. He retired from that role in December 2012.

Peter now acts as a non-executive director on a broad portfolio of listed (LSE, AIM, CISE) and unlisted investment funds investing in asset classes including property, hedge funds, emerging markets and private equity with wide experience of chairing Boards, audit and management committees. He is also a director of ABTA's Guernsey captive insurance entity. Peter is a Fellow of the Institute of Bankers, a Member of the Institute of Directors and a Chartered Director.

John Martyn Falla (Non-executive Director)

John Falla, a Guernsey resident, is a Chartered Accountant and has a BSc Hons degree in Property Valuation and Management from The City University, London. He is a Chartered Fellow of the Chartered Institute for Securities and Investment having been awarded their diploma. He is a non-executive director and consultant to a number of companies.

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

Carol Patricia Goodwin (Non-executive Director)

Carol Goodwin has extensive experience in the finance industry and has held senior executive positions with several European and North American banks, managing businesses in London, Toronto, Montreal, Amsterdam, Nassau and Guernsey. Since 2002 Carol has devoted her time to non-executive director roles. She currently serves as a non-executive director for a local bank and a number of other financial services entities, including a variety of listed and unlisted investment funds and property companies. Carol has a strong background in corporate governance and risk management.

Ms Goodwin is a Fellow of the Institute of Canadian Bankers (FICB), a Trust and Estate Practitioner (TEP), a Chartered Director (C.Dir.) and a Fellow of the Institute of Directors (FIoD).

Christopher Paul Spencer (Non-executive Director)

Christopher Spencer, a resident of Guernsey, qualified as a chartered accountant in London in 1975. Following two years in Bermuda he moved to Guernsey. Christopher, who specialised in audit and fiduciary work, was Managing Partner/Director of Pannell Kerr Forster (Guernsey) Limited from 1990 until his retirement in May 2000. Christopher is a member of the AIC Offshore Committee, a past President of the Guernsey Society of Chartered and Certified Accountants and a past Chairman of the Guernsey Branch of the Institute of Directors. Christopher sits on the Board of Directors of Real Estate Credit Investments PCC Limited, JP Morgan Private Equity Limited, John Laing Infrastructure Fund Limited, Ruffer Investment Company Limited, each of which is listed on the London Stock Exchange and Summit Germany Ltd which is an AIM listed company.

CORPORATE GOVERNANCE REPORT

Introduction

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

Compliance with Corporate Governance Codes

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

Throughout the period ended 30 June 2015, the Company has complied with the recommendations of the AIC Code and as such also meets the requirements of the UK Code except to the extent highlighted below:

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

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

The Group complies with the corporate governance statement requirements pursuant to the UK Financial Conduct Authority's ("FCA") Disclosure and Transparency Rules by virtue of the information included in the Corporate Governance section of the Annual Report.

The Board believes that this Annual Report and Financial Statements presents a fair, balanced and understandable assessment of the Group's position and prospects, and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy.

Directors

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

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

The biographical details of the Directors are provided on page 19.

Directors' Duties and Responsibilities

The Directors have adopted a set of Reserved Powers, which establish the key purpose of the Board and detail its major duties. These duties cover the following areas of responsibility:

- statutory obligations and public disclosure;
- approval of key investment decisions;
- strategic matters and financial reporting;

- Board composition and accountability to Shareholders;
- risk assessment and management, including reporting, compliance, monitoring, governance and control; and
- other matters having material effects on the Group.

These reserved powers of the Board have been adopted by the Directors to demonstrate clearly the importance with which the Board takes its fiduciary responsibilities and as an ongoing means of measuring and monitoring the effectiveness of its actions.

The Board meets at least four times each year and monitors the Group's share price and NAV and regularly considers ways in which future share price performance can be enhanced. The Board is responsible for the safeguarding of the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities. The Investment Managers together with the Company Secretary also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information relating to the Group and its portfolio of investments. Directors unable to attend a Board meeting are provided with the Board papers and can discuss issues arising in the meeting with the Chairman or another Non-executive Director.

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

Board and Committees

The Board has established three committees, the Audit and Risk Committee, the Management Engagement Committee, and the Nomination and Remuneration Committee. Due to the size and nature of the Company all Directors have been appointed to all Committees. The responsibilities of these Committees are described below. Terms of reference for each Committee have been approved by the Board and are available in full on the Company's website.

Board

Responsibilities:

- Statutory obligations and public disclosure.
- Approval of key investment decisions.
- Strategic matters and financial reporting.
- Board composition and accountability to Shareholders.
- Risk assessment and management, including reporting, compliance, monitoring, governance and control.
- Responsible for financial statements.

Audit and Risk Committee

Delegated Responsibilities:

- Review the financial statements, including review of the accounting policies and methods utilised.
- Review the effectiveness and internal control policies and procedures over financial reporting and identification, assessment and reporting of risk.
- Make recommendations to the Board in relation to appointment, re-appointment and removal of external auditors and approving remuneration and terms of engagement of external Auditor.

Management Engagement Committee

Delegated Responsibilities:

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

Nomination and Remuneration Committee

Delegated Responsibilities:

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

Audit and Risk Committee

Mr Spencer is the Chairman of the Audit and Risk Committee. The duties of the Audit and Risk Committee in discharging its responsibilities are outlined in the chart above. The report on the role and activities of this Committee and its relationship with the external auditors is contained in the Audit and Risk Committee Report on pages 27 to 29.

Management Engagement Committee

Mr Falla is the Chairman of the Management Engagement Committee. The duties of the Management Engagement Committee in discharging its responsibilities are outlined in the chart above.

The Management Engagement Committee carries out its review of the Group's key advisers through consideration of a number of objective and subjective criteria and through a review of the terms and conditions of the advisers' appointments with the aim of evaluating performance, identifying any weaknesses and ensuring value for money for the Company's Shareholders. During 2015, the Management Engagement

Committee formally reviewed the performance of the Investment Managers and other key service providers to the Group. During this review, no material weaknesses were identified. Overall the Management Engagement Committee confirmed its satisfaction with the services and advice received.

Nomination and Remuneration Committee

Ms Goodwin is the Chairman of the Nomination and Remuneration Committee. The duties of the Nomination and Remuneration Committee in discharging its responsibilities are outlined in the chart on page 22.

The Nomination and Remuneration Committee will undertake an evaluation of the Board on an annual basis. The performance of each Director is considered as part of a formal review by the Nomination and Remuneration Committee. The Directors also meet without the Chairman present in order to review his performance.

During the 2015 Board evaluation on 20 August 2015, it was concluded that all Directors were independent and that the Chairman and all Directors had a good understanding of the investments and markets and felt well prepared and able to participate fully at Board meetings. It was agreed that Board meetings were effective and all relevant topics were fully discussed, with the board having a good range of skills and competency.

Directors' Remuneration Report

The following report meets the relevant Listing Rules of the FCA and the AIC Code and describes how the Board has applied the principles relating to Directors' remuneration.

Single total figure for the fees paid to Directors for the period from inception to 30 June 2015:

Director	Fees £	Out of Pocket Expenses £	Total £
Peter Niven	38,658	324	38,982
John Falla	28,993	848	29,841
Carol Goodwin	28,993	215	29,208
Christopher Spencer	33,825	-	33,825
Total	130,469	1,387	131,856

The Company's Articles currently limit the aggregation of fees payable to the Directors to a total of £200,000 per annum. Due to the increased time commitment required by the Directors than anticipated at inception (see table of attendance at scheduled meetings on page 25), an increase in the individual fees of the Directors has been agreed with effect from 1 July 2015. Although this increase does not reach the current aggregate fee payable to the Directors, the Directors believe it would be prudent to increase the aggregate fees payable to £300,000 to accommodate any potential new Director appointments in the future. A resolution will be proposed at the AGM in November to consider raising the limit.

Annual Report on Remuneration

Other than as shown above, no other remuneration or compensation was paid or payable by the Company during the period to any of the Directors.

Advisers to the Nomination Committee

The Board has not sought the advice or services by any outside person, at this time, in respect of its consideration of the Directors' remuneration.

Board Independence, Composition and Diversity

The Board is chaired by Peter Niven who is responsible for its leadership and for ensuring its effectiveness in all aspects of its role. The Board currently consists of four Non-Executive Directors. The biographical details of the Directors holding office at the date of this report are listed on page 19 and demonstrate a breadth of investment, accounting, banking and professional experience. A senior Independent Director has not been identified as the Board has not considered it necessary because the Board is comprised of all independent Non-Executive Directors, with different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.

The Board supports the recommendations of the Davies Report (available at www.gov.uk) and believes in and values the importance of diversity, including gender, to the effective functioning of the Board. The Board, however, does not consider it appropriate or in the interest of the Company and its Shareholders to set prescriptive targets for gender or other diversity on the Board. Any future appointments would be primarily based on merit of skills, experience and knowledge of each appointment. The Board consists of one woman and three men.

The Chairman and all Directors are considered independent. The Directors consider that there are no factors, as set out in Principle 1 or 2 of the AIC Code, which compromise the Chairman's or other Directors' independence and that they all contribute to the affairs of the Company in an adequate manner. The Board reviews the independence of all Directors annually. The Company Secretary, BNP Paribas Securities Services S.C.A., Guernsey Branch, through its representative, acts as Secretary to the Board and Committees and in doing so it: assists the Chairman in ensuring that all Directors have full and timely access to all relevant documentation; organises induction of new Directors; and is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters.

Directors' Appointment and Policy on Payment of Loss of Office

No Director has a service contract with the Company. Directors have agreed letters of appointment with the Company, copies of which are available for review by Shareholders at the Registered Office and will be available at the AGM. All Directors have served since incorporation of the Company. Any Director may resign in writing to the Board at any time. Directors' appointments will be reviewed during the annual Board evaluation.

The Articles of Incorporation require that all Directors submit themselves for election by Shareholders at the first opportunity following their appointment. All Directors will stand for re-election at the AGM on 19 November 2015.

The Articles of the Company also require that the Directors shall retire by rotation on a three yearly basis, commencing from the third AGM after inception. The retiring Directors will then be eligible for reappointment.

Tenure of Non-Executive Directors

The Board has adopted a policy on tenure that is considered appropriate for an investment company. The Board does not believe that length of service, by itself, leads to a closer relationship with the Investment Managers or necessarily affects a Director's independence.

The Board's tenure and succession policy seeks to ensure that the Board is well balanced and will be refreshed from time to time by the appointment of new Directors with the skills and experience necessary to replace those lost by Directors' retirements and meet future requirements. Directors must be able to demonstrate their commitment and fiduciary responsibility to the Company. The Board seeks to encompass relevant past and current experience of various areas relevant to the Company's business.

Conflict of Interests

The Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. Only Directors who have no material interest in the matter being considered will be able to participate in the Board approval process. Directors are required to disclose all actual and potential conflicts of interest to the Chairman in advance of any proposed external appointment.

In deciding whether to approve an individual Director's participation, the other Directors will act in a way they consider to be in good faith in assessing the materiality of the conflict in accordance with the Company's Articles of Incorporation.

The Board believes that its powers of authorisation of conflicts of interest have operated effectively. The Board also confirms that its procedure for the approval of conflicts of interest, if any, has been followed by the Directors. None of the Directors had a material interest in any contract which is significant to the Group's business. Directors' holdings in the Company can be found within the Directors' Report on pages 16 to 18.

Performance Evaluation

The performance of the Board, its Committees and the Directors was reviewed by the Nomination and Remuneration Committee in August 2015. The Chairman of the Committee reviewed and discussed various areas, including investment matters, strategy, shareholder value, governance, and the process and style of meetings. In addition the Board reviewed the performance of the Chairman in his role and evaluated their personal contributions. It was concluded that all Directors were independent and that the Chairman and all Directors had a good understanding of the investments and markets and felt well prepared and able to participate fully at Board meetings. It was agreed that Board meetings were effective and all relevant topics were fully discussed, with the Board having a good range of skills and competency. The Directors confirm that they have devoted sufficient time, as considered necessary, to the matters of the Company.

Induction/Information and Professional Development

Directors are provided, on a regular basis, with key information on the Company's policies, regulatory requirements and its internal controls. Regulatory and legislative changes affecting Directors' responsibilities are advised to the Board as they arise along with changes to best practice from, amongst others, the Company Secretary and the Auditor. Advisers to the Group also prepare reports for the Board from time to time on relevant topics and issues. In addition, Directors attend relevant seminars and events to allow them to continually refresh their skills and knowledge and keep up with changes within the investment company industry.

When a new Director is appointed to the Board, they will be provided with all relevant information regarding the Group and their duties and responsibilities as a Director. In addition, a new Director will also spend time with representatives of the Investment Managers in order to learn more about their processes and procedures. No Directors (other than those appointed at inception) were appointed during the period.

Attendance at scheduled meetings of the Board and its committees from inception to 30 June 2015

	Board	Audit and Risk Committee	Nomination and Remuneration Committee *	Management Engagement Committee *	Separate Investment Meetings
Number of meetings during the period	**18**	**3**	**-**	**-**	**10**
Peter Niven	16	3	-	-	6
John Falla	18	3	-	-	10
Carol Goodwin	16	3	-	-	7
Chris Spencer	15	3	-	-	5

In addition to these meetings, 4 ad-hoc meetings were held during the period covering various Group matters.

* Nomination and Remuneration Committee and Management Engagement Committee meetings were held post year end on 20 August 2015.

Relationship with the Investment Managers, Company Secretary and the Administrator

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

The Board receives and considers reports regularly from the Investment Managers, with ad hoc reports and information supplied to the Board as required. The Investment Managers take decisions as to the purchase and sale of individual investments, within the delegated authority established by the Board. The Board meet with the Investment Managers on an ad-hoc basis to discuss and approve investment decisions as necessary. The Investment Managers comply with the risk limits as determined by the Board and have systems in place to monitor cash flow and the liquidity risk of the Group. The Investment Managers and BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Administrator") also ensure that all Directors receive, in a timely manner, all relevant management, regulatory and financial information. Representatives of the Investment Managers and Administrator attend each Board meeting as required, enabling the Directors to probe further on matters of concern. The Directors have access to the advice and service of the corporate Company Secretary through its appointed representative who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Board, the Investment Managers and the Administrator operate in a supportive, co-operative and open environment.

Shareholder Engagement

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

The Board believes that the AGM provides an appropriate forum for investors to communicate with the Board, and encourages participation. The AGM will be attended by at least one Director. There is an opportunity for individual Shareholders to question the Directors at the AGM. Details of proxy votes received in respect of each resolution will be made available to Shareholders at the meeting and will be posted on the Company's website following the meeting.

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

AIFMD

The Company is classed as an externally managed Alternative Investment Fund under the Alternative Investment Fund Managers Directive ("AIFMD"). The US Investment Manager was appointed as the Company's investment manager pursuant to the Investment Management Agreement dated 16 June 2014 and consequently is the authorised Alternative Investment Fund Manager ("AIFM") for the purposes of AIFMD. The AIFM is responsible for managing the Company's investments and the risks it faces, subject to the overall scrutiny of the Board.

The US Manager is registered with the FCA as a "small third country AIFM". The requirements of AIFMD have been applied accordingly.

AIFM Remuneration

The total fees paid to the Investment Managers by the Company are disclosed in Note 16.

AUDIT AND RISK COMMITTEE REPORT

Committee Meetings

The Audit and Risk Committee meets at least three times a year. Only members of the Audit and Risk Committee have the right to attend Audit and Risk Committee meetings. Representatives of the Investment Managers and Administrator will be invited to attend Audit and Risk Committee meetings on a regular basis and other non-members may be invited to attend all or part of the meeting as and when appropriate and necessary. The Group's external Auditor, Baker Tilly CI Audit Limited ("Baker Tilly"), is also invited whenever it is appropriate. The Audit and Risk Committee is also able to meet separately with Baker Tilly without the Investment Managers being present.

Main Activities

The Audit and Risk Committee assists the Board in carrying out its overall responsibility in relation to financial reporting requirements, risk management and the assessment of internal financial and operating controls. It also manages the Group's relationship with the external Auditor. Meetings of the Committee generally take place prior to a Company Board meeting. The Committee reports to the Board as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of their work.

The day to day management and administrative functions are outsourced to third parties and as a consequence there is no requirement for an internal audit function. The Committee reviews and monitors reports on the internal control and risk management systems on which the Company is reliant.

Financial Reporting

The primary role of the Committee in relation to financial reporting is to review in conjunction with the Investment Managers and the Administrator the appropriateness of the Interim Report and Financial Statements, Annual Report and Financial Statements concentrating on, amongst other matters:

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

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

Significant Issues

In relation to the Annual Report and Financial Statements for the period ended 30 June 2015, the following significant issues were considered by the Audit and Risk Committee:

Revenue Recognition

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

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

Loans and Receivables

The risk that the carrying value of investments (primarily comprising loans, leases and hire purchase agreements) may be misstated.

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

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

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

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

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

Risk Management and Internal Controls
As stated earlier the day to day management and administrative functions are outsourced to third parties. The Board is responsible for overall risk management with delegation provided to the Audit and Risk Committee.

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

The work of the Audit Committee is primarily driven by the Company's assessment of the principal risks and uncertainties as set out in the Strategic Report and in Note 15, the reports received from the Investment Manager and the Company's risk evaluation process.

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

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

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

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

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

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

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

External Audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification at the start of the audit cycle. The Audit and Risk Committee received a detailed audit plan from Baker Tilly identifying their assessment of the significant audit risks. For the period ended 30 June 2015 the significant audit risks identified are shown on pages 27 to 28. The significant risks were tracked through the period and the Audit and Risk Committee challenged the work performed by the Auditor to test management override of controls and in addition the audit work undertaken in respect of valuations of unlisted investments. The Audit and Risk Committee assess the effectiveness of the audit process in addressing these matters through the reporting received from Baker Tilly in relation to the period end. In addition, the Audit and Risk Committee seeks feedback from the Investment Managers and the Administrator on the effectiveness of the audit process. For the period ended 30 June 2015 the Audit and Risk Committee was satisfied that there had been appropriate focus and challenge on the significant and other key areas of audit risk and assessed the quality of the audit process to be good.

Appointment and Independence

The Audit and Risk Committee considers the reappointment of Baker Tilly, including the rotation of the audit engagement partner, and assesses their independence on an annual basis. Baker Tilly is required to consider rotation of the engagement partner responsible for the audit every five years. Baker Tilly has been the Group's external Auditor since inception.

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

The Audit and Risk Committee recommended to the Board the approval of the fees for audit services for the period ended 30 June 2015 after a review of the level and nature of work to be performed and after being satisfied that the fees were appropriate for the scope of the work required.

Non Audit Services

To safeguard the objectivity and independence of the external Auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external Auditor to provide non-audit services. The external Auditor and the Directors have agreed that all non-audit services require the pre-approval of the Audit and Risk Committee prior to commencing any work. Fees for non-audit services will be tabled annually so that the Audit and Risk Committee can consider the impact on the Auditor's objectivity.

The Auditor is entitled to a fee of £40,000 for their services rendered during the period 28 May 2014 to 30 June 2015.

The Committee is satisfied with the effectiveness of the audit provided by Baker Tilly, and is satisfied with their independence. The Committee has therefore recommended to the Board that Baker Tilly be reappointed as external Auditor for the year ending 30 June 2016, and that a resolution proposing the reappointment of Baker Tilly as the external Auditor should be put to the Shareholders at the 2015 AGM. The Auditor, Baker Tilly, have indicated their willingness to continue in office. There are no contractual obligations restricting the Committee's choice of external Auditor and the external Auditor is not indemnified by the Group.

For and on behalf of the Audit and Risk Committee

Christopher Spencer
Chairman of the Audit and Risk Committee

16 September 2015

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

We have audited the Consolidated Financial Statements of the SQN Asset Finance Income Fund Limited (the "Company" and together with its subsidiaries, "the Group") for the period ended 30 June 2015, which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable Guernsey law and International Financial Reporting Standards as adopted by the European Union (IFRSs).

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Statement of Responsibilities set out on page 18, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on Financial Statements

In our opinion the Consolidated Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Audit commentary

A: An overview of the scope of our audit

Our audit approach is risk based and focuses on identification of key business risks and those areas of operation that are considered significant to the results for the period. It focuses on the robustness and effectiveness of the Group's control environment established by management to ensure sound operational and financial control and the mitigation of risk. For purposes of the Group, management includes those 3rd parties such as the Investment Managers and Administrator to whom the board has delegated responsibility for key operations and day to day functions. Where possible, we seek to validate and subsequently place reliance on the controls that are in place, in order to increase the efficiency of our audit work.

Our audit comfort comes from evaluating and validating how management monitor and control the business and financial risks.

Our audit approach covered both pre and year end procedures described as follows:

- *Pre-year end*: In conjunction with the testing of the internal controls, the pre-year end audit work included "walk through testing" which was undertaken to help us understand the entire investment process of the different investments included in the portfolio of the Group (from deal sourcing, due diligence to recognition in the Financial Statements). We obtained this understanding from discussions and meetings with the Administrator, the Investment Managers and the Board as well as review of relevant documentation provided.

- *Year end*: Based on the understanding of the business, from the pre year end testing, we undertook substantive testing on significant balances, transactions and disclosures in line with our risk assessment including the results of the work done at the pre-year end.

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

B: Our application of materiality

The Directors have primary responsibility for ensuring that the Financial Statements are free from material misstatement or error. In accounting terms, a material error is one that, if it were unadjusted, would cause a user of the financial statements to alter his/her view of those statements or the results or the financial position of the entity being reported on. Materiality, therefore, is incapable of monetary definition, since it has both quantitative and qualitative elements. It is necessary to consider not only the impact of an error on the Financial Statements as a whole, but also on the individual accounting items affected. Additionally, the cumulative impact of all unadjusted errors must be considered.

Auditors examine accounts on a test basis. The level of testing we have carried out is based on our assessment of the risk that an item in the financial statements may be materially misstated.

A key element of our annual audit planning is to make an assessment of the risk that the financial statements might contain material errors. We base this assessment on our cumulative knowledge of the Group and our understanding of its activities and the industry sector in which it operates. We assess risk both at the overall financial statement level and at the individual item level. The nature and volume of audit work we have conducted is directly related to our risk assessments.

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

In making these assessments and in particular cognisant of the challenges of defining materiality, we considered a threshold of £805,000 to be an indicator of materiality for the financial statements as a whole. This threshold was based on an average of the following figures: 0.5% of revenue, 5% of profit, 1% of gross assets and 100% of the smallest disclosed balance. This is intended to avoid the distorting effect of using only one financial statement figure as the measure.

We agreed with the Audit and Risk Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £40,250, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

C: Our assessment of risks of material misstatement

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

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

(i) Revenue recognition

Revenue is classified as "finance income" in the financial statements and primarily comprises of interest income including from loans and leases. The Company enters into legal agreements with clients of varying lengths (typically up to 10 years). The terms of the agreements are summarised in a trade ticket which is reviewed by both the Investment Managers and Administrator including on a monthly basis as part of the Net Asset Value reporting process.

The risk – As finance income is the Group's major source of revenue and is a material item in the Statement of Comprehensive Income, the recognition of finance income is considered to be a significant risk.

Our response – Our audit procedures with respect to revenue recognition included, but were not limited to: tests of control over trade ticket terms; substantive analytical procedures and tests of detail over balances to corroborate the value of income and debtors during the period to the trade ticket and underlying documentation; and testing of cash receipts or debtors records.

(ii) Loans, leases and receivables

The investment portfolio of the Group primarily comprises of loans, leases and receivables.

The risk – The carrying value of the investment portfolio may be misstated.

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

Our response – In conjunction with the revenue testing described above, we performed tests of control over trade ticket terms; substantive analytical procedures and tests of detail over balances to corroborate the balances during the period to the trade ticket and underlying documentation; and testing of cash receipts or debtors records. We also performed analytical procedures to ensure that the amortisation schedule and carrying value were in line with relevant IFRS requirements.

(iii) Compliance with rules and regulations

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

Our response – Our audit procedures include a review for compliance with key rules e.g. London Listing Rules, Transparency Rules, Corporate Governance Code and any other regulatory rules. We also performed a review of board minutes to check for board oversight of the work carried out by the Administrator and investment manager and of investment strategy compliance.

(iv) Management override of internal controls

The risk – ISA (UK and Ireland) 240 'The Auditor's responsibilities relating to fraud in an audit of Financial Statements' requires us to consider the risk of management override of controls. There is a risk of fraud due to management override of controls.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

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

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement of Responsibilities, set out on page 18, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

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

Date: 16 September 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2015

	Notes	28 May 2014 to 30 June 2015 £
Income		
Finance income		5,722,864
Interest on cash and cash equivalents		255,455
Other income		631,422
Total income	2.10	**6,609,741**
Net unrealised gain on revaluation of investments		699,601
Net unrealised foreign exchange loss on investments		(1,095,379)
Net unrealised foreign exchange gain on forward contracts		1,704,952
Net realised foreign exchange gain on investments		247,906
Net realised foreign exchange gain on forward contract		447,414
Net realised and unrealised gain		**2,004,494**
Operating expenses		
Investment management fees	3(a)/4	(1,454,088)
Directors' fees and travel expenses	4	(131,856)
Administration and professional fees	3(b)/4	(589,238)
Depreciation	2.9/6	(117,256)
Total operating expenses		**(2,292,438)**
Total comprehensive income for the period before dividends		**6,321,797**
Dividends paid	13	(4,275,000)
Total comprehensive income for the period after dividends		**2,046,797**
Basic and diluted earnings per Ordinary Share before dividends	5	**0.0447**

All results are derived from continuing operations.

The Group has no other comprehensive income other than the profit for the period.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	30 June 2015 £
Non-current assets		
Property, plant and equipment	6	4,983,316
Residual value	2.7	839,012
Investments designated as fair value through profit or loss	7.2	3,548,636
Finance lease receivables	8	17,230,475
Loans and receivables	7.1	72,642,190
		99,243,629
Current assets		
Cash and cash equivalents	2.14/14	75,654,965
Interest receivables	9	1,544,788
Other receivables and prepayments	9	874,840
Investment receivables	9	399,472
Derivative asset	15	1,704,952
		80,179,017
Total assets		**179,422,646**
Current liabilities		
Investment payables	10	130,000
Other payables and accrued expenses	10	437,403
		567,403
Net assets		**178,855,243**
Equity		
Share capital	12	176,808,446
Retained earnings		2,046,797
		178,855,243
Number of Ordinary Shares	12	178,985,507
NAV per Ordinary Share	5	99.93p

These Financial Statements were approved and authorised for issue by the Board of Directors on 16 September 2015, and signed on its behalf by:

Peter Niven
Director

Christopher Spencer
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015

	Note	Share Capital £	Retained Earnings £	Total £
At the start of the period		-	-	-
Total comprehensive income for the period		-	6,321,797	6,321,797
Transactions with Shareholders, recorded directly in equity				
Issue of Ordinary Shares	12	176,808,446	-	176,808,446
Dividends paid	13	-	(4,275,000)	(4,275,000)
Total transactions with Shareholders		**176,808,446**	**(4,275,000)**	**172,533,446**
At the end of the period		**176,808,446**	**2,046,797**	**178,855,243**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015

		28 May 2014 to 30 June 2015 £
Operating activities:		
Total comprehensive income for the period		6,321,797
Adjustments for:		
Unrealised gain on investments		(699,601)
Unrealised foreign exchange movements in the period		(609,573)
Depreciation	6	117,256
Realised foreign exchange gain on investments		247,906
Increase in interest receivable		(1,544,788)
Increase in investment receivables		(399,472)
Increase in other receivables and prepayments		(874,840)
Increase in investment payables		130,000
Increase in other payables and accrued expenses	10	437,403
Acquisition of investments	6/7/8	(112,069,949)
Disposals/amortisation of investment principal during the period	6/7/8	12,113,595
Net cash outflow from operating activities		**(96,830,266)**
Cash flow from financing activities		
Share issue net proceeds	12	176,808,446
Dividends paid	13	(4,275,000)
Net cash flows provided by financing activities		**172,533,446**
Net increase in cash and cash equivalents		**75,703,180**
Cash and cash equivalents at start of the period		-
Effect of exchange rate changes on cash and cash equivalents		(48,215)
Cash and cash equivalents at end of the period		**75,654,965**

During the period, interest received was £4,454,073 and interest paid was nil.

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

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Company was incorporated on 28 May 2014 and registered in Guernsey as a closed-ended collective investment scheme. The Company listed its Ordinary Shares on the London Stock Exchange on 14 July 2014. The Company's registered address is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

The Company's subsidiaries, SQN Asset Finance (Guernsey) Limited, SQN AFIF (Amber) Limited and SQN AFIF (Bronze) Limited ('the Subsidiaries') are wholly owned Subsidiaries incorporated in Guernsey and established for the primary purpose of acting as investment holding companies (refer to Note 2.5 for further details).

2. Accounting Policies

2.1 Basis of Preparation

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

These Financial Statements have been prepared on a going concern basis. After reviewing the Group's budget and cash flow forecast for the next financial period, the Directors are satisfied that, at the time of approving the Financial Statements, it is appropriate to adopt the going concern basis in preparing the Financial Statements.

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

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

IFRS	Effective for periods beginning on or after
IAS 24 – Related Party Disclosures (amendment)	1 July 2014
IFRS 13 – Fair Value Measurement (amendment)	1 July 2014
IAS 16 – Property, Plant and Equipment (amendment)	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	1 January 2017
IFRS 9 – Financial Instruments: Classification and Measurement	1 January 2018

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

2.3 Functional and Presentation Currency

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

2.4 Foreign Currency Translation

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

Translation differences on non-monetary items such as financial assets at fair value through profit or loss are reported as part of net gains or losses on financial assets through profit or loss in the Statement of Comprehensive Income.

2.5 Consolidation
Refer to Note 1 for details on the Subsidiaries.

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

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

IFRS 10.27 – An IE is an entity that:

a. obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;

b. commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

c. measures and evaluates the performance of substantially all of its investments on a fair value basis.

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

a. it has more than one investment;

b. it has more than one investor;

c. it has investors that are not related parties of the entity; and

d. it has ownership interests in the form of equity or similar interests.

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

2.6 Financial Assets

a) Classification and Measurement
Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets designated at fair value through profit or loss at inception
Financial assets designated at fair value through profit or loss at inception are financial instruments that are managed, and their performance is evaluated on a fair value basis in accordance with the Group's documented investment strategy.

The Group's policy requires the Investment Managers and the Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information. Financial assets at fair value through profit are recognised at fair value and changes in fair value are recorded in the Statement of Comprehensive Income.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when the value of the asset is less than the carrying value on the Group's Financial Statements. When assessing impairment, the Investment Managers consider the ability of the end-user to make all contracted payments due to the Group, the delinquency status of each account, and the value of the equipment or assets relative to all outstanding obligations in the case of defaults. In assessing residual values for the purpose of impairment, each account is reviewed at least annually and third-party appraisals used when necessary.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. Gains and losses are recognised in the Statement of Comprehensive Income when loans and receivables are derecognised or impaired, as well as through the amortisation process.

b) Recognition and De-Recognition

The Group initially recognises loans and receivables on the date when they are originated. All other financial assets are initially recognised on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risk and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

c) Fair Value Estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability is conducted in either:

- the principal market for the asset or liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use capacity or by selling it to another market participant that would use the asset in its highest and best use capacity.

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Comprehensive Income.

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

2.7 Finance Leases

The Group categorises finance leases as a lease arrangement where the terms of the lease transfer substantially all risks and rewards of ownership to the lessee (in accordance with the requirements of IAS 17). Under such arrangements, at the commencement of the lease term, the Group records a finance lease in the Statement of Financial Position as a receivable, at an amount equal to the net investment in the lease.

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

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

The Group applies the principles of IAS 39 to lease receivables with respect to the derecognition and impairment provisions.

Residual Value

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

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

2.8 Operating Leases

The Group categorises operating leases as a lease arrangement in which a significant portion of the risks and rewards of ownership are retained by the lessor (in accordance with the requirements of IAS 17).

2.9 Property, Plant and Equipment

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

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

2.10 Income

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

Finance income from finance leases is recognised in the Statement of Comprehensive Income based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Income on cash and cash equivalents relates to interest receivable on cash and cash deposits with banks.

Other income relates to upfront commitment and facility fees received in connection to the lease and loan undertakings. The income is recognised in the Statement of Comprehensive Income immediately when the loan or lease agreements are approved and signed.

2.11 Interest Income and Expenses

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

2.12 Issue Costs

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

2.13 Dividends Payable

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

2.14 Cash and Cash Equivalents

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

2.15 Taxation
Profits arising in the Company are subject to tax at the standard rate of 0%. The Subsidiaries are exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 for which they pay an annual fee of £1,200 (increased from £600 on 1 January 2015).

2.16 Derivative Financial Instruments
The Group makes use of derivative financial instruments to manage its exposure to foreign exchange rate risk, including but not restricted to the use of foreign exchange forward contracts. A derivative with a positive fair value is recognised as a financial asset and a derivative with a negative fair value is recognised as a financial liability. Further details on derivative financial instruments are disclosed in Note 15.

2.17 Segmental Reporting
The Directors view the operations of the Group as one operating segment, being investment business. All significant operating decisions are based upon analysis of the Group's investments as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

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

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

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

3. Material Agreements

a) Investment Management Agreement
The Company's investments are managed by the Investment Managers. Under the terms of the Investment Management Agreement dated 16 June 2014, the Company appointed the Investment Managers to provide management services to the Company. The Investment Managers are together entitled to a management fee which is calculated, accrued monthly and payable monthly in arrears at the following rate per annum of the Group's NAV:

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

The US Investment Manager appointed Summit Asset Management Limited as the sub-investment manager (the "Sub-Investment Manager") per the delegation agreement dated 28 June 2011, as amended and restated on 16 June 2014. On 21 January 2015, the Sub-Investment Manager sold its leasing division to the UK Investment Manager and ceased to act as Sub-Investment Manager on the same date.

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

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

For the period ended 30 June 2015, the management fee expense was £1,454,088 of which £147,126 was unpaid at the period end, and an additional £769,889 was paid in structuring fees.

b) Administration and Custodian Agreement

The Company has engaged the services of the Administrator, to provide administration and custodian services. Under the terms of the Administration and Custodian Agreement dated 16 June 2014 the Administrator is entitled to receive an annual administration, compliance and custody fee of £100,000 and a fee of £2,000 for each income and capital distribution.

The Administrator also performs the function of Secretary to the Company and for this role receives an annual fee of £36,000 plus fees for ad-hoc Board meetings.

c) Registrar Agreement

Capita Registrars (Guernsey) Limited has been appointed as registrar of the Group pursuant to the registrar agreement dated 16 June 2014. The fee is charged at a rate of £1.60 per holder of Ordinary Shares appearing on the register, subject to a minimum fee of £5,000 per annum.

d) Placing Agreements

The Company, the US Manager, the UK Manager, the Sub-Investment Manager, the Directors and Winterflood Securities ("Winterflood") entered into a Placing and Offer Agreement on 16 June 2014. In addition, there is an engagement letter dated 14 July 2014 between the Company and Winterflood. In accordance with the Placing and Offer Agreement and the engagement letter, Winterflood acts as sponsor, financial advisor and sole book runner in connection with the issue and/or the placing programme. For their services, Winterflood are entitled to an annual brokerage and advisory fee of £45,000 and to receive commission fees of 1% and 0.5% of the gross value of any share issues and repurchases respectively.

4. Operating Expenses

Operating expenses are recognised on an accruals basis and during the period were made up of the following:

30 June 2015	£
Investment management fees	1,454,088
Administration and custody fees	110,219
Company secretarial fees	62,487
Directors' fees and travel expenses	131,856
Depreciation	117,256
Audit fees	40,000
Brokerage fees	43,299
Public relation fees	39,843
Registrar fees	20,092
Legal fees	54,190
Professional fees	22,058
Restructuring fees	84,445
Other expenses	112,605
Total operating expenses	**2,292,438**

5. Earnings per Share and NAV per Share

The calculation of basic earnings per Ordinary Share is based on the operating profit attributable to Ordinary Shares of £6,321,797 and on the weighted average number of Ordinary Shares in issue during the period of 141,501,791 Ordinary Shares.

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

6. Property, Plant and Equipment

Property, Plant and Equipment comprises plant and machinery originally subject to a hire purchase agreement which has been re-leased to an alternative third party under an operating lease. The value of additions during the period represents the cost of acquisition minus the principal element of payments received under the hire purchase agreement and will be written off over the remaining useful life of 14.5 years. The carrying amount at the end of the period was as follows:

30 June 2015	£
Cost	
Opening balance at inception	-
Additions during the period	5,100,572
Closing balance	**5,100,572**
Accumulated depreciation	
Opening balance at inception	-
Depreciation during the period	(117,256)
Net book value	**4,983,316**

7. Financial Instruments

7.1 Loans and Receivables

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

30 June 2015	Loans £	Construction Finance £	Receivables £	Total £
Opening balance at inception	-	-	-	-
Purchases during the period	54,704,652	44,291,953	3,370,683	102,367,288
Principal amortisation during the period	(6,340,770)	-	(525,078)	(6,865,848)
Reclassification	-	(22,160,019)	-	(22,160,019)
Realised foreign exchange gain on investments	228,611	-	-	228,611
Unrealised foreign exchange loss on revaluation	(927,842)	-	-	(927,842)
Closing balance	**47,664,651**	**22,131,934**	**2,845,605**	**72,642,190**

Construction Finance investments comprise initial drawings or advances ("Advances") made under loan agreements or finance leases during a period of procurement or construction of underlying assets (the "Construction Period"). During the Construction Period, interest or similar service payments on the advances may be paid or (more usually) rolled-up and capitalised on expiry of the construction period, typically when the assets have been commissioned and (if applicable) commercial operations have commenced.

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

The amortisation period (in the case of a loan) or lease term (in the case of a finance lease) commences at the end of the Construction Period and the service payments or lease rentals are calculated by reference to the total advances during the Construction Period plus interest accrued (if not paid). In the case of a finance lease, the Advances (and accrued interest) are repayable in full if a default or insolvency event occurs or if the Construction Period has not ended by a specified long-stop date.

Receivables comprise the legal right to streams of contracted payments arising under lease, hire, licence (or similar) agreements made between an end-user, lessee or licensee and lessor, owner or licensor of goods or other assets, in respect of which the right to receive payment has been sold or assigned absolutely to the Group.

7.2 Fair Value Investments

The Group's accounting policy on fair value measurements is discussed in Note 2.6 (c).

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

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

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

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

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

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

The table below analyses the investments and foreign exchange instruments at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2015	Level 1 £	Level 2 £	Level 3 £	Total £
Financial Assets				
Designated at fair value through profit and loss	-	-	3,548,636	3,548,636
Derivative asset	-	1,704,952	-	1,704,952
Total Financial Assets	**-**	**1,704,952**	**3,548,636**	**5,253,588**

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

30 June 2015	Lease Particip-ation £
Opening balance at inception	-
Additions during the period	8,793,440
Principal amortisation / disposals during the period	(5,428,175)
Realised foreign exchange gain on investments	302,693
Unrealised foreign exchange loss on revaluation	(119,322)
Closing balance	**3,548,636**

Transfers between levels are deemed to have occurred at the date of the event or change in circumstances that caused the transfer.

There were no transfers of investments between the Levels during the period.

The Lease Participation investments represent a single participation investment in a portfolio of leases. The carrying value of £3,548,638 represents the value attributable to the 'principal' element of the participation interest, determined in accordance with the participation agreement.

The participation agreement entitles the Group to receive interest on the principal balance at the rate of 10.5%. Payment amounts are not fixed and are dependent on the actual proceeds received on the Lease Portfolio each month. Any shortfall in interest payments is added to the principal balance and accrues interest at the same rate.

The Group does not have any rights to any amounts received on the portfolio over and above the repayment of their principal plus any interest accrued at the rates stated above.

The Directors and the Investment Managers believe this is a reasonable approximation of the fair value.

The Group has therefore not presented quantitative information on the valuation of the Lease Participation investments.

Information about the Secondary Market for Level 3 Investments

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

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

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

7.3 Valuation Process

The following table provides information about fair value measurements using significant unobservable inputs as at 30 June 2015:

Description	Fair Value	Valuation Techniques	Unobservable Inputs
Lease Participation	£3,548,636	Principal balance	Third party appraisal

8. Finance Lease Receivables

The Group's investments include a portfolio of leases of plant and machinery (the "Assets") leased under lease agreements that transfer substantially all the risks and rewards incidental to ownership to the lessee.

The lessee pays periodic rent for the use of the assets for a fixed or minimum initial term of typically 3 to 10 years. At the end of the fixed or minimum term, the lessee can elect to:

- return the Asset to the Group;
- extend the lease for a further minimum term or from year to year on payment of a pre-agreed rent (which is typically substantially lower than the rent paid during the initial term); or
- arrange a sale of the asset to a third party and (typically) receives all or the majority of the proceeds of sale. Legal title to the leased assets remains with the Group at all times prior to such sale.

The following table summarises the changes in finance lease receivables during the period:

30 June 2015	£
Opening balance at inception	-
Additions during the period	17,829,258
Principal amortisation during the period	(598,783)
Closing balance	**17,230,475**

Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the period of £839,012.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Finance Lease Receivables

30 June 2015

Non-current receivables	**£**
Finance leases – gross receivables	15,393,445
Unearned finance income	5,485,147
	20,878,592

Current receivables	
Finance leases – gross receivables	1,837,030
Unearned finance income	1,614,785
	3,451,815

Gross receivables from finance leases	
No later than 1 year	1,837,030
Later than 1 year and no later than 5 years	9,015,446
Later than 5 years	6,377,999
	17,230,475
Unearned future income on finance leases	7,099,932
Net investment in finance leases	**24,330,407**

Reconciliation	
No later than 1 year	3,451,815
Later than 1 year and no later than 5 years	13,447,859
Later than 5 years	7,430,733
Net investment in finance leases	**24,330,407**

9. Receivables

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

The Group has financial risk management policies in place to ensure that all receivables are received within the credit time frame. The Directors considers that the carrying amount of all receivables approximates to their fair value.

Other Receivables and Prepayments
Other receivables and prepayments include UK VAT receivable and prepaid transaction fees due for arranging the investments of the Group.

Investment Receivables
Investment receivables represent amounts due from the lessee or loan counterpart with regards to ongoing contractual obligations that remain outstanding at the reporting date.

10. Other Payables and Accrued Expenses

Other payables and accrued expenses were made up of the following:

30 June 2015	£
Investment management fees	147,126
Administration and secretarial fees	13,445
Audit fees	40,000
Custody fees	1,667
Printing fees	6,000
Brokerage fees	11,096
Rental reserve	136,145
Other payables	81,924
Total	**437,403**

Investment payables of £130,000 represent amounts due for investments purchased that have been contracted for but not settled at the reporting date. The majority of these have been paid subsequent to 30 June 2015.

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

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

11. Commitments and Contingent Liabilities

As at 30 June 2015, the Group had committed to invest a further £54,533,506. These commitments are classified as "hard commitments" of £17,948,998 which represent investments for which the documentation is finalised and "soft commitments" of £36,584,508 which represent investments at varying stages of documentation. The Group does not have any contingent liabilities.

12. Share Capital

The Company's issued share capital as at 30 June 2015 consisted of 178,985,507 Ordinary Shares of £1 nominal value each. The authorised share capital of the Company is represented by an unlimited number of Shares of no par value. All shares hold equal rights with no restrictions and no shares carry special rights with regard to the control of the Company. There are no special rights attached to the shares in the event that the Company is wound up. On incorporation, the issued share capital of the Company was £1 consisting of one Ordinary Share, fully paid up.

On 11 June 2014, the sole Shareholder of the Company passed a written resolution to disapply pre-emption rights in respect of the issue of up to 250 million Ordinary Shares.

The Company's share capital is denominated in Sterling.

Share Movements	Number	Gross Proceeds £	Issue Costs £	Net Proceeds £
Balance at date of incorporation *	1	-	-	-
Shares issued during the period				
9 July 2014	150,000,000	150,000,000	(2,891,242)	147,108,758
5 June 2015	28,985,507	30,000,000	(300,312)	29,699,688
Balance at end of the period	**178,985,507**	**180,000,000**	**(3,191,554)**	**176,808,446**

* This Share was issued to a shareholder as part of the initial placing and offer for subscription and is included in the 150,000,000 shares issued on 9 July 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Company issued 150,000,000 Ordinary Shares of 100p per share under the initial placing and offer for subscription raising total proceeds of £150,000,000. The proceeds net of issue costs of £2,891,242 (1.93% of the gross proceeds), amounted to £147,108,758.

On 5 June 2015, the Company raised an additional £30,000,000 through the issue of 28,985,507 Ordinary Shares. The proceeds net of issue costs of £300,312 (1% of the gross proceeds), amounted to £29,699,688.

13. Dividends

The Company has declared and paid the following dividends to its Shareholders during the period:

Period	Announcement Date	Payment date	Amount per share	Amount £
14 July to 30 September 2014	21 October 2014	14 November 2014	0.40p	600,000
1 October to 31 December 2014	27 January 2015	26 February 2015	0.92p	1,380,000
1 January to 31 January 2015	24 February 2015	19 March 2015	0.30p	450,000
1 February to 28 February 2015	20 March 2015	22 April 2015	0.33p	495,000
1 March to 31 March 2015	23 April 2015	21 May 2015	0.42p	630,000
1 April to 30 April 2015	21 May 2015	18 June 2015	0.48p	720,000
Total				**4,275,000**

The dividends for the months ended May 2015 and June 2015 had an ex div date after the period end and are detailed in Note 17.

14. Capital Management Policies and Procedures

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

The Group's capital management objectives are:

- to ensure that the Group will be able to continue as a going concern; and
- provide returns to Shareholders.

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

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

The Group has no externally imposed capital requirements.

15. Financial Risk Management

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

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

Principal risks and uncertainties are detailed in the Strategic Report, the Directors and the Investment Managers work together to mitigate these risks by employing the following risk mitigation strategies:

(a) Records Management – this is a critical way by which risk is managed and mitigated. The Investment Managers' internal systems are utilised to ensure the Group is not exposed from a record maintenance standpoint. The Investment Managers have a comprehensive electronic documentation system that is subject to their internal/external backup procedure, maintaining information access and retrieval 24/7 with offsite redundant backup in case of a disaster when recovery would need to be deployed.

(b) Credit Management – sound credit management is a prerequisite for an entity's stability and profitability. Prudent management of credit risk can minimise both operational and credit risks. The Board and the Investment Managers pre-emptively begin to manage risk through the comprehensive underwriting process to ensure that there is not more than an acceptable amount of risk within the transaction. The risk is continually managed throughout the term of the lease (or other finance agreement) until the ultimate disposition of the asset(s). Stringent underwriting procedures are applied to mitigate risk.

(c) Loss Prevention Management – when available, insurance is required for assets that the Group owns or which have been charged or pledged to the Group as security. Insurance is in place for the full term that an asset is owned by (or charged to) the Group, thereby reducing the risk of loss from physical damage or theft.

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

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

(f) Legal Review – the Investment Managers engage legal professionals in order to ensure, on an on-going basis, that all rights, title and interests, which ultimately filter down to investors are being protected and preserved.

Additional risks arising from the Group's activities listed in order of severity and likelihood are:

(i) credit risk;

(ii) liquidity risk;

(iii) operational risk; and

(iv) market risk, including currency risk and interest rate risk.

The Company Secretary, in close cooperation with the Directors and the Investment Managers, coordinates the Group's risk management. The policies for managing each of these risks are summarised below and have been applied throughout the period.

(i) Credit Risk

This is the risk of the failure of a lessee to make lease payments, the failure of the issuer of a security or borrower to pay interest or principal in a timely manner, or that the effect of negative perceptions of the issuer's ability to make such payments causing the value of the investment to decline. Counterparties with debt securities rated below investment-grade (or unrated) are especially susceptible to this risk. The Group looks to source investments that can provide various credit and structural enhancements to attempt to mitigate credit exposure to any single counterparty or asset class.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(ii) Liquidity Risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group's investments (excluding cash deposits) are asset-backed loan or finance transactions with commercial entities. The investments are substantially less liquid than traded securities and will have a highly limited (if any) secondary market. Some transactions may incorporate provisions that restrict transfer or disposal of the investment.

The Group may be required to satisfy margin calls in respect of foreign exchange forward if the current market rate varies from the contract rate.

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

(iii) Operational Risk

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

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective. The Group manages this risk by having regular Board meetings to ensure oversight of the Investment Managers and the Administrator.

(iv) Market Risk

The fair value of future cash flows of a financial instrument held by the Group may fluctuate. This market risk comprises currency risk and interest rate risk. The Board reviews and agrees policies for managing these risks.

Currency Risk

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

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

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

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

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

The foreign currency risk assumed by the Group in making and retaining investments denominated in foreign currencies is hedged by placing contracts for the sale of the future foreign currency payments anticipated to be received in connection with such investments ("FX Receivables"). Due to the limited availability, inflexibility and cost of placing a matched forward contract for each foreign currency investment (which may have a tenor of five years or longer), the FX Receivables in respect of two or more underlying investments are aggregated and a single forward contract placed with short-term maturity (typically between three and nine months). On maturity, the forward sale contract is part-settled from actual foreign currency receipts and a new forward contract is placed for the then applicable aggregate FX Receivables, adjusted for payments received, contract variations and new investments.

The Group may be required to deposit initial cash collateral against fluctuations in the applicable exchange rates and/or to meet margin calls if the current market rate varies from the contract rate. The Investment Managers monitor the Group's currency risk, and the Directors review it.

The following table summarises the Group's forward currency contracts:

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

Interest Rate Risk

The value of fixed income securities usually rises and falls in response to changes in interest rates. Declining interest rates generally increase the value of existing instruments, and rising interest rates generally decrease the value of existing instruments. Changes in value usually will not affect the amount of interest income, but will affect the value of the investment. Interest rate risk is generally greater for investments with longer maturities.

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

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

16. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Details on the Investment Management Agreement are included in Note 3.

The Investment Managers

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

During the period, the Group provided loans totalling £2,836,433 to the Sub-Investment Manager to finance the construction of a wind turbine generating station and a biomass renewable energy generating station (the "Plant") that is the subject of asset purchase and equipment lease agreements made between the Sub-Investment Manager and the developers. The loan finance provided was applied by the Sub-Investment Manager to finance the development and construction of the Plant and the loans are secured by rights over the Plant and related leases together with related security.

The Group is entitled to receive interest on the principal amount of the loans equal to the finance charges payable under the related lease. This financing structure provided an interim solution that allowed the Group to acquire these investments shortly following the IPO.

On or prior to completion of construction, the Group will acquire ownership of the Plant and the related leases from the Sub-Investment Manager. This acquisition was completed prior to the period end in respect of the wind powered generating station. During the period, the Group paid £11,021 to the Sub-Investment Manager as reimbursement of expenses incurred by the Sub-Investment Manager in respect of these investments.

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

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

Share Interest

Neil Roberts, a Director of the UK Investment Manager holds 100,000 Ordinary Shares in the Company.

SQN Echo II, LLC (*SQN Echo*)

SQN Echo is a special purpose company owned by SQN Alternative Investment Fund III L.P and SQN AIF IV, L.P., both being investment funds managed by the US Investment Manager. SQN Echo was established to purchase and hold legal ownership of a portfolio of leases and related assets. During the period, the Group acquired a participation interest in the SQN Echo portfolio for £5,125,482. Immediately prior to the end of the period, the Group's participation interest in the SQN Echo portfolio was sold.

SQN Alpha, LLC (*SQN Alpha*) and Luxembourg Investment Company 26 S.à r.l. (*LuxCo*)

SQN Alpha is a special purpose company wholly owned by the US Investment Manager for the purpose of holding investments. During the period, the Group advanced £13,901,959 to SQN Alpha to participate in a loan and mortgage on two commercial marine vessels under a comprehensive loan and security agreement including a corporate guarantee. Prior to the end of the period, the vessels, loans, mortgages, and the security agreement along with all related rights and obligations were transferred to LuxCo which is also a wholly owned special purpose company owned by the US Investment Manager.

The obligor under the loan and mortgage is an international organisation which elected to conduct this transaction out of Europe rather than the US as initially anticipated, leading to the transfer to LuxCo. In order to satisfy local commercial and tax requirements, LuxCo retains a small lending margin in the transaction, which was offset by a reduction in the structuring fee paid to the US Investment Manager under the Investment Management Agreement.

In connection with this transaction, SQN Alpha received £1,585 to cover expenses related to the transfer to LuxCo.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

SQN Helo, LLC

SQN Helo is a special purpose company owned by SQN Portfolio Acquisition Company, LLC and SQN AIF IV, L.P., both being investment funds managed by the US Investment Manager. SQN Helo was established to purchase and hold legal ownership of a portfolio of leases and related assets. Further details can be found in Note 7.2.

17. Events Occurring After the Reporting Period

On 19 June 2015, the Company declared a dividend of 0.5200p per Ordinary Share, for the month ended 31 May 2015. This dividend was paid to the Shareholders on 20 July 2015.

On 21 July 2015, the Company declared a dividend of 0.5625p per Ordinary Share, for the month ended 30 June 2015. This dividend was paid to the Shareholders on 20 August 2015.

On 21 August 2015, the Company declared a dividend of 0.6042p per Ordinary Share, for the month ended 31 July 2015. This dividend will be paid to the Shareholders on 18 September 2015.

On 17 September 2015, the Company declared a dividend of 0.6042p per Ordinary Share, for the month ended 31 August 2015. This dividend will be paid to the Shareholders on 20 October 2015.

As at the date of these Annual Report and Financial Statements an amount of £588,871 principal and £1,526,091 interest is outwith normal payment terms. Conversations are ongoing with the parties and the Directors are confident the technical issues relating to the payment will be resolved.

18. Ultimate Controlling Party

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

ADMINISTRATION

Non-Executive Directors (appointed 28 May 2014)

Peter Niven (Chairman of the Board)

John Falla (Chairman of Management Engagement Committee)

Christopher Spencer (Chairman of Audit and Risk Committee)

Carol Goodwin (Chairman of Remuneration and Nomination Committee)

Registered Office

BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

US Investment Manager

SQN Capital Management, LLC, 100 Wall Street, 28th Floor, New York, New York, 10005, USA

UK Investment Manager

SQN Capital Management (UK) Limited, Melita House, 124 Bridge Road, Chertsey, Surrey, KT16 8LA

Sub-Investment Manager (from incorporation to 21 January 2015)

Summit Asset Management Limited, Melita House, 124 Bridge Road, Chertsey, Surrey, KT16 8LA

Financial Adviser and Broker

Winterflood Securities Limited, The Atrium Building, Cannon Bridge House, 25 Dowgate, Hill, London, EC4R 2GA

Auditor

Baker Tilly CI Audit Limited, Mont Crevelt House, Bulwer Avenue, St Sampsons, Guernsey, GY2 4LH

Registrar

Capita Registrars (Guernsey) Limited, Mont Crevelt House, Bulwer Avenue, St Sampsons, Guernsey, GY2 4LH

Principal Bankers

BNP Paribas Securities Services S.C.A., BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

Designated Administrator, Custodian and Secretary

BNP Paribas Securities Services S.C.A., Guernsey Branch, BNP Paribas House, St Julian's Avenue, St. Peter Port, Guernsey, GY1 1WA

Receiving Agent

Capita Asset Services Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Legal Advisers to the Group (English Law)

Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH

Legal Advisers to the Group (Guernsey Law)

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