SQN ASSET FINANCE INCOME FUND LIMITED

Half-Yearly Report and Unaudited Condensed Consolidated Financial Statements for the six months ended 31 December 2019

GROUP HIGHLIGHTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

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

(21.4)% per Ordinary Share[1]
2.5% per 2016 C Share[1]
NAV total return per share for the six months ended 31 December 2019 (dividends reinvested at NAV)

15.0% Ordinary Share[1]
(11.2)% 2016 C Share[1]
Share price premium / (discount) to NAV as at 31 December 2019

£415 million
Combined market capitalisation of Ordinary Shares and 2016 C Shares as at 31 December 2019

9.37% Ordinary Share[1]
9.65% 2016 C Share[1]
Average weighted yield of invested portfolio as at 31 December 2019

8.8% Ordinary Share[1]
8.4% 2016 C Share[1]
Annualised dividend yield for the period based on the share price as at 31 December 2019

122.1 Ordinary Share[1]
63.5 2016 C Share[1]
Weighted average remaining term of invested portfolio (in months)

[1] These are Alternative Performance Measures, refer to pages 68 and 69 for details.

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for the six months ended 31 December 2019

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FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

Financial Highlights

NAV Total Return [1]
The NAV total return details the change in NAV from the start of the relevant period and assumes that dividends paid to shareholders are reinvested at NAV. The NAV total return achieved by SQN Asset Finance Income Fund Limited is detailed in the table below:

Period	Ordinary Shares	2016 C Shares
Six months to 31 December 2019	(21.44)%	2.49%
Year to 31 December 2019	(20.06)%	6.87%
3 year annualised[2]	(3.25)%	4.00%
Since inception	5.26%	12.48%

Dividend History
The Company targeted an annual dividend of 7.25 pence per Ordinary Share and 2016 C Share. Please refer to note 15 for details on dividends paid during the period.

Return of Capital
The Company repurchased 288,156 Ordinary Shares during the period for a total cost of £237,845. The repurchased Ordinary Shares are being held in treasury.

[1] These are Alternative Performance Measures, refer to pages 68 and 69 for details.
[2] NAV total return annualised over a 3 year period from 1 January 2017 to 31 December 2019.

FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY (CONTINUED)

Performance Summary

Sterling in millions, except per share data and number of shares in issue	**31 December 2019**	**30 June 2019**	**31 December 2018**
Number of shares in issue			
- Ordinary Shares	355,975,669	356,263,825	356,263,825
- 2016 C Shares	138,924,222	138,924,222	138,924,222
NAV			
- Ordinary Shares	£256.19	£338.14	£346.69
- 2016 C Shares	£135.35	£136.35	£136.35
NAV per share			
- Ordinary Shares	71.97p[1]	94.91p	97.31p
- 2016 C Shares	97.43p[1]	98.15p	98.14p
Share price[2]			
- Ordinary Shares	82.80p	91.00p	96.80p
- 2016 C Shares	86.50p	91.00p	91.02p
Market capitalisation[2]			
- Ordinary Shares	£294.75	£324.20	£344.86
- 2016 C Shares	£120.17	£126.42	£126.45
(Loss)/earnings per share			
- Ordinary Shares	(18.71)p	4.06p	2.84p
- 2016 C Shares	3.51p	6.75p	3.12p
Dividend paid per share			
- Ordinary Shares	3.63p	6.65p	3.02p
- 2016 C Shares	3.63p	6.19p	2.56p
Comprehensive (loss)/ income before dividends	£(61.77)	£23.85	£14.44
Investments[3]	£357.87	£435.21	£430.54
Cash and cash equivalents	£10.67	£22.04[4]	£38.84[4]
Weighted average yield[5]			
- Ordinary Shares	9.37%	9.40%[5]	9.52%[5]
- 2016 C Shares	9.65%	9.62%	9.49%[5]
Weighted average remaining term[5]			
- Ordinary Shares	122.12 months	115.29 months[6]	117.52 months[6]
- 2016 C Shares	63.52 months	64.47 months	51.77 months[6]

[1] Refer to Note 21 for a reconciliation between the NAV announced via the RNS and the NAV per the financial statements.
[2] Source: Bloomberg
[3] Investments relate to the non-current assets on the Unaudited Condensed Consolidated Statement of Financial Position.
[4] The comparatives have been restated to disclose due from/to broker separately from cash and cash equivalents.
[5] Of the invested portfolio. Calculated using performing assets only. These are Alternative Performance Measures, refer to pages 68 and 69 for details.
[6] These comparatives have been restated to include performing assets only.

COMPANY OVERVIEW

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

Details of other service providers are provided on page 70.

CHAIRMAN'S STATEMENT

In my last report to you, for the year ended 30 June 2019, I said that "we have experienced 'bumps in the road' recently". Unfortunately, many of those challenges have continued during the second half of 2019.

In particular, there has been an extension of the delays already experienced in reaching a steady state position on several of the Anaerobic Digestion ("AD") plants, together with the requirement for further investment for them to reach optimisation. In addition, greater clarity on Suniva was expected in late 2019. However, this was not achieved and we continue to seek a resolution to the situation.

These challenges have reduced the level of dividend cover on the Ordinary Shares and the economic environment in which we operate has become more challenging as a result of COVID-19. The immediate concern is for all those impacted by COVID-19 and we encourage everyone to remain safe and secure at this troubled time. With respect to the Company, the Investment Managers have commenced an engagement process with our investee businesses, and I cover this in more detail later in this statement.

Anaerobic Digestion Assets

At the start of 2020, in connection with the preparation of the NAV for the month of December 2019, the Board was presented with a report from the Investment Managers which outlined a range of values that could be ascribed to six of the fifteen AD plants held in the Company's portfolio (the "Review AD Assets"). The Review AD Assets are only held in the Ordinary Share portfolio and do not impact the 2016 C Shares.

A range of values for these assets was, in itself, not surprising bearing in mind the highly unusual nature of AD assets including the live biology within them and the economics that can be influenced by many inputs including the cost of feedstock. However, the range was wider and at a lower level that had previously been the case. As a result, the Board believed that it would be appropriate to engage a third-party to undertake an independent valuation of each plant including a review of the valuation model used for the AD assets (the "Independent Review") and, on 13 February 2020, it was announced that KPMG, Ireland ("KPMG") had been appointed to undertake that Independent Review.

While the Independent Review was ongoing, the Company was unable to publish the NAV on the Ordinary Shares for December 2019, January 2020 and February 2020 (although the NAV for the 2016 C Shares has continued to be published, in accordance with the Company's monthly reporting process).

The Independent Review has been completed with KPMG providing a range of Fair Value valuations for the six AD plants between £64.76 million and £73.26 million. KPMG have stated that a mid-point could be considered appropriate for a single point valuation. Accordingly, after deducting the amount of additional outstanding debt due to other co-investors, the Fair Value range of the Group's interest in the six AD plants as at 31 December 2019 is between £51.81 million and £58.83 million, leaving a figure of £55.33 million as the mid-point, resulting in a Fair Value reduction of £74.25 million from the audited consolidated financial statements for the year ended 30 June 2019, equivalent to 22.32 % of the December 2019 Ordinary Share NAV[1] announced via the Regulatory News Service (the "RNS"), prior to reflecting this reduction.

£74.25 million of additional provisions during the six months ended 31 December 2019 is obviously a very disappointing development. However, we continue to work with the Investment Managers to seek to maximise the returns from the six AD plants.

[1] Refer to Note 21 for a reconciliation between the NAV announced via the RNS and the NAV per the financial statements.

CHAIRMAN'S STATEMENT (CONTINUED)

For December 2019, this resulted in a NAV of 72.57 pence per Ordinary Share which was announced via the RNS on 31 March 2020[1]. The Board believed that the assumptions underpinning the valuations remained appropriate for the January and February 2020 NAVs of 71.98 pence and 71.33 pence per Ordinary Share respectively, which were also announced via the RNS on 31 March 2020.

Suniva

The Company's recovery of the amount outstanding under the Suniva position has two primary limbs. The first relates to the collection and distribution of tariffs. This is largely outside the Company's control and an update is provided in the Investment Managers' report. The second is through the parent guarantor of the Suniva loan (the "Suniva Guarantor").

The Investment Managers had previously reported that an arbitration, directed by the US Courts, was due to be set in late 2019 between SQN and the Suniva Guarantor, which would provide greater clarity and certainty over a recovery through the guarantee. However, in mid-December, it became apparent that the arbitration had not been scheduled to take place as planned, largely as a result of delays by the Suniva Guarantor. As a result, the New York Court will now need to be approached again to consider the case and a further update is provided in the Investment Managers' report.

Nonetheless, despite the ongoing delays, the Board, as advised by the Investment Managers does not believe, based on current information, that any further impairment is appropriate in relation to Suniva.

Strategic Review

In light of the ongoing challenges in the Company's portfolio, the Board announced in late January 2020 the intention to undertake a full strategic review, including a review of the Company's investment management arrangements. The strategic review commenced immediately and has been ongoing since that time. The existing Investment Managers, who continue to manage all the Company's assets, are participating in the process.

We have had the opportunity to speak with a number of our major shareholders to explain the background to the strategic review, the transparent process which the Board is following on these important issues and we have taken soundings on shareholders' views on the future of the Company, all of which will be taken into consideration as part of this process.

Currently, the strategic review is anticipated to reach a conclusion by late April and the Board will provide an update at that time.

Continuation Vote

In accordance with the Prospectus, the Company will be subject to its three-yearly Continuation Vote at the next Annual General Meeting which is due to be held later this year. This will cast doubt on the continuing nature of the Company if the vote is not in favour of continuation. The Board is considering this vote within the strategic review; the conclusion of which will be announced shortly.

[1] Refer to Note 21 for a reconciliation between the NAV announced via the RNS and the NAV per the financial statements.

CHAIRMAN'S STATEMENT (CONTINUED)

COVID-19

I would like to reiterate my earlier comments that the priority for all is to seek to minimise the personal impact that COVID-19 has on people's lives and that the safety and health of all those involved with the Company and its portfolio companies is of primary importance.

It is also important to consider the impact on the Company. Very few, if any, geographies will be unaffected by COVID-19 and governments around the world have understandably introduced draconian measures to stem the tide of this insidious virus and protect lives.

The rapid development of the COVID-19 virus and the fluidity of the situation makes it very difficult to estimate its ultimate impact at this relatively early stage, either on asset values or cashflow. We are, however, approaching all our borrowers to understand the effects the virus will have on their businesses and their ability to maintain their financial commitments to the Company. Where there are strains, we may be asked to relax covenants or payments schedules and we will look at those on a case by case basis. What we will seek to ensure is the maintenance of a continuing positive cashflow for the Company.

These effects are being felt on economies around the world and will continue to worsen until the epidemic passes; this has the potential to last for some time, although unprecedented economic stimulus by many Governments may help mitigate the full economic impact.

Portfolio – The Company has a diversified portfolio across many industries, some that will be directly impacted by COVID-19, including the automotive, travel, leisure and shipping industries, and others that may be indirectly impacted through any economic downturn and reduction in activity. The Investment Managers, on behalf of the Company, are directly engaging with borrowers to understand the impact on their businesses and how this ultimately may impact their ability to meet the debt service requirements to the Company. The most important objectives here are to work with our borrowers through the crisis, help these businesses survive, preserve shareholder value and maintain returns, even if there is a short-term reduction in income and cashflow.

The Company's senior secured position on the majority of its portfolio investments, direct asset security and the long useful economic life of the underlying assets, places us in a strong position to protect our investments, restructure investments, if required, and ultimately preserve capital. However, many of our borrowers will be directly impacted by this situation with many either being required to cease trading temporarily or are servicing companies that themselves have been required to cease trading, putting an enormous strain on cashflow.

One example of the effects COVID-19 is having, in the C share portfolio, is an automotive parts producer supplying major French car makers that has been forced to close as the plants they supply have themselves closed with no idea at this time how long that will last. Such is the uncertainty with which we and many of our borrowers are faced.

There may be some businesses that do not survive COVID-19 and it is most likely that some assets will need to be repositioned or sold, which may impact value.

However, it is too early to fully understand the impact of COVID-19 and it may be more severe on our borrowers than anticipated and/or it may take an extended period of time before the epidemic passes. The Board and Investment Managers continue to monitor the situation and the portfolio closely and will keep shareholders updated.

CHAIRMAN'S STATEMENT (CONTINUED)

Company liquidity

The Company has a conservative balance sheet with no gearing, few fixed commitments and no long-term liabilities. The running costs of the Company are modest which places the Company in a strong position to use available cash flow to protect its investments. While a number of investments may require further capital in order to protect the Company's investments, others can be expected to provide positive cash flow. Nonetheless, given the level of uncertainty inherent in economic conditions at present, the Board decided to take two pro-active steps, detailed below, to ensure that the Company was not exposed to short term liquidity pressures.

Hedging – The Company was coming under increasing cashflow pressure as a result of margin calls to cover FX hedging (in place to cover the capital values of our non-Sterling business) as a result of the reduction in the value of Sterling. In light of the need to preserve liquidity in this uncertain economic climate, the Company's FX hedging has been unwound, resulting in the Company being unhedged. This decision was taken early, to avoid further margin calls and has enabled the Company to maintain its cash position at a time of considerable FX volatility. The Board will consider whether it is prudent to reinstate hedging in due course.

Dividends – While the portfolio review and borrower engagement are ongoing, the Board has taken the pre-emptive step to suspend dividends on both the Ordinary Shares and the 2016 C Shares. This is intended to preserve cash while the Company and its borrowers navigate through this challenging, unprecedented environment. We are monitoring this closely and we will advise shareholders if there is any change. It is the Board's intention to reinstate dividends once cash flow permits and the outcome of the Strategic Review is complete.

In summary, while the Company will be impacted by COVID-19 with a short-term disruption to cash flow, it is in a position to work through this crisis and seek to preserve capital for shareholders.

Share Price and Discount to NAV

The prices of the Company's Ordinary Shares and 2016 C Shares have fallen to a significant discount to their NAV, reflecting the uncertainty created by the challenges in the Review of the AD Assets reaching optimisation and subsequent impairment, the ongoing Suniva situation, the suspension of dividends and the new threat from COVID-19.

This is not a comfortable position and will ultimately only improve once clarity can be provided on the above issues. I can assure you, however, that your Board is taking every step available to us and working hard to bring the Company through all these issues.

Board

During the latter part of 2019, the Board has appointed Dr Jacqueline Redmond who has brought to the Board a refreshing and different perspective. With a background in the energy and power industries and much senior management experience, she has very quickly assimilated the details of the business and is already adding value to the Board. In addition, as part of the ongoing evolution of the Board, John Falla has replaced Chris Spencer as Chair of the Audit and Risk Committee.

Also, in view of the increased workload and to enhance our already strong corporate governance credentials, the Board has appointed Paul Meader as the Senior Independent Director.

CHAIRMAN'S STATEMENT (CONTINUED)

I would like to take this opportunity to thank my Board colleagues for their unstinting professionalism and their time in dealing with the issues which the Company has faced, and continues to face, in this very uncertain world in which we now find ourselves operating.

My grateful thanks also to the Investment Managers and their dedicated team in the Chertsey office, all of whom have contributed enormously in maintaining a professional service to borrowers, the Board and shareholders through what has been a very busy and unsettling time. In the face of increasing scrutiny from many sources they have diligently maintained their openness and transparency which continues to be very much appreciated by the Board.

Summary

The Company has had a number of challenges within its portfolio. We have been able to work through certain of these investments to a successful conclusion while others are ongoing and remain a source of frustration for those involved with the Company. The emergence of COVID-19 only adds to these challenges and increases the level of uncertainty. I can once again assure you that the Board is working assiduously to bring all these strands together to an appropriate conclusion for everyone concerned.

I wanted to conclude by offering my thanks to our shareholders who have remained with us during these turbulent times, sharing their frustrations and thoughts with the Board in a constructive and meaningful way.

Peter Niven
Chairman
3 April 2020

INVESTMENT MANAGERS' REPORT

This Investment Managers' Report is one of the first of many to be issued with reference to the extraordinary global events taking place. For the first time in modern history, cities and countries across the world are simultaneously going into lockdown, restricting domestic travel, closing borders, and suspending all non-essential commercial activity. The landscape changes day to day with an escalation expected across the world in the coming weeks. When life or business will return to normal is not knowable nor is it knowable if there will be a new normal when people can again freely interact in society and return to their industries.

An article published in the *Wall Street Journal* on 20 March 2020 reviewed the economic impact of six crises including the Spanish Flu of 1918, the Asian Flu of 1957, the September 11th Terrorist Attacks, SARS in 2003, the Global Financial Crisis of 2007/8, and the 2011 Japanese Earthquake and Tsunami. The conclusion arrived at was that limited government intervention dealing with the Spanish Flu of 1918 and the Asian Flu of 1957 likely resulted in a greater loss of life but had minimal economic impact. However, in more recent times, government stimulus packages have been powerful tools in shortening periods of recession and return to pre-crisis economic levels. Granted, there are still an enormous amount of unknowns and the degree to which commerce has been restricted is unprecedented but human and economic resilience have prevailed time and time again.

The Group invests in, and provides financing for, business-essential assets to a range of small, medium, and large businesses both public and private. The portfolios are diversified over a multitude of industries and asset classes and, most importantly, the investments are all secured by underlying collateral. The investments are primarily in the UK, France, and the United States and smaller investments in other regions of the world, all-of-which are in regions subject to restrictions on commercial activity because no major market is unaffected by its government's efforts to manage the COVID-19 pandemic.

In the short term, the Group expects an immediate impact on investments in the transportation industry (specifically marine vessels), oil field services industry (Remote Operated Vehicles), and the manufacturing and hospitality industries. There is also an expectation that all companies will be conserving cash until businesses are allowed to re-open when government restrictions are lifted.

Income across the portfolios ***is not*** expected to cease but the extent of delayed payments cannot be quantified at this early stage. The underlying assets are generally revenue-producing themselves and therefore once businesses are operational again, there should be cash flows available to repay investments assuming that, in many cases, there will be some degree of government assistance to further help re-stabilise many of these businesses.

The Investment Managers have an intimate understanding of each of the underlying businesses and assets and strong relationships with the customers. There will be a larger number of transactions requiring restructuring but mostly positive resolutions are expected underpinned by the revenue-producing nature of the underlying collateral as has been proven in the past.

These accounts address the period prior to COVID-19 becoming a crisis in Europe and the United States. Particular focus had already been on the Group's Anaerobic Digestion Plant ("AD Plants") investments and the lingering resolution to the Suniva situation.

In January 2020, the valuation models used by the Investment Managers produced a range of values for six of the Group's initial fifteen AD Plant investments, all in the Ordinary Share portfolio. The exercise was intended to establish a point-in-time value for each of the six underperforming plants. Given the large number of inputs, the values presented by the Investment Managers had the potential to require varying degrees of impairment charges. Seeking greater specificity, the Group engaged KMPG to provide guidance.

INVESTMENT MANAGERS' REPORT (CONTINUED)

On 24 March 2020, KPMG issued a report that included a range of values broader than the Investment Managers had presented to the Board in January 2020. The values provided by KPMG included a range of fair values for each of the plants, in the condition as they were at 31 December 2019, at various discount rates. KPMG also provided a range of values taking into account, among other things, improvements in performance, feedstock cost, and private wire electricity sale prices based on inputs provided by the Investment Managers. In all cases, the KPMG values were probability-weighted and, in some cases, on binary terms. The Board has chosen to use the mid-point of the fair value range in the KPMG report for purposes of calculating the 31 December 2019 net asset value.

It should be noted that the values that the Board has put forth as fair value are the theoretical prices at which a willing third-party would purchase the plants in an arms' length transaction. In reality, the Group is not compelled to sell these assets nor is the Group generally able to sell these assets without due process as the Group is the senior debt provider with a primary interest in the plants being able to repay the outstanding debt. Further, it would not be rational for the Group to sell any of the six plants during the ramp-up phase as expenses already incurred require time to have an impact on performance. The five plants that the Group has exited to date were all refinanced after a period of steady-state production. Each of those transactions resulted in returns above the initially targeted yields, not through a sale, but through early termination premiums.

Accepting these values for the six AD Plants reviewed by KPMG has resulted in a total Expected Credit Loss ("ECL") of £78,964,666 as at 31 December 2019, an increase of £74,247,515 during the period.

The Group's interest in the AD plants are unleveraged investments in power plants that have twenty to forty year lives and, in all cases except one at the time of this report, have long-term government subsidies responsible for up to 70% of the income. The values chosen by the Board represent almost a 60% ECL on the six plants reviewed by KPMG despite three of the six operating at better than 90% capacity, the opportunity to lower feedstock costs and increase electricity sale prices, and remedial works already underway. The Investment Managers also reference a recent offer for one plant in particular at an amount 20% greater than the highest fair value estimate. The most recent offer was made after the KPMG valuation date but gives an indication that higher values are achievable with the action plans in place for each of the plants.

The six AD Plants are summarised as follows:

AD Plant in North Yorkshire

Between principal and accrued interest, the Group has a £31,434,376 investment in a 5MW(e) AD plant in Middlesbrough, North Yorkshire, England. The plant produces biogas from agricultural waste and high gas yielding feedstock such as agri-food / food waste feedstock to fuel four on-site Combined Heat and Power ("CHP") engines (three x 1,487kW and one x 527kW). The plant generates income from the export of electricity together with Feed-in-Tariffs and Renewal Heat Incentive subsidy income.

The plant, which is currently running at 94% capacity, has under-performed as a result of an increase in feedstock cost from the original business model.

The Investment Managers believe that with the action plan in place to reduce the feedstock costs with long-term contracts, that the value of the plant could be significantly higher than the assessed fair value at 31 December 2019.

INVESTMENT MANAGERS' REPORT (CONTINUED)

AD Plant in Hartlepool

Between principal and accrued interest, the Group has a £39,258,880 investment in a 5MW(e) AD plant in Hartlepool, England. This is a sister plant of the AD plant in North Yorkshire. The two plants were originally designed with almost identical infrastructure, producing biogas from agricultural waste and high gas yielding feedstock such as agri-food / food waste to fuel four on-site CHP engines (three x 1,487kW and one x 527kW). Experiencing the same issues with feedstock costs, the plant has been undergoing redesign in order to accept human waste which should be the source of attractive gatefees.

The plant is also undergoing an Ofgem audit. Until the audit is complete and ROC certification is approved, the plant is being operated at sub-capacity.

The Group has made additional investments to maintain the plant while the Ofgem audit is concluded and to facilitate the plant's ability to process the alternative feedstock should the ROC certification not be approved.

The Investment Managers expect that the ROC accreditation will be achieved and that the plant, which has already demonstrated operational capacity of 90%, will be fully operational within five months of receiving the accreditation. The plant will then be eligible for ROCs on the limited production over the prior, up to, twenty-one months. The fair value methodology applies a probability weighting to the ROC accreditation which the Investment Managers believe understates the value.

AD Plant in Aberdeenshire

Between principal and accrued interest, the Group has a £23,206,462 investment in an 8MW(t) gas-to-grid AD plant in Aberdeenshire, Scotland. The project was developed in conjunction with Scotia Gas Networks, who funded and operate the biogas treatment and injection facilities under lease agreements. This includes biogas treatment, clean up, biomethane enrichment, and delivery and maintenance of the connection to the gas network.

The primary revenue streams are injection tariffs, wholesale gas sales, green gas certificates, and Renewable Heat Incentives and Feed-in-Tariffs attributable to the onsite combined heat and power unit.

The plant comprises a 500kW CHP engine, two primary digesters, one secondary digester and three storage tanks. The plant design was originally intended to utilise a feedstock mix of 60% solid (predominately grass silage) and 40% liquid (predominately food waste-based) feedstock.

Under the original Engineering, Procurement, and Construction ("EPC") contractor, the plant was unable to secure a food waste license and a critical food waste feedstock supply contract was lost. As a result, the Group called on the EPC performance bond which led to the liquidation of the EPC contractor. The Group is also pursuing a £3 million guarantee from the plant's civils contractor on this matter.

The plant is currently operating at around 20% capacity and undergoing redesign as a predominately grass silage and rye plant which has been financed through additional investments by the Group.

The Group has committed additional investments to further optimise the plant to the point that it could secure RHI accreditation and increase green gas certificate income. The Investment Managers also have a high degree of confidence that they will be successful in recovering the claims under the guarantee. For these reasons, the expected value of the plant is greater than the as-is value at 31 December 2019 on which the fair value is based.

INVESTMENT MANAGERS' REPORT (CONTINUED)

AD Plant in Donegal

Between principal and accrued interest, the Group has a £27,253,357 investment and a VAT Receivable of £382,928, secured by a 3.9MW AD plant located in Donegal, Ireland, which commenced operation in early 2018. The plant was designed to accept a mixture of feedstock including poultry litter, agricultural waste and food waste to produce 3.9MW of biomethane for road transportation to five CHP engines owned by the plant at industrial sites in Belfast, Northern Ireland.

The primary revenue streams for the plant are ROCs, electricity income, CO_2 sales, and heat sales. The plant benefits from long-term power off-take agreements with industrial counterparties and is entitled to generous Northern Ireland renewable obligation certificate subsidy support for electricity generated by the CHPs.

The original EPC contractor, which was the same for the plant in Aberdeenshire, Scotland, went into administration in February 2018. As the result of a number of design flaws, the Group called on the EPC performance bond and is also pursuing a £5 million guarantee from the plant's civils contractor.

The in-house Operation and Maintenance team completed the construction and commissioning of the plant, including significant remedial works which has primarily been financed by the Group. The plant is currently operating at around 20% capacity and a secondary phase of major remedial works is now required to bring the plant to full output.

Similar to the plant in Aberdeenshire, the Group has committed additional investments to further optimise the plant and, in this case, increase overall capacity. The Investment Managers also have a high degree of confidence that they will be successful in recovering claims under the guarantee.

Given the likelihood of successfully completing the remedial work, the premiums received on the transport to Northern Ireland, and on-going conversations with a third-party refinancing source interested in further increasing capacity, the Investment Managers expect to realise investment proceeds in excess of the fair value attributed to the plant as at 31 December 2019.

AD Plant in Durham

The Group provided financing for a 499KW farm-based AD Plant in Durham in the United Kingdom. The investment balance as at 31 December 2019 was £4,372,391. The plant generates revenue from electricity export to the grid together with RHI and Feed-in-Tariff subsidies.

The plant was originally designed to accept predominantly grass silage feedstock from the plant's landlord and developer who owns the adjacent farm.

The plant experienced delays in reaching optimisation due to inefficient feedstock management. Alternative feedstocks were sourced, including fruit and chicken litter, and the plant was brought to an output level of around 90%. However, following various disputes with the landlord and an overload of chicken litter, significant operational issues began to materialise. In June of 2019, the Group put the plant into Administration in order to remove the owner and take possession of the assets. While in Administration the plant has returned to operating at around 80% output.

INVESTMENT MANAGERS' REPORT (CONTINUED)

The plant is expected to exit Administration without complication which will have an immediate impact on its value. There is minimal remedial work required to return to the 90% output level and the new operator has identified a gatefee positive alternative feedstock that would further improve the economics. Based on the above, the Investment Managers believe that the fair value at 31 December 2019 does not reflect the value the Group hopes to realise on this investment.

AD Plant in Nottinghamshire

The Group provided financing for a 2.2MW AD Plant in Nottinghamshire in the United Kingdom. This investment is a joint venture with a known and successful institutional investor in this space. The Group's investment at 31 December 2019 was £8,381,363.

The plant uses a feedstock mix of chicken litter and agricultural crop (primarily straw and maize) to produce biogas which is piped directly to nearby CHP off-takers and used to fuel a separate CHP engine at the plant. Revenue is derived from PPA off-take, electricity export, Feed-in-Tariffs, RHI-eligible heat use and heat sales.

The plant has higher than originally anticipated feedstock cost as a result of intermittent failure of its economiser. The economiser is used to pre-treat the plant's straw feedstock and the ongoing issues have resulted in the requirement for alternative more expensive feedstock.

The plant is currently operating at more than 90% output but not generating sufficient revenue to amortise the Group's debt.

The plant has the potential to utilise a gatefee positive feedstock and has been the subject of multiple offers to purchase. As referenced earlier, a formal offer has been made to purchase the plant for an amount 20% greater than the higher end of the KPMG fair value range. This offer was made by a well-informed competitor who was aware of the pressure the Group has been under to value the AD plant assets. This offer, therefore, can be viewed as a distressed offer and not necessarily one that the Group should support.

The Group is yet to realise any material losses but valuations on the six AD Plants above have contributed to the recognition of an overall Expected Credit Loss ("ECL") of £74.5 million during the period. The ECL losses, which do not necessarily reflect the Investment Managers' actual expected values, offset all gains during the period to generate a loss of £61.8 million on a consolidated basis.

Performance during the Period and the Portfolio

The Total Comprehensive Loss for the Ordinary Shares was £66.6 million after the ECL provisions. In light of the ECL applied at 31 December 2019, the Dividend Cover for the Ordinary Shares was negative. The Investment Managers believe that the Dividend Cover, as calculated, understates actual income expected on transactions not performing during the period. To date, nine out of eleven transactions that have been subject to a workout and have been fully monetised have resulted in annual compounded yields of 10% or more. Of the two remaining transactions, one yielded 9.13% and the other resulted in a minor gain.

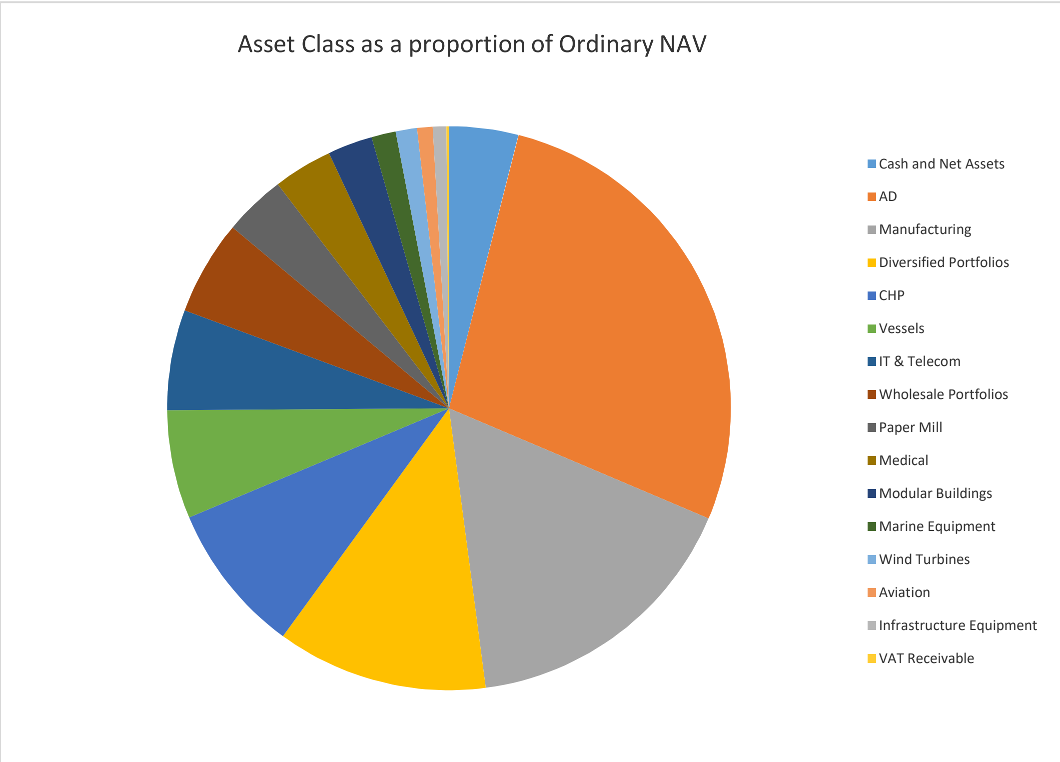
Total Comprehensive Income for the 2016 C Shares was £4.9 million with no material ECL charges. Divided Cover for the 2016 C Shares was 105.9%[1] for the period after adjusting for £839,380 for a seventh dividend declared and accrued during the period with income earned in the prior period, £440,319 for the net hedging position, and £19,808 in IFRS 9 provisions. Dividend Cover would be 82.9%[1] without the adjustments or 96.7%[1] adjusting just for the extra dividend.

[1] These are Alternative Performance Measures, refer to pages 68 and 69 for details.

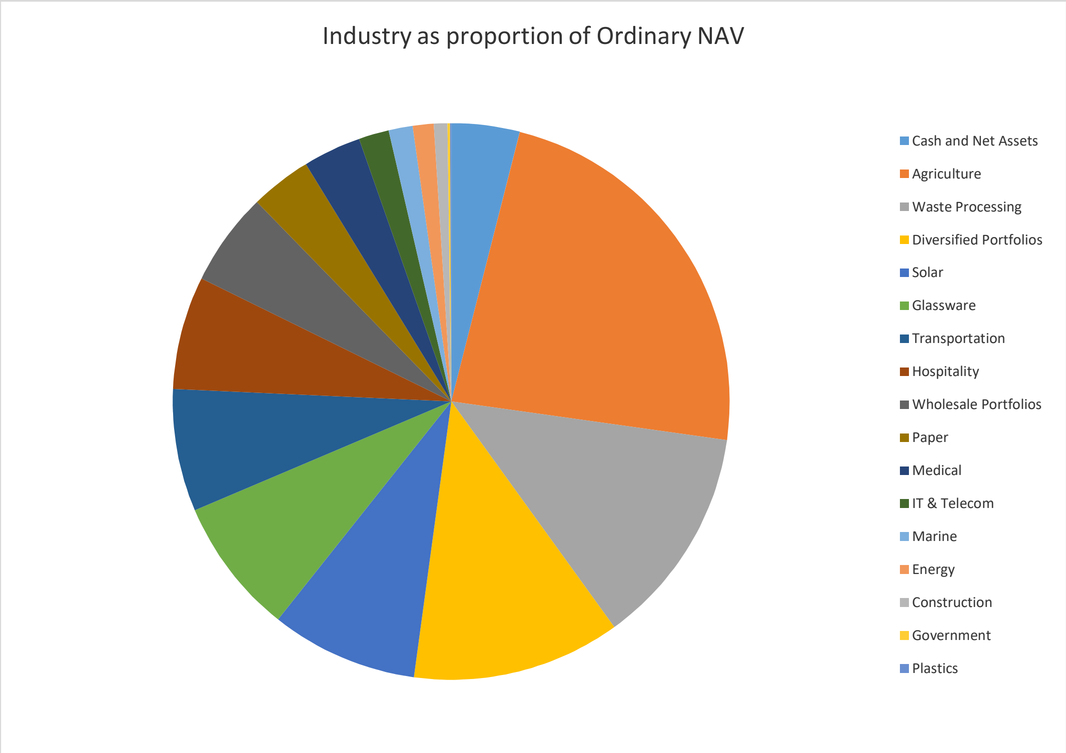
INVESTMENT MANAGERS' REPORT (CONTINUED)

The Ordinary Share portfolio continues to be over-exposed to AD Plants which was the result of existing commitments being drawn down without the benefit of the 2016 C Share conversion. Adding further to the concentration, the investments were structured to accrue interest until the plants reached mechanical and economical optimisation. There is an active plan in place to reduce this exposure level evidenced by the post 31 December 2019 disposition of one plant and the current offer on another.

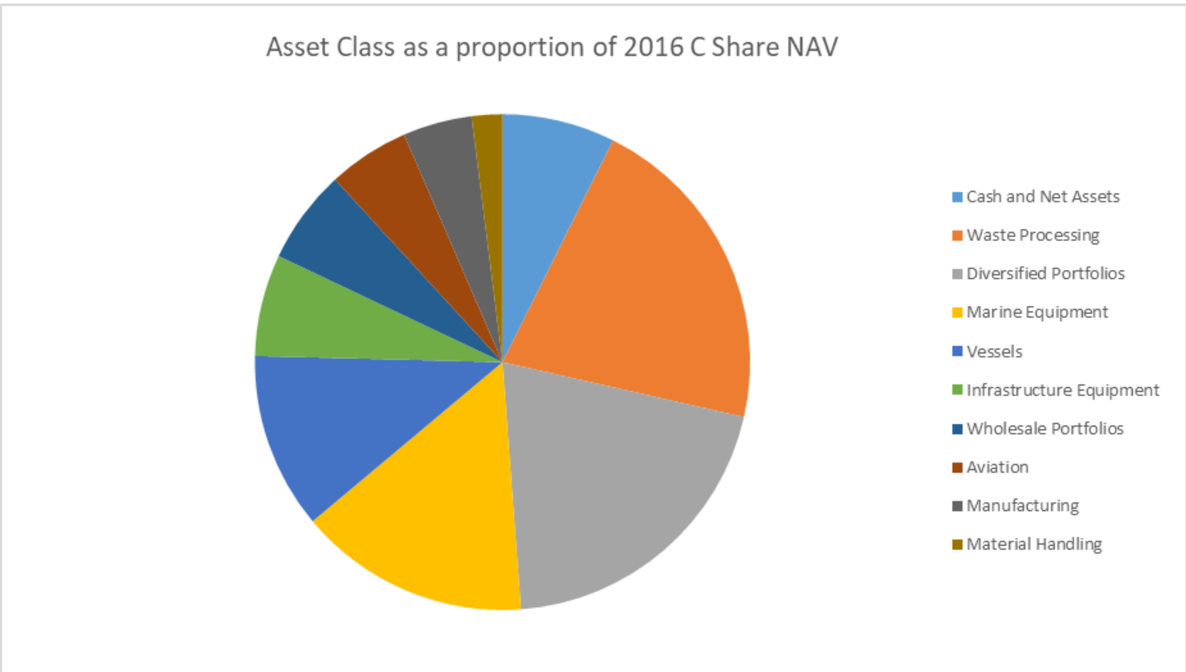
Including AD plants, the Ordinary Share portfolio is spread over 15 different asset classes in 16 industries. The average investment size in the Ordinary Share portfolio is £9.2 million with a weighted average remaining term of 10.1 years. Both the average size and term are on the larger side due to the concentration of AD plant investments.



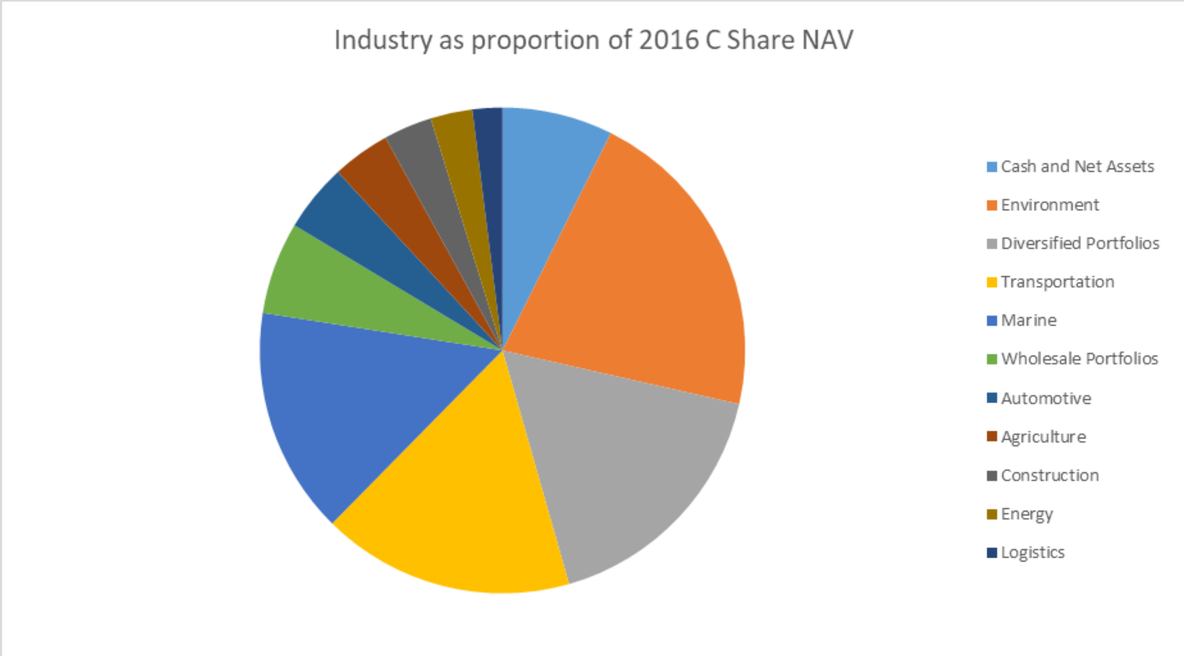
INVESTMENT MANAGERS' REPORT (CONTINUED)



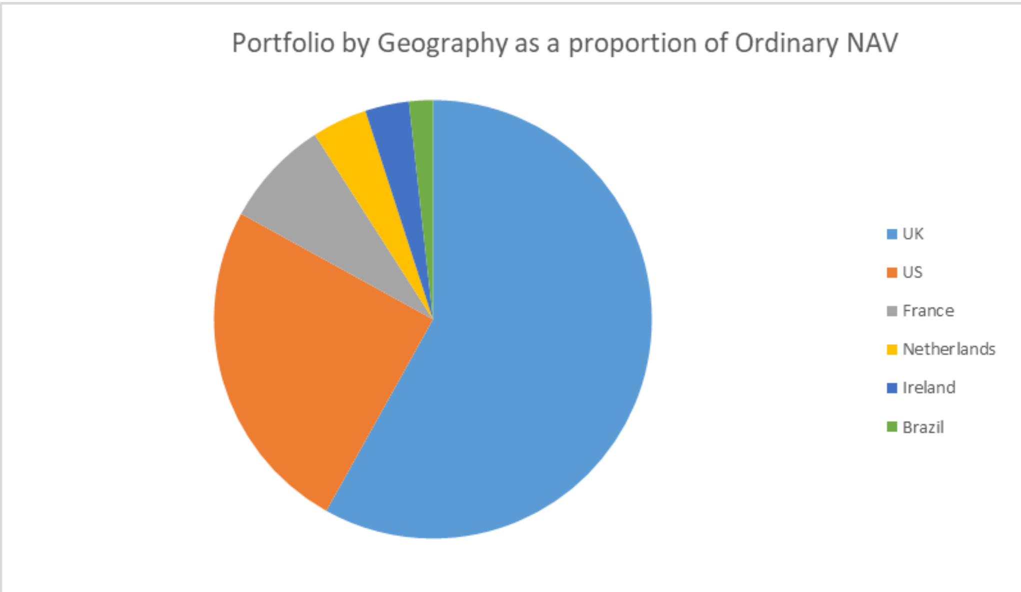
The 2016 C Share portfolio is more broadly diversified with a lower average investment size of £6.6 million and shorter weighted average remaining term of 5.3 years. There are no AD plants or project financings in the 2016 C Share portfolio. The investments are spread over 9 asset classes in 10 industries.



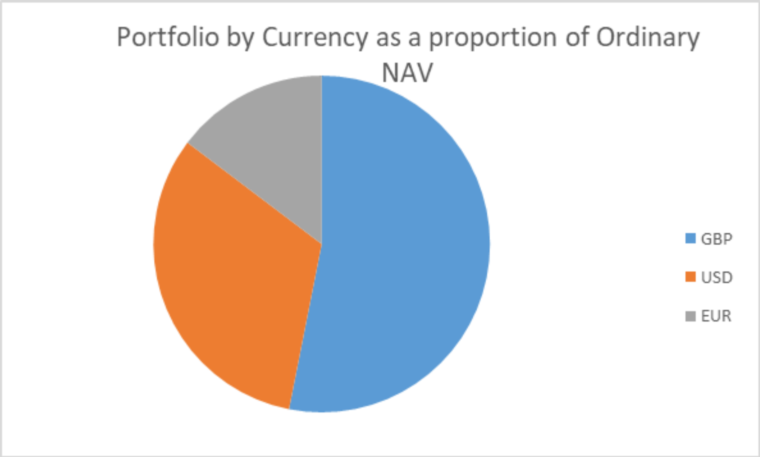
INVESTMENT MANAGERS' REPORT (CONTINUED)

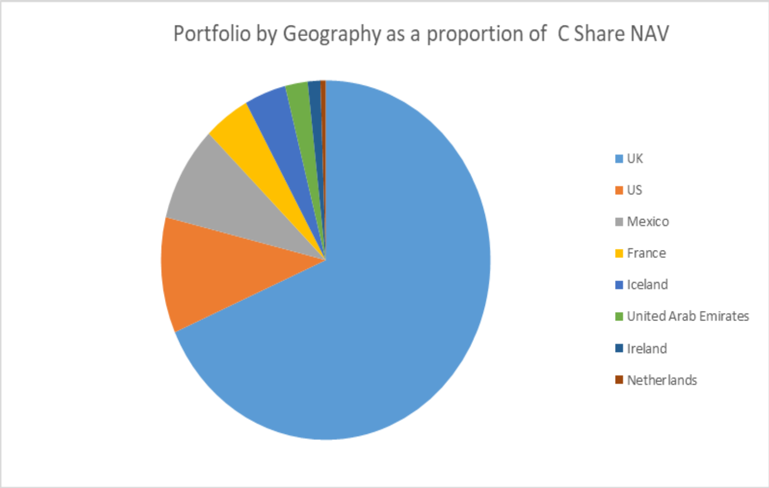


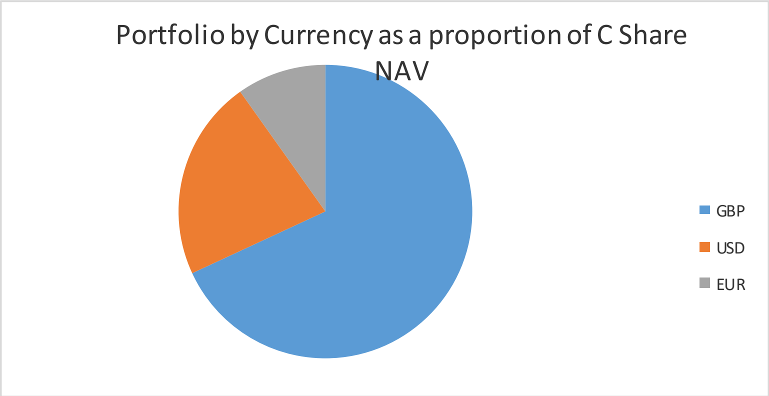
Each portfolio had more than 58% of the investments located in the United Kingdom and denominated in the Pound Sterling. All non-Sterling positions were hedged back to Sterling at 31 December 2019. Subsequent to 31 December 2019, the Board made the decision to unwind all the hedge and reconsider hedging when appropriate.



INVESTMENT MANAGERS' REPORT (CONTINUED)







The high weighted average yields of 9.37% in the Ordinary Share portfolio and 9.65% in the 2016 C Share portfolio, especially in the low interest rate environment that the Group has existed in since inception, are the result of the structured nature of each of the underlying investments. By that same nature, it is expected that there will continuously be transactions in need of attention and modification especially in light of current economic conditions.

INVESTMENT MANAGERS' REPORT (CONTINUED)

During the period, in both the Ordinary Share portfolio and the 2016 C Share portfolio, there were three transactions that were restructured to adjust to changes in the businesses of the lessees or borrower or to improve the loan to value.

The Ordinary Share portfolio had four investments that were deemed to have a significant increase in credit risk under IFRS 9 requirements and were either expected to be restructured post 31 December 2019 or otherwise resolved. The 2016 C Share portfolio had two investments in the same category. These investments are considered Stage 2 Investments within the accounts.

The factors leading to the need for modifications are usually specific to the borrowers' or lessees' circumstances but often there are macro issues that affect the companies and industries in which the Group is invested. Oil prices and overall energy costs have far-reaching effects over many businesses, not just the energy-related enterprises. Tariffs, trade wars, and other restrictions that prevent or have the perception of preventing the free flow of goods across borders can have an impact on the manufacturing businesses for which the Group provides financing.

In addition to the AD Plants valued by KPMG and summarised above, the Ordinary Share portfolio had four investments deemed to be Stage 3. The 2016 C Share portfolio did not have any investments that were deemed Stage 3 at the end of 2019. Stage 3 Investment have recognised impairment charges.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Ordinary Share Portfolio

Asset Type	Gross Receivables 31 December 2019 £
AD Plant in Hartlepool	39,258,880
AD Plant in North Yorkshire	31,434,376
AD Plant in Donegal	27,253,357
Solar Panel Manufacturing Equipment (Suniva)	24,285,946
AD Plant in Aberdeenshire	23,206,462
Glass Manufacturing Plant	20,501,539
Diversified Portfolio through Insurance Company	17,692,442
Marine Vessel	14,262,019
Diversified Portfolio through Insurance Company	13,587,795
Portfolio of Heating and Hot Water Systems	10,092,441
IT & Telecommunications Equipment	8,733,990
Combined Heat and Power Units	8,568,843
AD Plant in Nottinghamshire	8,381,364
AD Plant and De-packaging Facility	8,366,851
Combined Heat and Power Units	8,063,252
Mobile Modular Units	6,661,270
Equity Interest in Hospital (after restructuring)	6,273,139
Combined Heat and Power Units	5,720,070
Paper Mill Assets and Equipment	5,536,347
Portfolio of Telecommunications Towers	4,783,684
AD Plant in Durham	4,372,391
Wholesale Lending Portfolio	3,956,000
Paper Mill Assets and Equipment	3,866,727
Remote Operated Vehicles	3,423,320
Hospital Equipment	3,350,601
Portfolio of Helicopters	2,492,201
AD Plant at Londonderry	2,397,690
AD Plant at Ballmoney	2,133,730
AD Plant at Londonderry	2,047,481
Construction Equipment	1,705,697
Marine Vessel	1,604,451
IT & Telecommunication Equipment	1,350,000
Wind Turbine	1,258,548
Wind Turbine	1,191,709
AD Plant (Exited) – subsequent to period end	977,261
Wind Turbine	720,519
Construction Equipment	601,681
IT & Telecommunication Equipment	266,325
VAT Receivable on AD Plant	240,275
Marine Vessel Note	211,864
Remote Operated Vehicle	182,637
Plastics Manufacturing Equipment	167,077
VAT Receivable on AD Plant	142,653
Total	**331,324,905**

INVESTMENT MANAGERS' REPORT (CONTINUED)

Suniva (Stage 3 Investment)

April of 2020 will mark three years since the default of the Suniva investment. In that time, the Investment Managers have undertaken extraordinary efforts to recover the Group's investment which as at 31 December 2019 stood at £24,285,946.

On behalf of Suniva, the Investment Managers successfully prosecuted a case before the United States International Trade Commission ("ITC") which directly resulted in the imposition of additional tariffs to be collected on behalf of the U.S. solar panel manufacturing industry of which Suniva was the second largest market participant. At the time of the ITC ruling, the total distributable tariffs were estimated to be between \$1.1 billion and \$1.4 billion. As at 31 December 2019, the Trade Counsel has estimated total distributable tariffs to be approximately \$2 billion.

Concurrent with Suniva's exit from bankruptcy, the Investment Managers were able to recover \$3 million of expenses incurred and enter into two leases for the equipment. The first lease was for the term of two years with nominal quarterly payments while Suniva's new owners pursued distribution of the tariffs. The second lease is structured to receive payments as a function of the amount of tariffs received, once received. All payments on the first lease have been made on time without exception. Payments on the second lease are not due until tariffs are received by Suniva.

In first quarter of 2020, Suniva's new owners approached the Investment Managers to extend the first lease under the same terms for another two years as an indication of their continued commitment to pursuing distributions of the tariffs. It is estimated that the new owners have injected between \$5 million and \$10 million into Suniva since exiting bankruptcy with the express purpose of facilitating the distribution of the tariffs.

The Investment Managers are also pursuing Suniva's original parent company under a corporate guarantee. Legal proceeding have been taking place in New York and a trial date was set for between late November and the end of December 2019. Prior to confirming the exact date, the Court recommended mediation between the parties to which the Group and the guarantor both agreed. Despite the Group's flexibility in establishing a date, the guarantor failed to agree to a specific date and the Court re-set the trial date for the first quarter of 2020 which has now been delayed with the Courts closing in New York on account of COVID-19. With courts currently closed in New York, this date may be further postponed.

While time has elapsed on both the distribution of tariffs and recovery under the guarantee, the amount available under each avenue has increased disproportionately when adjusted for time value. The total net liability under the guarantee, excluding penalties and accepting offsets which are not required, is between \$27.7 million and \$30.9 million with a calculation date in March 2020.

Accepting that the tariffs eventually have to be distributed, though recognising that there is no assurance that Suniva will receive the agreed amounts, and that the Court has continuously ruled favourable in the guarantee case, potential gross proceeds between the two are far in excess of the outstanding amounts due the Group. Continued support by the new owners of Suniva, the extension of the first lease, and expectation that the pool of tariffs will continue to grow, leads the Investment Managers to maintain the same adjusted carrying value as at 30 June 2019.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Glassware Manufacturing Equipment

The Group made an initial investment of £27.2 million through a sale and lease back of 7 furnaces, 10 production lines and ancillary equipment for one of the largest plate and cup manufacturers in the world with over 3,000 separate products and specialty contracts with some of the world's most recognised brands. Headquartered in France where the equipment is located, the company was formed in 1825 and has operations in 160 countries. At the end of December 2019, the outstanding balance was £20,501,539.

Diversified Portfolios

The Group has invested in two diversified portfolios of equipment leases through mid-size insurance companies in the United States. The investments are backed by diversified portfolios of equipment lease and asset financing transactions within larger portfolios held by the insurance companies and further collateralised by the broader portfolios of investment-grade securities. The equipment assets in these portfolios include traditional transportation assets, manufacturing equipment, construction cranes, IT equipment, medical equipment, furniture, fixtures and equipment, earth moving equipment, machine tools, and a wood pellet mill. The outstanding balances at the end of December 2019 were £17,692,442 on one portfolio and £13,587,795 on the other portfolio.

Marine Vessel (Restructured During the Period)

The Group provided multiple financings for a multinational shipping company which is part of a global conglomerate that controls 30 subsidiaries active in 35 countries across six continents. It is focused on six core sectors: aviation, energy, finance and diversified, hospitality, real estate, and shipping. One of the Group's investments with the company was in the amount of £14,262,019 as part of a portfolio of container feeder vessels. During the period, the borrower requested permission to sell a vessel and replace the collateral with a different vessel that would improve the loan to value over time. This specific asset class had already been under considerable pressure which caused the need for the loan to value enhancement. This segment of the Group's portfolio is expected to be one of the hardest hit as a result of global economic conditions but the assets have useful economic lives of over 40 years and pent up demand is likely to drive a recovery when trade returns to normal.

Heat and Hot Water Systems Boilers (Stage 2 Investment)

The Group provided financing under a programme with the lessor of domestic central heating/hot water system boilers. The advance rate is between 92.5% and 94% of a seasoned portfolio but has an assignment of 100% of the underlying leases and service agreements. The investment is further secured by floating and fixed charges over all of the assets of the lessor. The borrower experienced a lower level of cash flow than initially projected based on lower sales volumes following a mild winter in 2018/19 which led to the deferral of additional amounts due to the Group above the normal rental payments.

The company signed an agreement with the third largest boiler manufacturer in the UK. The partnership will provide access to a network of 1,700 installers across the UK which is anticipated to generate sufficient margins to amortise the Group's £10,092,441 position once the programme is fully implemented.

It is expected that this investment will be directly impacted by current pandemic-related events on both the operations of the company that requires employees to install service units in homes and in expected slower sales.

INVESTMENT MANAGERS' REPORT (CONTINUED)

IT and Telecommunications Equipment (Stage 2 Investment)

The Group provided financing secured by a portfolio of Integrated Set Top Cable and Internet Boxes (and all related receivables) on lease or under service agreements with 1,400 different customers representing approximately 2,200 hotels and 230,000 hotel rooms. Following the acquisition of the company by a private equity fund, control of the company changed hands under a management buyout which was supported by the Group and resulted in the Group receiving a substantial equity interest in the company as compensation for agreeing to restructure the defaulted debt. At the end of December, the company owed the Group £8,733,990 and the new amortisation schedule had not yet been finalized. Projections indicate that the debt, which was originally €20 million, can amortise over five years if growth levels are maintained. The company's customer base consists of hotels worldwide which have reported a reduction in business as a direct result of the coronavirus. This may result in a delay in reaching a new amortisation schedule or in a longer term agreed for the amortisation.

Combined Heat and Power Units

The Group provided for the construction and lease financing of two (non-renewable) 11 MW natural gas-based energy generation plants subject to separate leases. The equipment includes four Rolls-Royce 5.5 MW combined heat and power units at two sites on the Isle of Wight on the U.K.'s largest tomato farms. The equipment is used to produce heat and CO^2 to aid the growth of tomatoes in glasshouses. The Group advanced 62.5% against the value of the equipment and took full title subject to a 13-year full payout lease. The outstanding balances at the end of December 2019 were £8,568,843 on one lease and £8,063,252 on the other lease.

AD Plant and De-packaging Facility

The Group provided financing for the construction and lease of a 1MW AD Plant along with a de-packaging facility. The construction phase has been completed and lease commencement is expected to occur in April 2020 with the first lease payment due to begin amortising the £8,366,851 investment. This AD Plant investment was one the five not subject to valuation review as it has performed in-line with expectations.

Modular Buildings

The Group initially provided financing to the operator of temporary hotel solutions secured by mobile, modular buildings that served as hotel rooms at different events throughout Europe. The investment was made in coordination with the operator's plan to transition its business towards semi-permanent arrangements like remote worker accommodations and away from short-term rentals. The transition was intended to be completed over a period of two years. Failing to meet the projected schedule, the company entered administration in November 2017.

In April 2018, the Investment Managers completed the restructuring of this investment into a new 5-year operating lease with the option to extend the term for a further 5 years with part fixed and part variable rentals. The Group also holds warrants equal to 10% of the fully diluted equity, currently held at nil value. At the end of 2019, the outstanding balance was £6,661,270.

The Investment Managers are yet to determine the impact of current events on this investment.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Hospital Equipment and Equity Interest after Restructuring

The Group made an investment secured by medical equipment for a new hospital in Green Valley, Arizona in the United States. The initial investment was divided between two equipment-secured notes; one with a term of 4 years and the other with a term of 5 years. The investment was further collateralised by a lien on unencumbered property owned by the hospital. The hospital encountered delays in securing crucial insurance reimbursements and, as a consequence, was unable to attract specialist doctors whose services were a meaningful component of the projected income of the hospital. As a result, the hospital filed for bankruptcy protection in order to reorganise while the insurance issues were resolved and specialist doctors were on-boarded.

The hospital was purchased by a private equity firm in conjunction with the investment being restructured as a $5 million equipment-secured note and a 15% equity holding in the hospital. Since the restructuring, all payments have been made on time. The outstanding balance on the note at the end of 2019 was £3,350,601. At the time of this report, the hospital was dealing directly with COVID-19 as there were numerous confirmed cases in the community.

Combined Heat and Power Units

In addition to the two combined heat and power units financed on the Isle of Wight, the Group provided financing for a third non-renewable unit for the UK's largest tomato grower which is used in their glasshouses in Teesside, Middleborough, UK. The 6.6 MW natural gas-based energy generation plant includes two Jenbacher combined heat and power units subject to a 13.25 year fully amortising lease. At the end of 2019, the outstanding balance was £5,720,070.

Paper Mill (Restructured During the Period)

The Group made an investment in a paper mill in Scotland which underwent a management buyout following Administration. The Group's original investment was in excess of £21.6 million which had been amortising with regular payments. As part of the exit from the Administration, the Group agreed to a restructuring of the amounts due. At the end of December 2019, cash proceeds received reduced the amount outstanding to £9,403,074 divided between two new tranches; one which totalled £5,536,347 and the other £3,866,727. By the end of February 2020, additional cash proceeds had been received and only £1,906,261 was outstanding on the £5,536,347. The £3,866,727 will be amortised over 52 months. The investment is secured by the same equipment that supported the Group's original investment.

Telecommunication Towers (Stage 3 Investment)

The Group made an investment in a portfolio of telecommunication towers which have been subject to a workout for an extended period of time. The portfolio is relatively small which has prevented an earlier sale process. The operator has been exploring refinancing while increasing the size of the portfolio in order to attract larger buyers. While income continues to accrue for the borrower, the Group has suspended the recognition of income at the full amount until the £4,783,684 position is closed. The Investment Managers believe that it will be able to arrange the purchase of this asset for full value and allow the Group to exit the longest standing workout in the portfolio next to Suniva though the timing on this transaction is now unclear.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Wholesale Lending Arrangement

Wholesale lending arrangements are an effective way for the Group to make asset-secured investments through lenders that specialise in those specific asset classes or segments, with additional credit enhancements that would not be available if the Group invested directly.

The Group made two investments through a firm that specialises in providing financing to small and medium-sized enterprises ("SMEs") throughout the U.K. The financing is secured by all of the assets of the borrowers including business-essential equipment. The structure of the Group's investment is that it lends against a portfolio of loans at a 90% advance rate. Under the terms of the agreement, any loan that is more than 30 days delinquent is either bought out or replaced with a performing loan from an unencumbered pool of loans held directly by the lender. All activity within the portfolio is reviewed monthly by a third-party auditor who provides reports to the Investment Managers. This facility has a one year rolling term. The outstanding balances at the end of December 2019 were £8,364,900 on one portfolio and £3,956,000 on the other portfolio.

Helicopter Portfolio

The Group invested in the senior portion of a portfolio of helicopters on lease to three separate lessees who in turn sub-lease the fully serviced helicopters to end-users that include military, government, medical, and corporate clients. This investment is now in the residual realisation phase and proceeds will be received as the helicopters are sold or re-leased. The helicopters are of an older vintage and remarketing efforts have been slower and at lower levels than anticipated. The outstanding balance on the investment at the end of 2019 was £2,492,201.

AD Plant (Restructured During the Period)

An AD Plant that the Group had £2,397,690 of exposure to at the end of December 2019, was re-profiled at month-end December 2019 to match the sustained income generation levels. The plant was operating at 96% gross generation against the targeted average. The term was set at 13 years which provides ample debt service coverage ratios and government subsidies for two years beyond the term. This is one of the five AD Plants not reviewed by KPMG as it has been a performing investment with a fixed amortisation schedule.

AD Plant

The Group had an investment, as at 31 December 2019, of £2,133,730 in the development and construction of a 499 kW farm-based anaerobic digestion plant located in Ballmoney in Northern Ireland. The project, which is a 50/50 joint venture with a well-known institutional partner, generates electricity from the digestion of c. 9,2500 tonnes of poultry litter, silage and slurry.

Feedstock and day to day operations are managed by the landlord. Revenues are generated by sale of power (25%), renewable obligation certificates ("ROCs") (75%) and digestate (<1%).

INVESTMENT MANAGERS' REPORT (CONTINUED)

AD Plant

As at 31 December 2019, the Group had an investment of £2,047,481, which is part of a joint venture with a well-known institutional partner, in the development and construction of a 499 kW farm-based AD plant in County Londonderry. The plant generates electricity from the digestion of c16,000 tonnes of grass silage, chicken litter and slurry. The site is located within the owner's family's farm. The owner is responsible for supplying all of the plant's feedstock at an agreed index-linked price under a 12-year supply agreement. The feedstock consists of 2,250 dry tonnes per annum ("tpa") of grass silage, 5,000 tpa of cattle slurry, and 2,000 tpa of chicken litter. The grass silage is sourced from land owned or leased by the owner's family. The cattle slurry and chicken litter are sourced from third party providers. There are personal financial guarantees on the delivery of the quality and quantity of the feedstock.

Revenues are generated from the sale of electricity and ROCs through a 12-year power purchase agreement with Power NI. The plant does not rely on any RHI income.

Construction Equipment (Stage 3 Investment)

The Group entered into a lease with a UK-based commercial construction company with an international heavy plant hire division. The lessee entered administration following which an MBO team took the majority of the assets financed on a new lease contract. There remains £601,681 of equipment that is expected to be leased along with the rest of the equipment once the legal process to reclaim the equipment is complete. The Group has placed a 50% impairment reserve on this portion of the assets. Separately and not considered a Stage 3 Investment, the Group had exposure, at the end of 2019, of £1,705,697 under the new lease contract.

Marine Vessel

The Group provided financing for a newly built crew vessel which was repositioned with a new operator following a period of slow payments and the near depletion of the rental reserve account. The new operator entered into two lease extensions and agreed to buy the vessel for an amount in excess of the £1,604,451 carrying value at the end of 2019. This sale has been delayed on account of recent events but the loan to value remains sufficient even at current market prices.

Wind Turbines

The Group provided lease financing for 250 kW and 225 kW wind turbines located on a dairy farm in Northern Ireland. The lease term is 12 years with a power purchase agreement in place and qualified for 20 years of Northern Ireland Renewable Obligation Certificates. The balance outstanding as at 31 December 2019 was £1,258,548.

The Group entered into a sale and lease back for a 500 kW wind turbine and a 50 meter tower. The equipment is located 100 miles north of London in a business park owned by the principals of the lessee. The lease term was 10 years, subsequently extended by 6.5 years. The outstanding balance outstanding as at 31 December 2019 was £1,191,709.

AD Plant

At the end of February 2020, the Group exited a small AD Plant investment with an annualised internal rate of return of 13.51% against the booked investment yield of 11.16%. This was the fifth AD Plant investment, of the total of fifteen made by the Group, to be exited at a premium above the booked investment yield. As at 31 December 2019, the investment had amortised down to £977,261.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Wind Turbine (Stage 2 Investment)

There is a £720,519 investment in wind turbines that was deemed a Stage 2 investment on account of (insured) damage to the gearboxes and the death of the owner. The company had never missed a payment and a sale has now been agreed that should result in the Group realising a premium on the initially targeted return.

Marine Vessel Note

At year-end, the Group had £211,864 remaining as the balance due on a note issued in conjunction with the sale four multiple purpose vessels. It is expected that the note will be fully paid off by the end of March 2020.

Plastics Manufacturing Equipment (Stage 2 Investment)

The Group had an outstanding balance of £167,077 with a specialty engineering and plastics company that went into administration in August 2019. The business was sold to a new operator who has a continued need for the equipment that is used to reprocess polymer-based products into forms used by a number of industries. The lease is in the process of being novated to the new company.

2016 C Share Portfolio

Asset Type	**Gross Receivables 31 December 2019 £**
Waste Processing Equipment	19,201,496
Remote Operated Vehicles	16,469,301
Diversified Portfolio through Leasing Company	11,706,950
Diversified Portfolio through Insurance Company	9,960,923
Wholesale Lending Portfolio	8,364,900
Automotive Parts Manufacturing Equipment	6,167,771
Helicopters	5,552,682
Marine Vessel	5,508,075
Marine Vessel	5,426,504
Mushroom Composting Facility	5,259,527
Recycling Plant	4,878,547
Waste Processing Plant	4,790,602
Marine Vessel	4,723,177
Infrastructure Assets	4,410,868
Hybrid Battery Generator Systems	3,800,616
Marine Assets	3,011,818
Material Handling Equipment	2,711,649
Helicopters	1,690,463
Diversified Portfolio through Insurance Company	1,532,450
Pipe Unblocking Tool	699,788
Pipelaying System	382,810
Total	**126,250,917**

INVESTMENT MANAGERS' REPORT (CONTINUED)

Waste Processing Equipment

The largest investment in the 2016 C Share portfolio is a secured loan for an initial 10-year term that supported the acquisition of an organic waste management and waste processing business based in Belfast. The company acquired was the largest organic waste company in Northern Ireland, processing 215k tonnes of organic waste per year. The company's services include the collection, recycling and treatment of a variety of waste streams including source-segregated food, brown bin and green waste collected from households, civic amenity sites, councils and commercial customers across Northern Ireland. The amortisation period started in August 2019 and at 31 December 2019 had an outstanding balance of £19,201,496. The company out-performed 2019 projections by 24.6% and had strong debt service coverage ratios going into 2020.

Following the acquisition, the Group made an additional investment in four new composting tunnels and a biomass boiler to expand the business operations and establish a fully integrated organic waste group which is included in the balances above.

Remote Operated Vehicles

Within the 2016 C Share portfolio there are three separate investments secured by Remote Operated Vehicles ("ROVs"). The largest schedule, which had a 31 December 2019 outstanding investment balance of £16,469,301, has fourteen separate pieces of equipment. The next largest schedule, which contains two assets, had an outstanding investment balance of £3,423,320. The smallest schedule, containing one piece of equipment, had amortised down to £182,637 as at 31 December 2019.

Rentals on all schedules were up to date and the accounts were all in good standing at 31 December 2019. However, trading conditions have been challenging and ROV utilisations rates have been below expectations as result of weakness in oil prices even prior to the market disruptions brought on by the coronavirus.

ROVs are versatile assets that are used more broadly than just in the oil field services business but the majority of current contracts are with oil companies which will have a direct impact on the short-term cash flow of these investments.

Diversified Portfolios

The Group has invested in a portfolio of diversified industrial leases for companies in the United States and Mexico. The £11,706,950 investment, measured at the end of 2019, included 41 leases with a loan to value of 88.8%. The equipment includes, but is not limited to, robots used for high efficiency manufacturing, industrial freeze-drying equipment, die casting machines, sorting and packaging lines, and tractors.

Unrelated to the investments in the Ordinary Share portfolio in diversified pools of equipment leases and asset finance transactions through investment grade insurance companies, the 2016 C Share portfolio has two investments, one for £9,960,923 and the other in the amount of £1,532,450, secured by a diversified portfolio of equipment leases and asset finance transactions through an investment grade US insurance company. Under the terms of the agreement, the investment must be secured by assets equal to at least 120% of the outstanding balance at all times.

At the time of this report, the impact of current event on these portfolio investments is unknown though the fundamentals of collateralized investments in business-essential, revenue-producing assets should preform over time.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Automotive Parts Manufacturing Equipment (Stage 2 Investment Restructured During the Period)

At end of December, the Group had a £6,167,771 in an investment in the majority of the manufacturing assets for an aluminium automotive parts manufacturer based in the Jura region in France. The company went through a government-supported restructuring in the second quarter of 2019. The company continues to receive political support from the French government as it seeks a buyer. Renault and Peugeot are the business' two main customers and are heavily reliant on the business to support the roll-out of new hybrid vehicle lines.

As a result of government restrictions post- 31 December 2019, one of the manufacturer's main customers temporarily closed its factories. This is expected to have a direct impact on the cash flows generated by this investment over the near to medium term.

Helicopter (Restructured During the Period)

The Group provided financing for the delivery of a brand new Agusta Westland 169 helicopter. The contract terms where adjusted to allow for a short-term lease for the helicopter to perform crew transfer activities for engineers engaged in construction and maintenance of the new Siemens Gamesa offshore windfarm in Germany. The Group's exposure at the end of December was £5,552,682.

Marine Vessels

In addition to the £14,262,019 financing as part of the Ordinary Share portfolio, the Group provided senior financing for a diversified portfolio of marine vessels to a multinational shipping company in three separate secured transactions.

The overall portfolio includes a bulk carrier built in 2008; two container vessels built in 2004 and 2005; and a chemical tanker built in 2006. The outstanding balances in the 2016 C Share portfolio, at the end of 2019, were £5,508,074.70, £5,426,504, and £4,723,177.

As reported above, this segment of the Group's portfolio is expected to be one of the hardest hit as a result of global economic conditions but the assets have useful economic lives of over 40 years and pent up demand is likely to drive a recovery when trade returns to normal.

Composting Plant

The Group had an investment of £5,259,527, at end of 2019, secured by a composting plant for a consortium of 27 mushroom growers across Northern Ireland and the Republic of Ireland. The 10 year fully-amortising investment was made through a leveraged facility with senior debt provided by a lower cost traditional bank. The plant has been fully commissioned and is able to process 65k tonnes of mushroom compost annually.

Recycling Plant

The Group provided senior financing for the construction of a state-of-the-art refrigerator recycling plant in Gateshead in the U.K. The borrower specialises in collecting and recycling electrical products once they have been discarded. In 2016, the company set up its own in-house fully automated Waste Electrical and Electronic Equipment plant, which can process five tonnes of material per hour. The company collects over 100,000 refrigerators a year and will be able to process 100 an hour once the plant is fully ramped up. At the end of 2019, the investment balance was £4,878,547.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Waste Processing System (Restructured During the Period)
The Group entered into a lease of a new automated waste material recovery system for a successful waste collection company located in the Midlands in the UK. The lessee was formed in 1986 and, for the last ten years, has been focusing on modernising the plant, increasing efficiency, and creating a zero-carbon footprint. The £4,790,602 investment was restructured as a consequence of the impact of China restricting the in-take of all foreign waste, which resulted in a market-wide collapse in waste prices and distribution pipelines. Trading continues to be difficult for the lessee so the transaction term was increased from 5 years to 7.75 years to accommodate slower amortisation and improve debt service coverage ratios. The assets have a useful life of more than 15 years.

Infrastructure

The Group provided a secured term loan to a construction and property development company based in Newry, Northern Ireland. The investment is secured by the receivables from seven Private Public Partnership contracts for the construction and maintenance of schools and a medical centre which includes all the heating systems and equipment. At the end of 2019, the investment balance was £4,410,868.

Hybrid Battery Generator Systems (Stage 2 Investment)

The Group financed a number of hybrid battery generator systems that are placed on short-term hire contracts to support construction activities. These assets are used in tandem with diesel generators and markedly improve the fuel-drain of running a construction site. The company experienced liquidity issues related to accelerated growth. The company has reported that it is in talks with a private equity firm that would support the company and the Group's outstanding balance of £3,800,616. It is unclear how this investment will be affected by current events post 31 December 2019.

Marine Assets

The Group provided financing for a successful marine services business based in the United Arab Emirates. The business has remained profitable over a period where many others have failed as a result of its strategic decision early on to diversified away from pure oil and gas customers and focus instead mainly on Utilities, Renewables and Civil Construction. The equipment, which is used for a diversified range of subsea services, includes a multipurpose site investigation vessel, two Remote Operated Vehicles and a vessel- mounted deep-water drilling rig.

Subsequent to the Group's investment, the company was purchased by a much larger competitor which enhanced the credit profile of the 31 December 2019 £3,011,818 exposure.

Material Handling Equipment

In conjunction with large equity investments made by two Fortune 100 Companies, the Group financed material handling equipment located at Walmart Distribution Centres throughout the United States. The counterparty is a publicly traded company on the NASDAQ with a market capitalisation in excess of $400 million. The £2,711,649 investment balance at the end of 2019 had been amortized 79% with all payments made on time.

Helicopters

The Group invested in a fleet of seven helicopters in the form of pre-delivery financing. Six of the seven helicopters have now been delivered and paid-off. The 2019 year-end balance of £1,690,463 is expected to be paid in full with the delivery of the last helicopter in June 2020.

INVESTMENT MANAGERS' REPORT (CONTINUED)

Pipe Unblocking Tool

The Group financed the construction and delivery of an oil & gas well intervention business's proprietary pipe unblocking tool, Flexicoil 2. The company has strong shareholder support for continued growth and continues to trade well even with depressed oil prices. The Group's outstanding exposure at year-end 2019 was £699,788.

Pipe Laying System

The Group invested in the sale and leaseback of a patented Modular Pipe lay System. The system takes advantage of special joints to reduce installation time which results in significant cost savings in offshore pipeline construction. The investment balance at the end of 2019 was £382,810. The last payment under the lease is due in November 2020.

Outlook

At the date of approval of these condensed consolidated financial statements, both the Ordinary and 2016 C Shares are trading at deep discounts reflecting the market's uncertainty over the future of the Group and the risk-profile of the underlying investments.

The Board has initiated a Strategic Review and the Investment Managers have put forth what is believed to be viable proposals to take the Group forward which is to be considered with the Board's own evaluation.

A fundamental question is whether this investment strategy is suitable for the public markets with the reality that generating unleveraged yields north of 9% requires continuous work and vigilance and often results in reporting values below the actual expected performance. The Investment Managers believe that performance within the portfolio over the last five years should support the position that investments that do not follow the prescribed course are still viable investments that often generate excess returns.

It would require an enormous amount of hubris to speak with confidence about the outlook for the Group from where the portfolio and the world sits today.

From the Investment Managers' perspective, the focus is on working with each borrower or lessee to ensure the viability of their businesses and their ability to repay the amounts owed to the Group. Restoring the dividend as soon as possible at a level driven by incoming cash flows is a high priority.

The days and months ahead will require creative solutions which often lead to yield-enhancing opportunities, not likely in the short-term, but over time. The Investment Managers are particularly experienced in these situations where a traditional institutional approach would include rigid legal manoeuvring and absolute demands.

The Investment Managers stand ready to work through this crisis and demonstrate the resilience of the investment strategy which was promoted each time the Group raised additional capital.

SQN Capital Management, LLC
3 April 2020

SQN Capital Management (UK) Limited
3 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The principal risks and uncertainties of the Group remain unchanged from those disclosed in the Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2019. The Board's view is that these risks and uncertainties remain unchanged as at 31 December 2019. Subsequent to the period end, there is an emerging risk in regard to COVID-19, refer to note 20 for additional details.

We confirm to the best of our knowledge that:

- the Unaudited Condensed Consolidated Financial Statements within the Half-Yearly Report have been prepared in accordance with International Accounting Standard 34 – "Interim Financial Reporting" ("IAS 34") as adopted by the European Union ("EU"); and

- the Chairman's Statement, the Investment Managers' Report and the notes to the Unaudited Condensed Consolidated Financial Statements include a fair view of the information required by:

a) Rule 4.2.7R of the Disclosure Guidance and Transparency Rules of the UK's Financial Conduct Authority ("DTR"), being an indication of important events that have occurred during the first six months of the financial year and their impact on the set of Unaudited Condensed Consolidated Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) Rule 4.2.8R of the DTR, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

Signed on behalf of the Board of Directors on 3 April 2020 by:

Peter Niven
Director

John Falla
Director

INDEPENDENT REVIEW REPORT TO SQN ASSET FINANCE INCOME FUND LIMITED

We have been engaged by the company to review the unaudited condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 31 December 2019 which comprises the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated statement of financial position, the unaudited condensed consolidated statement of changes in equity, the unaudited condensed consolidated statement of cash flows and related notes 1 to 22. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed set of consolidated financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

INDEPENDENT REVIEW REPORT TO SQN ASSET FINANCE INCOME FUND LIMITED (CONTINUED)

Material uncertainty relating to going concern

We draw attention to note 2.1 in the financial statements, which indicates that the continuation vote will take place as part of the next AGM, towards the end of 2020. As stated in note 2.1, these events or conditions, along with the other matters as set forth in note 2.1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Use of the report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Recognised Auditor
Guernsey, Channel Islands
3 April 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 (Unaudited) £	Six months ended 31 December 2018 (Unaudited) £
Income			
Finance income		17,137,271	19,472,582
Interest on cash and cash equivalents		44,658	42,584
Other income		954,951	557,630
Total income		**18,136,880**	**20,072,796**
Net unrealised loss on revaluation of investments		(298,362)	(1,123,881)
Net unrealised foreign exchange loss on investments		(6,966,958)	(4,776,319)
Net unrealised foreign exchange gain on forward contracts		8,961,967	6,779,376
Net realised gain on investments		164,042	501,899
Net realised foreign exchange gain on investments		50,152	9,630,995
Net realised foreign exchange loss on forward contracts		(2,674,516)	(12,294,092)
Net realised and unrealised loss		**(763,675)**	**(1,282,022)**
Expenses			
Investment management fees		(2,272,037)	(2,347,577)
Directors' fees		(114,579)	(140,562)
Other operating expenses	5	(1,091,961)	(1,031,274)
Depreciation	8	(1,145,981)	(764,203)
Expected credit loss	9/10	(74,522,339)	(67,392)
Total operating expenses		**(79,146,897)**	**(4,351,008)**
Total comprehensive (loss)/income for the period		**(61,773,692)**	**14,439,766**
Total comprehensive (loss)/income for the period analysed as follows:			
Attributable to Ordinary shareholders		(66,645,831)	10,112,235
Attributable to 2016 C shareholders		4,872,139	4,327,531
Total		**(61,773,692)**	**14,439,766**
Basic and diluted (loss)/earnings per Ordinary Share	6	(18.71)p	2.84p
Basic and diluted earnings per 2016 C Share	6	3.51p	3.12p

All results are derived from continuing operations.

The Group has no items of other comprehensive income, and therefore the (loss)/profit for the period is also the total comprehensive (loss)/income.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	31 December 2019 (Unaudited)	30 June 2019 (Audited)
Non-current assets		**£**	**£**
Residual value of finance lease investments	9.2	262,412	404,618
Property, plant and equipment	8	13,206,699	14,352,680
Loans and other investments	9.1	251,979,637	314,080,556
Investments designated at fair value through profit or loss	9.2	2,287,935	2,790,263
Finance lease and hire-purchase investments	10	84,772,314	98,005,257
Equity investments at fair value through profit or loss	9.2	5,362,197	5,581,419
		357,871,194	435,214,793
Current assets			
Cash and cash equivalents[1]		10,670,737	22,039,165
Due from broker[1]		2,000,000	2,630,000
Interest receivables		8,262,552	6,586,560
Other receivables and prepayments	11	3,532,406	3,734,314
Investment receivables		7,426,036	7,754,584
Derivative financial assets	9.2,18	7,412,117	-
		39,303,848	42,744,623
Total assets		**397,175,042**	**477,959,416**
Current liabilities			
Investment payables		(1,545)	(39,055)
Due to broker[1]		(1,780,000)	-
Derivative financial liabilities	9.2,18	-	(2,477,541)
Other payables and accrued expenses	12	(3,853,934)	(950,350)
		(5,635,479)	(3,466,946)
Net assets		**391,539,563**	**474,492,470**
Equity			
Share capital	14	488,655,945	488,893,790
Retained reserves		(97,116,382)	(14,401,320)
		391,539,563	**474,492,470**
NAV per Share			
- Ordinary Shares	7	71.97p	94.91p
- 2016 C Shares	7	97.43p	98.15p

These Condensed Consolidated Financial Statements were approved and authorised for issue by the Board of Directors on 3 April 2020, and signed on its behalf by:

Peter Niven
Director

John Falla
Director

[1]The comparatives have been restated to disclose due from/to broker (broker balances have a restricted nature) separately from cash and cash equivalents.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019 (Unaudited)

	Notes	Share Capital £	Retained Reserves £	Total £
As at 1 July 2019		**488,893,790**	**(14,401,320)**	**474,492,470**
Total comprehensive loss for the period		-	(61,773,692)	(61,773,692)
Transactions with shareholders				
Ordinary Shares repurchased	14	(237,845)	-	(237,845)
Dividends declared	15	-	(20,941,370)	(20,941,370)
Total transactions with shareholders		**(237,845)**	**(20,941,370)**	**(21,941,370)**
As at 31 December 2019		**488,655,945**	**(97,116,382)**	**391,539,563**

For the six months ended 31 December 2018 (Unaudited)

	Note	Share Capital £	Retained Reserves £	Total £
As at 1 July 2018		**489,189,319**	**(5,101,179)**	**484,088,140**
Impact of transition to IFRS 9		-	(876,318)	(876,318)
As at 1 July 2018 – revised for the application of IFRS 9		**489,189,319**	**(5,977,497)**	**483,211,822**
Total comprehensive income for the period		-	14,439,766	14,439,766
Transactions with shareholders				
Ordinary Shares repurchased		(295,529)	-	(295,529)
Dividends declared	15	-	(14,322,802)	(14,322,802)
Total transactions with shareholders		(295,529)	(14,322,802)	(14,618,331)
As at 31 December 2018		**488,893,790**	**(5,860,533)**	**483,033,257**

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Notes	Six months ended 31 December 2019 (Unaudited) £	Six months ended 31 December 2018 (Unaudited) £
Operating activities:			
Total comprehensive (loss)/income for the period		(61,773,692)	14,439,766
Adjustments for:			
Net unrealised loss on investments		298,362	1,123,881
Net unrealised foreign exchange gain in the period		(1,995,009)	(2,003,057)
Depreciation	8	1,145,981	764,203
Net realised gain on investments		(164,042)	(501,899)
Net realised foreign exchange gain on investments		(50,152)	(9,630,995)
Increase in interest receivable		(1,675,992)	(336,918)
Decrease in investment receivables		328,548	6,789,080
Decrease/(increase) in other receivables and prepayments		201,908	(1,076,166)
Decrease in due from broker[1]		630,000	2,930,000
Decrease in investment payables		(37,510)	(73,079)
Decrease in other payables and accrued expenses		(87,286)	(2,512,364)
Increase in due to broker[1]		1,780,000	-
Acquisition of investments	9,10	(29,541,723)	(67,425,017)
Amortisation of investment principal during the period	9,10	24,309,392	37,775,204
Expected credit loss provision	9,10	74,378,823	167,708
Net cash generated from/(used in) operating activities		**7,747,608**	**(19,569,653)**
Cash flow from financing activities			
Ordinary Shares repurchased	14	(237,845)	(295,529)
Dividends paid	15	(17,950,500)	(14,322,802)
Net cash used in financing activities		**(18,188,345)**	**(14,618,331)**
Net decrease in cash and cash equivalents		**(10,440,737)**	**(34,187,984)**
Cash and cash equivalents at start of the period[1]		22,039,165	71,865,524
Effect of exchange rate changes on cash and cash equivalents		(927,691)	1,159,593
Cash and cash equivalents at end of the period		**10,670,737**	**38,837,133**

[1] The comparatives have been restated to disclose decrease/increase in due from/to broker.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

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

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

The investments made with the 2016 C Shares net proceeds are managed as a separate pool of assets in accordance with the Company's investment policy until they are converted to Ordinary Shares.

This conversion was delayed primarily because of the timing of the recovery on the Ordinary Shares' Suniva investment and the resultant effect on dividend cover.

This position has not yet been resolved therefore the terms and timing of the conversion of the 2016 C Shares to Ordinary Shares will be announced in due course.

Expenses are split between Ordinary Shares and 2016 C Shares in proportion to their respective NAV.

During the six month period ended 31 December 2019, 288,156 Ordinary Shares were repurchased and are being held in treasury. As at 31 December 2019, 1,731,838 Ordinary Shares are held in treasury (30 June 2019: 1,443,682).

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

2. Accounting Policies

The preparation of the Unaudited Condensed Consolidated Financial Statements in accordance with IAS 34 requires the application of certain critical accounting estimates and also requires the Directors to exercise judgement in applying its accounting policies. The areas where significant judgements and estimates have been used are included in note 3.

The Group has applied the same accounting policies as in its Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2019, except the new standard described in note 2.1.

2.1 Basis of Preparation

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 as adopted by the EU. They do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2019, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounting Policies (Continued)

2.1 Basis of Preparation (Continued)

In line with the listing prospectus for the Ordinary Shares dated April 2014 and the 2016 C shares prospectus dated 8 November 2016, a continuation vote will take place as part of the next AGM, towards the end of 2020.The Directors have assumed the continuation vote will be passed. In the event the Company fails its continuation vote, the Board are obliged to bring proposals to the shareholders. The Board currently believe that such proposals would be for an orderly wind up of the Company. In this event it is expected that the Company would be able to meet its liabilities as they fall due. On this basis, the Directors consider it appropriate to prepare the condensed consolidated financial statements on the going concern basis of accounting. The condensed consolidated financial statements do not include any adjustments that would result if the going concern basis were not appropriate.

Given the above, there is a material uncertainty which may cast significant doubt as to the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. There are also uncertainties in regard to COVID-19 on the Group’s operations, refer to the Chairman’s Statement and Investment Managers’ Report for further details.

IFRS 16 - Leases replaces IAS 17 – Leases
The Company applied for the first time IFRS 16 – ‘Leases’, which became effective on 1 January 2019 and was adopted by the Group on 1 July 2019. The standard specifies how to recognise, measure, present and disclose leases. As a lessor, the Group will continue to classify leases as operating leases, hire purchase or finance leases. IFRS 16’s approach to lessor accounting is substantially unchanged from IAS 17. The Board has undertaken an assessment of the impact of IFRS 16 on the Group’s condensed consolidated financial statements and concluded there is no material impact on the Group’s condensed consolidated financial statements.

3. Use of Estimates and Judgements

There have been no material revisions to the estimates and judgements reported in the Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2019 with the exception of below:

Valuation of AD Plants
At the period end, three of the AD plants had not reached targeted operational capacity. A further three AD plants were performing at or above the targeted operational capacity but feedstock costs have been higher than originally anticipated.

Subsequent to the period end, the Group appointed KPMG Ireland (“KPMG”) to value six of the AD Plant investments as at 31 December 2019. The AD plants valuations are considered to be an estimation that the third party made which included key sources of estimation uncertainty in relation to the determination of the discount rates and the growth rates of future cash flows. These estimates have had a significant effect on the amounts recognised in the unaudited condensed consolidated financial statements. Refer to the Chairman’s Statement, the Investment Managers Report and note 9.1 for further detail.

SQN Asset Finance (Ireland) DAC
The Group holds bonds issued by SQN Asset Finance (Ireland) DAC (“SQN Ireland”), an unconsolidated structured entity in the Republic of Ireland. The UK Asset Manager, the wholly owned subsidiary of the US Investment Manager which is the authorised investment fund manager, acts as investment manager to SQN Ireland.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Use of Estimates and Judgements (Continued)

The Board has determined that the Group does not have all the elements of control as prescribed by IFRS 10 – 'Consolidated Financial Statements' over SQN Ireland and therefore is not required to consolidate SQN Ireland into these condensed consolidated financial statements. This was determined as the Group is not able to exercise control over SQN Ireland as the latter is managed by independent directors.

Refer to note 19 for further details on the bonds issued by SQN Ireland.

4. Changes to Material Agreements

There were no changes to any material agreements during the six month period ended 31 December 2019.

5. Other Operating Expenses

	Six months ended 31 December 2019 (Unaudited) £	Six months ended 31 December 2018 (Unaudited) £
Administration and secretarial fees	237,420	228,074
Audit fees	48,000	33,488
Brokerage fees	25,285	27,282
Public relation fees	30,154	25,000
Registrar fees	32,561	32,689
Professional fees	100,099	57,039
Legal fees	489,879	536,478
Transaction fees	55,642	-
Other expenses	72,921	91,224
Total	**1,091,961**	**1,031,274**

The Group's independent auditor, Deloitte LLP, did not provide any non-audit services for the six months ended 31 December 2019.

Legal fees in the sum of £419,841 (31 December 2018: £536,478) relate to the Suniva investment.

6. Basic and Diluted (Loss)/Earnings per Share

31 December 2019 (Unaudited)	**Ordinary Shares**	**2016 C Shares**
Total comprehensive (loss)/income for the period	£(66,645,831)	£4,872,139
Weighted average number of shares in issue during the period	356,222,993	138,924,222
Basic and diluted (loss)/earnings per share	(18.71)p	3.51p

31 December 2018 (Unaudited)	**Ordinary Shares**	**2016 C Share**
Total comprehensive income for the period	£10,112,235	£4,327,531
Weighted average number of shares in issue during the period	356,270,151	138,924,222
Basic and diluted earnings per share	2.84p	3.12p

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. NAV per Share

31 December 2019 (Unaudited)	Ordinary Shares	2016 C Shares
NAV	£256,189,510	£135,350,053
Number of shares in issue at period end	355,975,669	138,924,222
NAV per share	71.97p	97.43p
30 June 2019 (Audited)	**Ordinary Shares**	**2016 C Shares**
NAV	£338,138,895	£136,353,575
Number of shares in issue at year end	356,263,825	138,924,222
NAV per share	94.91p	98.15p

8. Property, Plant and Equipment

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

a) A hire purchase investment which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 10 years (30 June 2019: 10.5 years).
b) A finance lease which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 11.5 years (30 June 2019: 12 years).
c) A finance lease which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 6.5 years (30 June 2019: 7 years).
d) A hire purchase investment which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 3.5 years (30 June 2019: 4 years).

The carrying amount is detailed in the table below:

	31 December 2019 (Unaudited)	30 June 2019 (Audited)
Cost	**£**	**£**
Opening balance	**17,748,326**	**15,422,228**
Additions during the period/year	-	27,271
Reclassified investments	-	2,298,827[1]
Closing balance	**17,748,326**	**17,748,326**
Accumulated depreciation		
Opening balance	**(3,395,646)**	**(1,661,073)**
Depreciation during the period/year	(1,145,981)	(1,734,573)
Closing balance	**(4,541,627)**	**(3,395,646)**
Net book value	**13,206,699**	**14,352,680**

[1]This item relates to an investment that has been reclassified from the Hire Purchase investment category (as detailed in note 8(d)). Please refer to note 10 for additional information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments

9.1 Loans and Other Investments

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

31 December 2019 (Unaudited)	Loans	Construction Finance	Total
	£	£	£
Opening balance	**177,748,336**	**143,573,999**	**321,322,335**
Advances and purchases during the period	3,856,741	12,156,275	16,013,016
Principal amortisation during the period	(4,502,219)	-	(4,502,219)
Reclassified investments[1]	-	(9,372,536)	(9,372,536)
Reclassified investments[2]	(775,443)	-	(775,443)
Realised foreign exchange loss on investments	(129,180)	-	(129,180)
Unrealised foreign exchange loss on revaluation	(5,175,532)	(1,267,219)	(6,442,751)
Closing balance	**171,022,703**	**145,090,519**	**316,113,222**
Expected credit loss provision[3]			
Opening balance	**(2,676,787)**	**(4,564,992)**	**(7,241,779)**
Movement of expected credit loss provision during the period	136,760	(57,028,566)	(56,891,806)
Closing balance	**(2,540,027)**	**(61,593,558)**	**(64,133,585)**
Closing balance	**168,482,676**	**83,496,961**	**251,979,637**

[1]This item relates to advances in the Construction Finance investments category that were reclassified as additions in the Finance lease and Hire-Purchase investment categories in the sum of £8,681,411 and £691,125 respectively, as detailed in the table and note 10.
[2]This item relates to an investment that has been reclassified to the Finance lease category. Refer to note 10 for additional information.
[3]Refer to note 17 for further details on the expected credit loss provision.

The increase in the expected credit loss has mainly been due to the deterioration of the underlying AD plants fair value upon the most recent valuation exercise performed by KPMG. Further details on the KPMG valuation can be found in the Chairman's Statement, the Investment Managers' Report and note 20.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Loans and Other Investments (Continued)

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

[1]The £21,011,527 relates to advances in the Construction Finance investments category that were reclassified as additions in the Loans, Finance Lease and Hire-Purchase investment categories in the sum of £12,726,000, £4,958,954 and £3,326,573 respectively, as detailed in the table above and note 10.
[2]This item relates to an investment that has been reclassified to the Equity investments category following a restructuring. Please refer to note 9.2 for additional information.
[3]Refer to note 17 for further details on the expected credit loss provision.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.1 Loans and Other Investments (Continued)

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

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

9.2 Fair Value Investments

Investments held at fair value comprise the Group’s share of financial assets and financial liabilities designated at fair value through profit and loss.

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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.2 Fair Value Investments (Continued)

The following table details the Company's fair value hierarchy.

31 December 2019 (Unaudited)	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets				
Designated at fair value through profit or loss (Lease Participation)	-	-	2,287,935	2,287,935
Residual value of finance lease investments	-	-	262,412	262,412
Equity investments at fair value through profit or loss	-	-	5,362,197	5,362,197
Derivative financial assets	-	7,412,117	-	7,412,117
Total financial assets	**-**	**7,412,117**	**7,912,544**	**15,324,661**

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

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

	31 December 2019 (Unaudited) £	30 June 2019 (Audited) £
Opening balance	**8,776,300**	**3,920,248**
Additions during the period/year	-	73,991
Additions during the period/year (non cash)	-	61,410
Principal amortisation during the period/year	(372,426)	(1,089,737)
Reclassified investments[1]	-	6,244,482
Unrealised loss on revaluation	(298,362)	(1,107,017)
Unrealised foreign exchange (loss)/gain on revaluation	(389,935)	227,134
Realised gain on investments	162,626	347,099
Realised foreign exchange gain on investments	34,341	98,690
Closing balance	**7,912,544**	**8,776,300**

[1]This item relates to an investment that has been reclassified from the Loans investments category following a restructuring. Please refer to note 9.1 for additional information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.2 Fair Value Investments (Continued)

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 ended 31 December 2019 or the year ended 30 June 2019.

The Lease Participation investments represent a single participation investment in a portfolio of leases. The carrying value of £2,287,935 (30 June 2019: £2,790,263) 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 6% (30 June 2019: 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 investment.

Information about the Secondary Market for Level 3 Investments

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

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

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

Equity Holdings

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial Instruments (Continued)

9.3 Valuation Process

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

31 December 2019 (Unaudited)

Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	2,287,935	Principal balance	Third party appraisal
Finance lease residual value	262,412	Market approach	In place value / secondary market value
Equity investments at fair value through profit or loss	5,362,197	Market approach	EBTIDA growth rate
Equity investments at fair value through profit or loss (held at nil value)	-	Market approach	Market value

30 June 2019 (Audited)

Description	Fair Value £	Valuation Techniques	Unobservable Inputs
Lease participation	2,790,263	Principal balance	Third party appraisal
Finance lease residual value	404,618	Market approach	In place value / secondary market value
Equity investments at fair value through profit or loss	5,581,419	Market approach	EBTIDA growth rate
Equity investments at fair value through profit or loss (held at nil value)	-	Market approach	Market value

Sensitivity Analysis

Lease participation	**31 December 2019**		**30 June 2019**	
	£ Increase of 3 months	**£ Decrease of 3 months**	**£ Increase of 3 months**	**£ Decrease of 3 months**
Months to sell asset after lease expiry	(22,315)	22,651	(2,293)	2,327
Total	**(22,315)**	**22,651**	**(2,293)**	**2,327**

Equity Holding	**31 December 2019**		**30 June 2019**	
	£ Increase of 2%	**£ Decrease of 2%**	**£ Increase of 2%**	**£ Decrease of 2%**
Discount rate	(806,756)	883,606	(839,739)	919,730
EBITDA growth rate	204,519	(204,519)	212,880	(212,880)
Total	**(602,237)**	**679,087**	**(626,859)**	**706,850**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Finance Lease and Hire-Purchase Investments

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

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

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

31 December 2019 (Unaudited)	**Finance Lease**	**Hire-Purchase**	**Total**
	£	**£**	**£**
Opening balance	**49,375,594**	**49,212,682**	**98,588,276**
Additions during the period	9,039,878	4,488,829	13,528,707
Reclassified investments[1]	8,681,411	691,125	9,372,536
Reclassified investment[2]	775,443	-	775,443
Realised gain on investment	146,407	-	146,407
Principal amortisation during the period	(10,834,595)	(8,600,152)	(19,434,747)
Unrealised foreign exchange loss on revaluation	(134,272)	-	(134,272)
Closing balance	**57,049,866**	**45,792,484**	**102,842,350**
Expected credit loss[3]			
Opening balance	(208,512)	(374,507)	(583,019)
Movement of expected credit loss during the period	(17,274,001)	(213,016)	(17,487,017)
Closing balance	**(17,482,513)**	**(587,523)**	**(18,070,036)**
Closing balance	**39,567,353**	**45,204,961**	**84,772,314**

[1]This item relates to advances that previously appeared in the Construction Finance investment category in note 9.1 and have been reclassified as Finance Lease and Hire-Purchase Investments. The item has been reclassified as construction was completed during the period.
[2]This item relates to an investment that was reclassified from the Loans investment category in note 9.1 and has been reclassified as a Finance Lease.
[3]Refer to note 17 for further details on the expected credit loss provision.

The increase in the expected credit loss has mainly been due to an asset that has income suspended and service payments outstanding by more than 30 days. The asset moved from stage 2 to stage 3 during the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

30 June 2019 (Audited)	**Finance Lease**	**Hire-Purchase**	**Total**
	£	**£**	**£**
Opening balance	**48,306,606**	**53,708,822**	**102,015,428**
Additions during the year	3,965,305	253,936	4,219,241
Reclassified Construction Finance investments[1]	4,958,954	3,326,573	8,285,527
Reclassified to Property, Plant and Equipment[2]	-	(2,298,827)	(2,298,827)
Realised gain/(loss) on investment	496,573	(7,937)	488,636
Principal amortisation during the year	(8,351,844)	(5,769,885)	(14,121,729)
Closing balance	**49,375,594**	**49,212,682**	**98,588,276**
Impairments/expected credit loss provision[3]			
Opening balance	-	-	-
Impact of transition to IFRS 9	(188,860)	(32,095)	(220,955)
Impairment/movement of expected credit loss provision during the year	(19,652)	(342,412)	(362,064)
Closing balance	**(208,512)**	**(374,507)**	**(583,019)**
Closing balance	**49,167,082**	**48,838,175**	**98,005,257**

[1]This item relates to advances that previously appeared in the Construction Finance investment category in note 9.1 and have been reclassified as Hire-Purchase Investments. The item has been reclassified as construction was completed during the period.
[2]This item relates to an investment that has been reclassified to the Property, Plant and Equipment investments category. Please refer to note 8 for additional information.
[3]Refer to note 17 for further details on the impairment/expected credit loss provision.

Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the period of £262,412 (30 June 2019: £404,618).

During the period, one residual investment with a fair value of £162,626 formed part of a restructuring and was consolidated into a new finance lease. During the year ended 30 June 2019, seven residual investments were sold for £212,915.

11. Other Receivables and Prepayments

	31 December 2019 (Unaudited)	**30 June 2019 (Audited)**
	£	**£**
Debtor-in-possession financing (refer to note 13)	1,647,879	1,715,250
UK VAT	445,078	79,429
Prepaid transaction fees	780,946	784,564
Restructuring costs	192,086	199,939
Other receivables	466,417	955,132
	3,532,406	**3,734,314**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Other Payables and Accrued Expenses

	31 December 2019 (Unaudited)	30 June 2019 (Audited)
	£	£
Investment management fees	361,939	378,308
Administration and secretarial fees	37,251	74,499
Audit fees	48,000	50,000
Printing fees	17,438	20,000
Brokerage fees	7,755	7,755
Rental reserve	131,885	131,885
Other payables	258,796	287,903
Dividend payable	2,990,870	-
	3,853,934	**950,350**

The dividend for November 2019 was declared on 20 December 2019 and has been accrued to be paid in these unaudited condensed consolidated financial statements.

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

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

13. Commitments and Contingent Liabilities

As at 31 December 2019, the Group had committed to invest a further £8,820,432 (30 June 2019: £22,170,760). These commitments are classified as 'hard commitments' of £7,220,432 (30 June 2019: £15,836,289) which represent investments for which the documentation is finalised and 'soft commitments' of £1,600,000 (30 June 2019: £6,334,472) which represent investments at varying stages of documentation.

The Group did not have any contingent liabilities as at 31 December 2019 and 30 June 2019.

14. Share Capital

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

The 2016 C Share net proceeds and the investments made with the net proceeds will be accounted for and managed as a separate pool of assets in accordance with the Company's investment policy until the conversion of 2016 C Shares to Ordinary Shares. The terms and timing of the conversion of 2016 C Shares to Ordinary Shares will be announced at a later date. Expenses are split pro-rata between Ordinary Shares and 2016 C Shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Share Capital (Continued)

Shares Repurchased

On 21 November 2019 the Directors were granted authority to repurchase 53,403,947 Ordinary Shares and 20,824,741 2016 C Shares (being equal to 14.99% of the number of Ordinary Shares and 2016 C Shares in issue) for cancellation or to be held as treasury shares. This authority will expire at the forthcoming AGM. The Directors intend to seek annual renewal of this authority from shareholders. Pursuant to this authority, and subject to Companies Law and the discretion of the Directors, the Company may purchase Ordinary Shares and 2016 C Shares in the market if they believe it to be in shareholders' interests; in particular, as a means of correcting any imbalance between the supply and demand for Ordinary Shares and 2016 C Shares.

During the period, 288,156 (30 June 2019: 321,316) Ordinary Shares were repurchased and are being held in treasury. Nil (30 June 2019: Nil) 2016 C Shares were repurchased during the period. As at 31 December 2019, 1,731,838 (30 June 2019: 1,443,682) Ordinary Shares are held in treasury.

The Company's share capital is denominated in Sterling.

	Number of Shares	Stated Capital	Number of Shares	Stated Capital
	31 December 2019 (Unaudited)	31 December 2019 (Unaudited) £	30 June 2019 (Audited)	30 June 2019 (Audited) £
Ordinary Shares	355,975,669	352,151,873	356,263,825	352,389,718
2016 C Shares	138,924,222	136,504,072	138,924,222	136,504,072
Total	**494,899,891**	**488,655,945**	**495,188,047**	**488,893,790**

Issued Share Movements

	31 December 2019		30 June 2019	
	Number (Unaudited)	Stated Capital (Unaudited) £	Number (Audited)	Stated Capital (Audited) £
Balance at the start of the period	**495,188,047**	**488,893,790**	**495,509,363**	**489,189,319**
Ordinary Shares repurchased	(288,156)	(237,845)	(321,316)	(295,529)
Balance at the end of the period	**494,899,891**	**488,655,945**	**495,188,047**	**488,893,790**

The number of shares in issue does not include 1,731,838 (30 June 2019: 1,443,682) treasury shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Dividends

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

The table below details the dividends declared by the Company to its shareholders each month from May 2019 to November 2019.

Period (Unaudited)	Announcement Date	Payment Date	Amount per Share	Amount
Ordinary Shares				**£**
1 to 31 May 2019	24 June 2019	26 July 2019	0.6042p	2,152,546
1 to 30 June 2019	23 July 2019	23 August 2019	0.6042p	2,152,546
1 to 31 July 2019	27 August 2019	27 September 2019	0.6042p	2,152,546
1 to 31 August 2019	30 September 2019	25 October 2019	0.6042p	2,152,546
1 to 30 September 2019	28 October 2019	29 November 2019	0.6042p	2,152,546
1 to 31 October 2019	22 November 2019	27 December 2019	0.6042p	2,151,490
1 to 30 November 2019	20 December 2019	24 January 2020	0.6042p	2,151,490
Total				**15,065,710**
2016 C Shares				**£**
1 to 31 May 2019	24 June 2019	26 July 2019	0.6042p	839,380
1 to 30 June 2019	23 July 2019	23 August 2019	0.6042p	839,380
1 to 31 July 2019	27 August 2019	27 September 2019	0.6042p	839,380
1 to 31 August 2019	30 September 2019	25 October 2019	0.6042p	839,380
1 to 30 September 2019	28 October 2019	29 November 2019	0.6042p	839,380
1 to 31 October 2019	22 November 2019	27 December 2019	0.6042p	839,380
1 to 30 November 2019	20 December 2019	24 January 2020	0.6042p	839,380
Total				**5,875,660**
Grand Total				**20,941,370**

The dividend for December 2019 had a declaration date after the period end and is detailed in note 20. On 18 March 2020, the Company announced that the Board had resolved to suspend the declaration of further dividend payments on both the Ordinary and 2016 C share classes, refer to note 20 for further information.

The Company declared and paid the following dividends to its shareholders during the period ended 31 December 2018:

Period (Unaudited)	Announcement Date	Payment Date	Amount per Share	Amount
Ordinary Shares				**£**
1 to 30 June 2018	23 July 2018	16 August 2018	0.6042p	2,152,546
1 to 31 July 2018	21 August 2018	17 September 2018	0.6042p	2,152,546
1 to 31 August 2018	21 September 2018	17 October 2018	0.6042p	2,152,546
1 to 30 September 2018	19 October 2018	19 November 2018	0.6042p	2,152,546
1 to 31 October 2018	21 November 2018	17 December 2018	0.6042p	2,152,546
Total				**10,762,730**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Dividends (Continued)

2016 C Shares				**£**
1 to 30 June 2018	23 July 2018	16 August 2018	0.3333p	463,035
1 to 31 July 2018	21 August 2018	17 September 2018	0.4167p	578,897
1 to 31 August 2018	21 September 2018	17 October 2018	0.6042p	839,380
1 to 30 September 2018	19 October 2018	19 November 2018	0.6042p	839,380
1 to 31 October 2018	21 November 2018	17 December 2018	0.6042p	839,380
Total				**3,560,072**
Grand Total				**14,322,802**

16. Segmental Reporting

There are two reportable segments as at 31 December 2019: Ordinary Shares and 2016 C Shares. Each Share Class has its own portfolio, is listed separately on the Main Market of the London Stock Exchange and the Directors review internal management reports for each segment separately on a quarterly basis.

The Directors view the operations of the two reportable segments as one operating segment, being investment business and both segments have the same investment objectives. All significant operating decisions are based upon analysis of the Group's investments as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

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

31 December 2019 (Unaudited)	**Ordinary Shares**	**2016 C Shares**	**Total**
	£	**£**	**£**
Total income	11,907,304	6,229,576	18,136,880
Net realised and unrealised loss	(323,356)	(440,319)	(763,675)
Total expenses	(78,229,779)	(917,118)	(79,146,897)
Total comprehensive income for the period	**(66,645,831)**	**4,872,139**	**(61,773,692)**

31 December 2018 (Unaudited)	**Ordinary Shares**	**2016 C Shares**	**Total**
	£	**£**	**£**
Total income	14,766,763	5,306,033	20,072,796
Net realised and unrealised loss	(1,157,709)	(124,313)	(1,282,022)
Total expenses	(3,496,819)	(854,189)	(4,351,008)
Total comprehensive income for the period	**10,112,235**	**4,327,531**	**14,439,766**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Segmental Reporting (Continued)

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

31 December 2019 (Unaudited)	Ordinary Share £	2016 C Share £	Total £
Non-current assets	233,310,266	124,560,928	357,871,194
Current assets	26,772,782	12,531,066	39,303,848
Total assets	**260,083,048**	**137,091,994**	**397,175,042**
Current liabilities	(3,893,538)	(1,741,941)	(5,635,479)
Net assets	**256,189,510**	**135,350,053**	**391,539,563**
Equity	**256,189,510**	**135,350,053**	**391,539,563**

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

17. Credit Risk

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

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

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

The tables below details the expected credit loss provision ("ECL") of financial assets in each stage:

31 December 2019 (Unaudited)

	Stage 1	Stage 2	Stage 3	Total
	£	£	£	£
Finance Lease and Hire Purchase	55,310,869	13,846,992	33,684,489	102,842,350
ECL	(41,155)	(36,193)	(17,992,688)	(18,070,036)
Total (net of the ECL)	**55,269,714**	**13,810,799**	**15,691,801**	**84,772,314**
Loans and other investment	178,902,951	8,808,120	128,402,151	316,113,222
ECL	(92,983)	(48,930)	(63,991,672)	(64,133,585)
Total (net of the ECL)	**178,809,968**	**8,759,190**	**64,410,479**	**251,979,637**
Total ECL[1]	**(134,138)**	**(85,123)**	**(81,984,360)**	**(82,203,621)**

[1]Total ECL of £82,203,621, includes unrealised foreign exchange gain of £143,516 for the six month period ended 31 December 2019.

30 June 2019 (Audited)

	Stage 1	Stage 2	Stage 3	Total
	£	£	£	£
Finance Lease and Hire Purchase	48,268,699	50,319,577	-	98,588,276
ECL	(35,098)	(547,921)	-	(583,019)
Total (net of the ECL)	**48,233,601**	**49,771,656**	**-**	**98,005,257**
Loans and other investment	193,321,222	98,079,296	29,921,817	321,322,335
ECL	(112,586)	(3,038,855)	(4,090,338)	(7,241,779)
Total (net of the ECL)	**193,208,636**	**95,040,441**	**25,831,479**	**314,080,556**
Total ECL	**(147,684)**	**(3,586,776)**	**(4,090,338)**	**(7,824,798)**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(a) Stage 1

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

During the period, four investments that were classified as Stage 1 as at 30 June 2019 are now classified as Stage 2.

During the period, one financial asset that was classified as stage 2 has been split into two segments and one segment has moved to stage 1. The other segment has moved to stage 3 and appears as item (c) 3 below.

Ref	Industry	Carrying Amount (£ 000)	Description
(a) 1	Paper	3,865	This hire-purchase investment, which forms part of the Ordinary Share class portfolio, has been classified as stage 1 as at 31 December 2019. The investment represents the finance facility provided to a management-led buyout vehicle that is referred to in item c (3) below. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £1,933 as at 31 December 2019.

(b) Stage 2

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

Ref	Industry	Carrying Amount (£ 000)	Description
(b) 1	Wholesale Portfolios	9,250	This hire purchase investment, which forms part of the Ordinary Share Class portfolio, has been classified as stage 2 as at 31 December 2019. The investment is split between two separate categories (hire purchase and construction finance). Service payments in the sum of £117,056 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £24,473 as at 31 December 2019. Total exposure including all amounts due was £9,367,363.
		580	This construction finance investment, which forms part of the Ordinary Share Class portfolio, has been classified as stage 2 as at 31 December 2019. The investment is split between two separate categories (hire purchase and construction finance). The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £759 as at 31 December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

(b) Stage 2 (Continued)

Ref	Industry	Carrying Amount (£ 000)	Description
(b) 2	Hospitality	2,508	This secured loan investment, forms part of the Ordinary Share Class portfolio, has been classified as stage 2 as at 31 December 2019. As at 31 December 2019, interest and loan repayments in the sum of £6,193,110 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £32,751 as at 31 December 2019. Total exposure including all amounts due was £8,701,238.

During the period, four financial assets moved from Stage 1 to Stage 2.

Ref	Industry	Carrying Amount (£ 000)	Description
(b) 3	Energy	737	This finance lease investment, which forms part of the Ordinary Share Class portfolio, has been classified as stage 2 as at 31 December 2019. The turbines have encountered a technical issue which means that they were unable to generate power, the leasee continues to make service payments. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £1,801 as at 31 December 2019.
(b) 4	Plastics	232	This finance lease investment, which forms part of the Ordinary Share Class portfolio, has been classified as stage 2 as at 31 December 2019 and income recognition is suspended. Interest accrued prior to the suspension in the sum of £5,001 is past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £418 as at 31 December 2019. Total exposure including all amounts due was £236,812.
(b) 5	Energy	3,592	This finance lease investment, which forms part of the 2016 C Share Class portfolio, has been classified as stage 2 as at 31 December 2019. Service payments in the sum of £99,601 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £9,502 as at 31 December 2019. Total exposure including all amounts due was £3,691,512.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

(b) Stage 2 (Continued)

Ref	Industry	Carrying Amount (£ 000)	Description
(b) 6	Automotive	5,671	This secured loan investment, which forms part of the 2016 C Share Class portfolio, has been classified as stage 2 as at 31 December 2019. Interest and loan repayments in the sum of £366,925 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £15,419 as at 31 December 2019. Total exposure including all amounts due was £6,038,175.
Total for Stage 2		**22,570**	

(c) Stage 3

The Directors, after taking advice from and consulting with the Investment Managers, consider these financial assets to be stage 3.

Ref	Industry	Carrying Amount (£ 000)	Description
(c) 1	Anaerobic Digestion	9,057	This construction finance investment, which forms part of the Ordinary Share Class portfolio has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £14,149,366 as at 31 December 2019.
(c) 2	Anaerobic Digestion	3,401	This construction finance investment, which forms part of the Ordinary Share Class portfolio has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £4,980,486 as at 31 December 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

(c) Stage 3 (Continued)

During the period, ten financial assets moved from stage 2 to stage 3:

Ref	Industry	Carrying Amount (£ 000)	Description
(c) 3	Paper	5,271	This hire-purchase investment, which forms part of the Ordinary Share class portfolio, has been classified as stage 3 as at 31 December 2019. In addition to the hired assets, the investment benefited from fixed and floating charges over land, raw materials, finished goods and book debts. The hirer company entered administration in January 2019 and income recognition was subsequently suspended. The hirer company continued trading under the supervision of the administrators until September 2019, when the business and assets were purchased by a management-led buyout vehicle. The buyout was part-funded by the Company by provision to the buyout vehicle of a new hire-purchase facility (see item (a) 1 above) of £3.8 million in respect of the plant and machinery assets. As at 31 December 2019, it was expected that the balance of the carrying amount as at the date of the buyout would be recoverable from the realisation of the security assets. The balance of the carrying amount is stated in the adjacent column. Other receivables in the sum of £20,426 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £244,921 as at 31 December 2019.
(c) 4	IT & Telecom	3,837	This secured loan investment, which forms part of the Ordinary Share class portfolio, has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. Interest accrued prior to the suspension in the sum of £707,345 is past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £239,184 as at 31 December 2019. Total exposure including all amounts due was £4,544,500.
(c) 5	Anaerobic Digestion	9,596	This finance lease investment, which forms part of the Ordinary Share Class portfolio, has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. Service payments in the sum of £4,486,153 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £17,352,503 as at 31 December 2019. Total exposure including all amounts due was £14,081,878.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

(c) Stage 3 (Continued)

(c) 6	Anaerobic Digestion	10,598	This construction finance investment, which forms part of the Ordinary Share Class portfolio, has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. Other receivables in the sum of £76,530 were past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £28,583,881 as at 31 December 2019. Total exposure including all amounts due was £10,675,004.
(c) 7	Construction	301	This hire-purchase investment, which forms part of the Ordinary Share class portfolio, has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £300,840 as at 31 December 2019.
(c) 8	Anaerobic Digestion	15,580	This construction finance investment, forms part of the Ordinary Share Class portfolio, has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. The investment is split between two separate categories (construction finance and finance lease). Income on the investment is suspended as at 31 December 2019. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £11,964,108 as at 31 December 2019.
		51	This finance lease investment, forms part of the Ordinary Share Class portfolio, has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. The investment is split between two separate categories (construction finance and finance lease). The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £40,750 as at 31 December 2019.
(c) 9	Anaerobic Digestion	2,198	This construction finance investment, forms part of the Ordinary Share Class portfolio, has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. Interest accrued prior to the suspension in the sum of £280,367 is past due by more than 30 days. The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £1,893,572 as at 31 December 2019. Total exposure including all amounts due was £2,478,821.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

(c) Stage 3 (Continued)

Ref	Industry	Carrying Amount (£ 000)	Description
(c) 10	Manufacturing	19,739	This secured loan investment, forms part of the Ordinary Share Class portfolio, has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. The investment is split between two separate categories (construction finance and finance lease). The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £2,181,075 as at 31 December 2019. The Group had provided debtor-in-possession financing for this finance investment, in order to protect the Group's interest in the equipment that secures its loan. The Group sold its interest in the debtor-in-possession financing in exchange for cash and as consideration for the counterparty to enter into a new lease agreement. US$2.18 million remained outstanding as at 31 December 2019 (equivalent to £1.65 million) which is recoverable under the new lease agreement, the ultimate sale of the equipment, and/or a corporate guarantee that is currently being litigated.
		473	This finance lease investment, forms part of the Ordinary Share Class portfolio has been classified as stage 3 as at 31 December 2019 and income recognition is suspended. The investment is split between two separate categories (construction finance and finance lease). The Directors, after taking advice from and consulting with the Investment Managers, have applied an ECL of £53,674 as at 31 December 2019.
Total for Stage 3		**80,102**	

(d) Restructurings

During the period, seven investments totalling £38,339,986 (30 June 2019: five investments totalling £52,540,068) were restructured resulting in repayment terms or the finance rate being amended. As at 31 December 2019, the Group continues to hold them at the carrying value in the financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

(d) Restructurings (Continued)

The table below details the investments that have been restructured:

Ref	Industry	Carrying Amount (£ 000)	Comment
(d) 1	Transportation	14,011	This secured loan investment, which forms part of the Ordinary Share class portfolio, was restructured during the period, by an extension of the lease period by 16 months. The investment has been classified as stage 1 as at 31 December 2019 and is performing in accordance with the amended terms.
(d) 2	Agriculture	2,395	This finance lease investment, which forms part of the Ordinary Share class portfolio, was restructured during the period by an extension of the lease period by 75 months and reduction of the finance interest rate by 1% per annum from 11.5% to 10.5%. The investment has been classified as stage 1 as at 31 December 2019 and is performing in accordance with the amended terms.
(d) 3	Transportation	5,505	This secured loan investment, which forms part of the 2016 C Share class portfolio, was restructured during the period with an extension of the lease period by 9 months. The investment has been classified as stage 1 as at 31 December 2019 and is performing in accordance with the amended terms.
(d) 4	Environment	4,788	This finance lease investment, which forms part of the 2016 C Share portfolio, was restructured during the period by amendment of the payment terms over the following 12 months. The investment has been classified as stage 1 as at 31 December 2019 and is performing in accordance with the amended terms.
(d) 5	Marine	699	This finance lease investment, which forms part of the 2016 C Share portfolio, was restructured during the period by novation of the contract to an associate company (of the lessee). The investment has been classified as stage 1 as at 31 December 2019 and is performing in accordance with the amended terms.
(d) 6	Automotive	5,671	This secured loan investment, which forms part of the 2016 C Share portfolio, was restructured during the period by amendment of the payment terms over the remaining 63 months. The investment has been classified as stage 2 as at 31 December 2019 (see (b) 6 above). Total exposure including all amounts due was £6,038,175.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Credit Risk (Continued)

(d) Restructurings (Continued)

Ref	Industry	Carrying Amount (£ 000)	Comment
(d) 7	Paper	5,271	This hire-purchase investment, which forms part of the Ordinary Share class portfolio, was restructured during the period. The investment has been classified as stage 3 as at 31 December 2019 (see (c) 3 above) and income recognition is suspended.
		38,340	

18. Derivative Financial Assets / (Liabilities)

As at 31 December 2019, the Group had the following open forward foreign exchange contracts grouped by the settlement month and the currency pair:

	Notional			
Buy/Sell Currency	**Foreign Currency**	**GBP**	**Fair Value / GBP Equivalent**	**Settlement Date Month/Year**
GBP/EUR	1,925,543	1,664,111	31,597	January 2020
GBP/USD	27,446,879	21,972,469	1,259,471	January 2020
GBP/EUR	16,490,627	14,265,468	273,462	February 2020
GBP/USD	36,864,707	29,384,695	1,630,417	March 2020
GBP/EUR	40,911,866	35,721,617	913,332	April 2020
GBP/USD	40,550,000	33,005,046	2,498,553	April 2020
GBP/USD	47,009,314	36,110,456	805,285	June 2020
			7,412,117	

As at 30 June 2019, the Group had the following open forward foreign exchange contracts grouped by the settlement month and the currency pair:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Related Party Transactions

Below are details of any significant updates to the related party disclosure in the Annual Report and Audited Consolidated Financial Statements for the year ended 30 June 2019.

During the period, the management fees due to the Investment Managers amounted to £2,272,037 (31 December 2018: £2,347,577). At 31 December 2019, £361,939 (30 June 2019: £378,308) of the management fees was payable to the Investment Managers.

Under the Investment Management Agreement, the Investment Managers are also entitled to structuring fees, which are based on the value of new investments. During the period, structuring fees of £148,479 (31 December 2018: £11,702) were received by the Investment Managers.

The Investment Managers also receive commitment fees, that are paid by investees direct (these are not paid by the Group). During the period, commitment fees of £80,534 (31 December 2018: £476,339) were received by the Investment Managers.

SQN Asset Finance (Ireland) DAC
The Group holds the following bonds issued by SQN Ireland:

	31 December 2019	30 June 2019
EUR denominated bonds	€39,666,855	€45,060,268
USD denominated bonds	$39,199,812	$40,735,970
GBP denominated bonds	£66,156,666	£66,797,828

The EUR and USD comparatives as at 30 June 2019 have been restated in the table above.

The UK Asset Manager, the wholly owned subsidiary of the US Investment Manager which is the authorised investment fund manager, acts as investment manager to SQN Ireland.

Share Interest

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

	31 December 2019		30 June 2019	
Director	Number of Ordinary Shares	Number of 2016 C Shares	Number of Ordinary Shares	Number of 2016 C Shares
Neil Roberts	149,645	45,734	149,645	45,734
Tim Spring	62,816	103,145	162,816	61,802

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Related Party Transactions (Continued)

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

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

Paul Meader's shares are held in the name of his spouse Sarah Kingwell

20. Events after the Reporting Period

On 20 January 2020, the Company announced that it was undertaking a review of the models and projections supporting the carrying values of six AD plants held in the Ordinary Share portfolio (the 2016 C Share portfolio has no exposure to AD assets).

Three of the plants had not reached targeted operational capacity and a further three were performing at or above the targeted operational capacity but feedstock costs have been higher than originally anticipated.

In the interests of prudent risk management, the Board appointed KPMG as a third-party valuer to provide an independent assessment of the valuation of these assets. The Board used this independent assessment to value the six AD plants in these financial statements.

This resulted in the December 2019 NAV for the Ordinary Shares being put on hold until that external valuation was received. Refer below for further information on external valuation review performed as announced on 31 March 2020.

On 24 January 2020, the December 2019 NAV for the 2016 C Shares was announced and the Company declared a dividend of 0.6042p per share for both the Ordinary Shares and the 2016 C Shares, for the month ended 31 December 2019. The dividends were paid to shareholders on 28 February 2020.

On 24 January 2020, the Company announced that it had taken the decision to conduct a strategic review of the Company's operations and that it would be wide-ranging to include the provision of investment management services.

On 12 February 2020, the Company was advised by the Investment Managers and therefore announced that Neil Roberts, the Managing Director of the UK Asset Manager, was leaving that company in accordance with a timeframe established in 2014 at the time of the Company's Initial Public Offering. He continues in his role as Chairman of the US Investment Manager.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Events after the Reporting Period (Continued)

On 21 February 2020, the January 2020 NAV for the 2016 C Shares was announced and the Company declared a dividend of 0.6042p per share for both the Ordinary Shares and the 2016 C Shares, for the month ended 31 January 2020. The dividends were paid to shareholders on 27 March 2020.

On 25 February 2020, it was announced that Paul Meader had been appointed Senior Independent Director with immediate effect.

On 18 March 2020, the Board of the Company announced that it had instructed the Investment Managers to close out the forward foreign exchange derivatives used to hedge non Sterling exposures back to Sterling.

This was in view of margin calls on its forward foreign exchange derivatives as Sterling had notably weakened. The Board therefore believed that it was in shareholders' best interests to seek to preserve liquidity and act promptly and prudently in advance of any further adverse foreign exchange moves which could create liquidity pressures for the Company.

During the period from the date of the Statement of Financial Position to the date that the condensed consolidated financial statements were approved, the COVID-19 outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The quantum of the effect is difficult to determine, however the Group is monitoring the situation and considering the effect it may have on the valuation of any impacted underlying portfolio companies in the future.

Also on 18 March 2020, the Company announced that in light of the ongoing uncertainty in economies and markets, the Board had resolved to suspend the declaration of further dividend payments on both the Ordinary and 2016 C share classes until further notice. In order to conserve liquidity, no further dividends would be declared until further clarity on the impact of COVID-19 was available and the results of the strategic review were determined.

In addition it was advised that the Investment Managers were contacting the Company's borrowers to review and determine the extent to which COVID-19 was impacting their businesses and the effects the virus will have on their businesses and their ability to maintain their financial commitments to the Group and would be reporting to the Board and shareholders in due course.

The rapid development of the COVID-19 virus and the fluidity of the situation makes it very difficult to estimate its ultimate impact at this relatively early stage, either on asset values or cashflow.

Where there are strains the Group may be asked to relax covenants or payments schedules and the Group will look at those on a case by case basis. The Group will ensure the maintenance of a continuing positive cashflow for the Company.

On 24 March 2020, the February 2020 NAV was announced for the 2016 C Shares.

On 31 March 2020, the December 2019, January 2020 and February 2020 NAVs were announced for the Ordinary Shares.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Events after the Reporting Period (Continued)

On 31 March 2020, the outcome of external valuation review of the AD plants was released. Further details on the external valuation can be found in the Chairman's Statement, the Investment Managers' Report and note 9.1.

21. Reconciliation of NAV to Published NAV

Dividends are included in the published NAV on the ex-dividend date, in the unaudited condensed consolidated financial statements dividends have been included on the announcement date in line with IFRS. The following table details the change in NAV to the one announced via the Regulatory News Service:

31 December 2019	Ordinary Shares £	Ordinary Shares per share	2016 C Shares £	2016 C Shares per share
Published NAV	258,341,000	72.57p	136,189,433	98.03p
November 2019 dividend	(2,151,490)	(0.6)p	(839,380)	(0.6)p
NAV attributable to shareholders	**256,189,510**	**71.97p**	**135,350,053**	**97.43p**

22. Ultimate Controlling Party

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

Alternative Performance Measures

1. Share Price Premium / (Discount)

The share price premium / (discount) to NAV has been calculated as the percentage difference between the NAV per share and the closing share price of the Ordinary Shares and 2016 C Shares on the same date (source: Bloomberg).

Reason for use

To provide transparency in the difference between the NAV and the Ordinary Share and 2016 C Share price and to help investors identify and monitor the performance of the Group.

2. Dividend yield

The dividend yield is calculated as a percentage and calculated by dividing the value of dividends paid per Ordinary Share and 2016 C Share in a particular year by the share price from Bloomberg as at 31 December 2019. For the Half Yearly Report the dividends paid during the period are multiplied by two to give an estimated annual dividend. The annual dividend used for this calculation for both Ordinary Shares and 2016 C Shares was 7.25 pence per share.

Reason for use

To provide shareholders with the yield they could expect by purchasing Ordinary Shares and 2016 C using the Ordinary Share and 2016 C Share price as at 31 December 2019.

3. NAV Total Return

NAV total return per share is calculated as the movement in the NAV per share plus the total dividends paid per share during the period, with such dividends paid being re-invested at the prevailing NAV on a monthly basis.

Total return since inception is for the period 31 July 2014 to 31 December 2019 for Ordinary Shares and 31 December 2016 to 31 December 2019 for 2016 C Shares.

Reason for use

To provide transparency in the Company's performance and to help investors identify and monitor the compounded total returns of the Company.

Annualised return

The 3 year annualised return is calculated as the geometric average amount of money earned each year over the past 3 years.

Reason for use

To provide transparency of the Company's performance and to help investors identify and monitor their total return over a 3 year period if the annual return was compounded.

4. Weighted Average Yield

The weighted average yield on the Group's assets to maturity is based on the interest rate applicable to each asset, giving effect to all upfront or similar fees or original issue discount payable with respect to each asset.

Weighted Average Yield has been calculated using performing assets only.

Reason for use

To illustrate the expected return on the Group's assets to maturity.

Alternative Performance Measures (Continued)

5. Weighted Average Remaining Term
The weighted average remaining term ("WART") is the money weighted average amount of time until the maturity of the Group's investments. The higher the WART, the longer it takes for all of the investments in a portfolio to be realised.

WART has been calculated using performing assets only.

Reason for use
To provide transparency of the Group's performance and to help investors identify whether the WART matches their investing time frame.

6. Dividend cover
Dividend cover indicates the capacity of the Group to pay dividends out of the total comprehensive income attributable to shareholders. The dividend cover has been calculating by dividing total comprehensive income by the dividends paid during the period. A result of 1 or more means that the dividend is covered by total comprehensive income. A result less than 1 means that the dividend is not covered by total comprehensive income.

Reason for use
To provide transparency by illustrating if dividends are being covered by the income received by the Group.

COMPANY INFORMATION

Non-Executive Directors

Peter Niven
(Chairman)

John Falla
(Chairman of Audit and Risk Committee)

Dr Jacqueline Redmond
(Appointed 4 December 2019)

Christopher Spencer
(Chairman of Management Engagement Committee)

Paul Meader
(Chairman of Remuneration and Nomination Committee) (Appointed as a Senior Independent Director on 25 February 2020)

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Designated Administrator, Custodian and Secretary
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