SQN ASSET FINANCE INCOME FUND LIMITED

Interim report and accounts 2014

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

SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements for the period 28 May 2014 to 31 December 2014

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KEY FIGURES

FINANCIAL HIGHLIGHTS AND PERFORMANCE SUMMARY

	At 31 December 2014 (Sterling in millions, except per share data)
Profit for the period	1.87
Earnings per share	1.25p
Market capitalisation	159.56
Total Net Asset Value	148.38
Net Asset Value per share	98.92p
Investments	72.04
Cash and Cash Equivalents	76.32
Dividend paid during the period	0.40p

Chairman's statement

In this inaugural report, I am pleased to announce the results of the SQN Asset Finance Income Fund Limited (the "Company" and together with its subsidiaries, "the Group") for the period ended 31 December 2014.

The Group commenced trading with an over-subscribed initial public offering (the "IPO"), on the Main Market of the London Stock Exchange, of £150m on 14 July 2014. In the period to 31 December 2014 (the "Period"), the Group invested £72m and built a diversified portfolio of asset and equipment financings. As of 31 January 2015, the Group had funded an additional approximately £13m and in total had credit approved and committed to funding approximately £140.6m representing 93.7% of the capital raised during the IPO.

During the Period, the Group paid a dividend of 0.40 pence per share for the period ended 30 September 2014. In January 2015, the Group announced a second dividend of 0.92 pence per share be paid for the quarter ended 31 December 2014 and in February, the Group announced the first monthly dividend for January be paid in the amount of 0.30 pence per share.

During the Period, the Group made 22 investments and generated an operating profit of £1,873,273 or 1.249 pence per Ordinary Share.

Expenses related to the offering process were less than anticipated and current running expenses of the Group are in line with expectations at the time of the Prospectus.

The ramp-up and capital deployment schedule has been slightly slower than originally anticipated, in part, because the maximum offering amount was raised during the successful IPO. Also contributing to the slower ramp-up are the prolonged drawing schedules of some of the higher yielding transactions the Group has committed to fund. On a net basis, the higher yields being achieved on these investments, which tend to be longer term, should more than offset the drag created in any extended deployment period.

To date, the average projected yield on investments made is 9.84% which is higher than the initial fund model anticipated. This is a function of the broader range of investments available to the Group having reached a meaningful critical mass coupled with a more efficient funding process than banks and the Company's specialisation in middle market assets which, for our purposes, is defined as collateralised investment opportunities between £1m and £20m.

The average investment size, excluding the Group's interest in the seasoned portfolios of equipment leases, is approximately £3.2m with the committed funding pipeline looking to maintain an average in the £3m to £6m range as anticipated at the time of the Prospectus.

Chairman's statement (continued)

The Group does not foresee any negative impact from falling oil prices on the portfolio primarily because all of the underlying assets and equipment are on fixed contracts and lower energy costs generally contribute to better operating margins for the end-users.

Further, committed and approved investments in the energy asset class relate to electricity generation where prices remain firm and also have the benefit of long-term power purchase agreements or are in industries less sensitive to falling energy costs.

The Net Asset Value ("NAV") of the Group stayed within the range of 98.00 and 98.92 pence per share over the Period. The expectation is that the Group should start to experience NAV growth after paying monthly dividends once the Group reaches the 85% invested threshold which is targeted for the second quarter of this year.

At 31 January, as a percentage of the NAV, the Group has 25.65% of the assets in US Dollar denominated investments and 8.93% in Euro denominated investments with the balance of assets, including un-invested cash, in Sterling. Currently, all non-Sterling investments in the portfolio are fully hedged. As the portfolio fills out, it is expected that the Dollar and Euro positions will increase and will be hedged where appropriate with the cost of the hedge priced into the investments. The Group was fortunate in experiencing some foreign exchange gains while implementing the hedges for some of the earlier seasoned US Dollar portfolio investments.

The Group has in place comprehensive policies and procedures and has engaged third-party service providers where necessary to ensure compliance with all Alternative Investment Fund Management Directives ("AIFMD") and Foreign Account Tax Compliance Act ("FATCA") requirements.

Overall, the portfolio is being methodically built to generate regular monthly income for investors derived from a diversified base of assets and equipment that should be insulated from broader market conditions. The funding pipeline is robust with an abundance of new opportunities in the marketplace whilst the Group is exploring a number of strategic opportunities which are believed to have the potential to generate repeat deal flow and attractive yields. The Group does not see any significant change in the competitive landscape from independent financing sources or banks and can only benefit from rising interest rates. With the positive momentum, the Group looks forward to returning to the market early in the second quarter to raise additional capital.

Peter Niven
Chairman
24 February 2015

INVESTMENT MANAGER'S REPORT

Overview

The Group's commencement of operations in July of 2014 came in the middle of a period of tremendous opportunity in the industry. As reported in the Asset Finance International Weekly News:

> *"The UK asset finance market has achieved exceptional growth through 2014, and a healthy rate of growth looks likely to continue in 2015.*
>
> *The latest figures released by the Finance & Leasing Association (FLA) reveal that new business volumes (NBV) totalled £25.4 billion in 2014, and that the annual growth rate of 13% was the strongest for at least seven years. The milestone of £25 billion of new business was passed in November, the first time that figure had been exceeded since the 2009 recession."*

The strength of the market combined with the Group's focus on investments between £1m and £20m and the magnitude of the capital raised during the IPO enabled us, as Manager, to build a robust portfolio in terms of collateral strength, diversity, and yield.

The Group's objective is to provide non-correlated returns and regular cash flow with downside protection by way of the value of underlying assets and equipment and other available enhancements. In order to achieve this objective, we utilise a variety of different structures to optimise the security package, maximise the yield, and minimise taxes.

Depending on the circumstances, including the jurisdiction in which the asset or equipment is located, we may use a lease structure (including hire purchase agreements), a loan structure, or a participation structure and, in many cases, a combination.

A lease alone can be the appropriate structure for relatively smaller assets where the equipment is the entire collateral package. It is fairly simple to include a corporate guarantee, when required, to a lease. Depending on the jurisdiction though, a lease can generate certain taxes such as sales and use tax, property tax, and withholdings that may not be applicable in a loan structure.

The loan structure, in many cases, is the most tax efficient and can most effectively incorporate a comprehensive security package which can include additional collateral, pledges of shares, and charges over operating bank accounts among other things. A loan is not always the right structure though because, in certain jurisdictions, it can be considered a regulated security which comes with complications or limitations that may want to be avoided and can also be subject to withholdings.

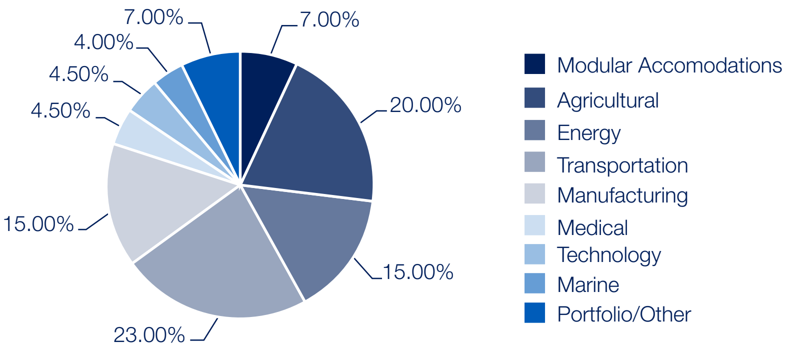
A participation structure, which can also be in the form of a residual sharing agreement or an interest in a special purpose entity, can be the appropriate structure when investing in a number of underlying assets that generate revenue independently from one another but not in a way that can be predetermined. This allows the financing source to have clear access to the gross revenues of the collective assets and cross-collateralises them as security. This is also an effective structure when co-investing alongside an equity participant, a bank, or another sophisticated funding partner.

When using the structures above, it is often necessary or advisable that the Group or an affiliate of the Group either own or control the special purposes entities. When this occurs, these transactions will be considered Related Party Transactions and separately disclosed in the financial statements. Please refer to note 13 – Related Party Transactions for more details.

Investment Portfolio

Through 31 December 2014 and remaining the case through the date of this report, investments in the portfolio were spread over more than 10 different asset classes with transportation equipment making up the largest single asset class followed by manufacturing equipment and modular buildings. As the approved and committed transactions continue to draw down, it is expected that the agricultural and energy asset classes will also account for a meaningful portion of the portfolio.

Projected Asset Diversification of Fully Invested Portfolio



Investments described below include transactions closed subsequent to period-end but which were committed to at period-end and closed in early January 2015. We believe providing details on these transactions gives more insight into the portfolio and therefore they are included below but noted as “Post Period-end.”

Transportation Assets

The transportation assets consist of first lien financings of unleveraged marine vessels, a senior interest in a portfolio of helicopters (*Post Period-end*), and ground support equipment.

Four of the six vessels are Jumbo Class Multipurpose Vessels built between 2007 and 2009. The term of the financing is 60 months. (*Post Period-end*)

Two of the six vessels are Supramax Dry Bulk Carriers built in 2002 and 2003. The term of the financing is 48 months.

The average advance rate against the market value of the vessels at the time of the financing was approximately 75%. The Group does not have any residual exposure on these transactions and each are backed by corporate guarantees.

We believe that, when priced and structured correctly, investments in marine vessels are an excellent way to deliver regular cash flow over a long period with a relatively liquid underlying asset as collateral. The key, in our opinion, is low levels or no leverage, strong operators with a long term view of the market, a focus on vessels with substantial remaining life, and the ability to hold the vessels through cycles without external pressure to sell. The first and last points are where we see our strategy differing from many of the financial investors in the market place today and why we believe we have a competitive advantage in the space.

The portfolio of helicopters includes eight helicopters on lease to three separate U.S. public companies. (*Post Period-end*)

Four of the eight helicopters are sub-leased to the U.S. military of which two are in service on NATO missions, one is in service with the U.S. Navy, and one is in service with the U.S. Army.

These helicopters are all used to transport personnel and deliver supplies and humanitarian aid. These leases expire between 2016 and 2019. Another one of the helicopters is used for emergency medical transportation for a hospital in Missouri in the U.S. This lease expires at the end of 2015 but has annual extension options which are expected to be exercised. The remaining three helicopters are in service with private corporations and have lease expiries between October 2018 and December 2019.

The ground support equipment includes de-icers, pallet loaders, tow tractors, refuelers, and aircraft air conditioning and heating units. All of the equipment is subject to operating leases with established enterprises in the U.S. and throughout Europe. The greater part of these investments was acquired as part of a seasoned portfolio of diversified assets.

Manufacturing Equipment

The manufacturing equipment in the portfolio ranges from machine tools and automotive manufacturing equipment (*Post Period-end*) to large scale industrial presses used to puncture steel. The end-users are US Fortune 500 Companies or the manufacturers of name brand household items.

The largest position the Group has in manufacturing equipment is in the semiconductor industry under three lease-backed loans.

INVESTMENT MANAGER'S REPORT (CONTINUED)

The equipment is used for the fabrication and testing of semiconductors that are key components in the leading mobile devices as well as in electronics such as televisions and in airbags for a variety of high-end automobiles.

Modular Building

The Group has provided financing for modular accommodations designed as portable hotel bedroom units. The units consist of 592 beds in the form of luxury on-site accommodations used at major events and festivals across the U.K., Ireland, and the Isle of Man. The assets are subject to a seven year full payout lease with a three year extension option.

Agricultural Assets

The agricultural assets in the portfolio include industrial farming equipment, a Dairy Analyser, and financing for anaerobic digestion plants on farms in the U.K.

The industrial farming equipment is on lease to one of the largest food, agriculture, and industrial products and services companies in the world. The equipment is specially designed to apply fertilizers, protective farm chemicals, and nutrients to the fields.

The Process Scan Dairy Analyser is to ensure the standardisation of milk and liquid dairy products and is installed directly in the production line of a major consumer goods manufacturer to provide accurate measurements of fat, protein, lactose, and total solids.

The financing opportunities that we believe add the most value to the portfolio at this time are the investments in anaerobic digestion plants and facilities at farms throughout the U.K. Not only are these well collateralised investments supported by established engineers and top tier manufacturers, they fully amortise over the base term of 7 to 10 years paying interest in the high single digit to low double digit range and then generate additional revenues during the secondary term.

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

Our focus has been and will remain on opportunities with stable feedstock, long term power purchase agreements, and 20-year Renewable Obligation Certificates ("ROCs") or Feed-in-Tariffs ("FITs"). The plants are all warrantied to produce at a pre-determined threshold. A failure to produce at that level results in monetary compensation and a duty to make modifications until such threshold is maintained.

With the ROC/FIT income fixed and the warranties in place, once these plants hit a period of steady state production, they become very attractive assets to banks and specialist investment funds looking either for exposure to the sector or an opportunity to aggregate.

We have already been engaged in discussions with a number of third-parties who would be interested in participating, purchasing, or refinancing the investments in the Group's portfolio and pipeline.

In each case, at rates materially below where the leases are written which would provide further yield enhancement for the Group. This allows the Group to generate high yielding secured cash flows early on and continue to focus on new opportunities while staying within the concentration parameters outlined in the Prospectus. This is a strategy that we intend to continue to implement as long as the market opportunity exists.

Containers

The Group purchased a full payout lease for 12,000 containers used in the automotive industry to ship car parts from the component manufactures to the automobile factories. At the time of acquisition as part of a seasoned portfolio, the remaining lease term was approximately two years.

Energy Assets

Despite falling oil prices, there still exist abundant opportunities in the energy asset class. The Group is currently invested in renewable wind power, battery and fuel cell technology, diesel and gas powered generation sets, and natural gas extraction equipment.

We have been executing a strategy that focuses on single-stick wind turbines which are eligible for the highest level of government subsidies in the U.K.. These investments are made using the same project structure as the anaerobic digestion plant investments in that performance is warrantied, power purchase agreements are in place, and long term FITs/ROCs are secured.

INVESTMENT MANAGER'S REPORT (CONTINUED)

The Group's investment ranks above equity investors and the Group maintains the ability to change operators or seize the equipment in an event of default. These are particularly attractive assets in the portfolio as they are long-dated investments that keep capital at work generating regular income whilst providing the same opportunities as the anaerobic digestion plant investments for re financing or sold at a profit.

The Group acquired a seasoned portfolio of operating leases with primarily investment grade lessees. The portfolio includes batteries and hydrogen fuel cells on lease to one of the world's leading car manufacturers at its largest facility in North America. The equipment required a multi-million dollar infrastructure investment which was made by the lessee to support this equipment which leads us to believe that the equipment will stay on lease well beyond the primary term.

The seasoned portfolio also included diesel generators on lease to one of America's largest private companies and gas extraction equipment in high demand in the U.S. and Australia.

Material Handling Equipment

Corporations engaged in the large-scale production of consumer goods have very asset-intensive business models and, as a whole, account for a substantial amount of global equipment leasing volume. Material handling equipment is crucial in both the manufacturing and distribution of consumer goods ranging from toothpicks to refrigerators and cereal to shampoo. The packaging industry is also a heavy user of material handling equipment. The material handling equipment subject to lease in the portfolio includes forklifts, industrial wheel loaders, genie lifts, haulers, pallet loaders, and railcar movers.

Medical Equipment

The healthcare industry is a segment of the market that has a high demand for equipment leasing and asset financing because much of the required equipment and technology is very expensive and budgets are often limited and disbursed over time. The current portfolio includes leases for an MRI scanner and a cardiovascular x-ray machine at two different hospitals as well as electron scanning microscopes and a CT scanner as part of the acquired seasoned portfolio. The Group (*Post Period-end*) has also approved, and begun to fund, an $11mm financing package for equipment at a hospital in the Southwest U.S.

INVESTMENT MANAGER'S REPORT (CONTINUED)

Remote Operated Vehicles/Marine

Remote Operated Vehicles ("ROVs") are difficult assets to categorise because of their varied uses and lack of reliance on any one industry. This is one of the reasons we find investing in this asset class compelling. The equipment is easily transportable, has a world-wide market, and can be used for undersea oil and gas exploration or well capping, pipeline laying or maintenance, bridge and pier construction and maintenance, offshore wind farm construction and maintenance, salvage work, exploration and research, and perhaps relative to today, oilfield demobilisation. There is regularly a 12 to 24 month back-log for new orders and as a result the equipment tends to hold its value over time even spiking in periods of high demand. The equipment on lease in the portfolio are 3 ROVs and two launch and recovery systems on hire purchase contracts for 60 months.

Technology Equipment

Technology equipment is crucial in almost every business today and the cost can have a material impact on the bottom line. That is why many companies choose to finance or lease their technology equipment. The Group has made investments in fairly standard information technology assets and equipment for colleges, universities, utility service providers, consultants, major corporations, and hospitals all subject to full payout leases on terms ranging from 36 to 54 months.

Investment Pipeline

Overall, the portfolio is well diversified whilst maintaining strict adherence to our investment policy of investing in business-essential assets and equipment with high in-place value and downside protection provided by the collateral.

The purchase or refinancing of seasoned transactions enables faster deployment of funds but competition puts pressure on the returns available. The better yields are generally achieved on new project deals which by their nature have a significant lead time through ordering, installation, and commissioning. We intend to continue to balance the portfolio with a combination of individual transactions, portfolios, and new project deals.

We have credit approved transactions in excess of the capital raised and have begun warehousing commitments in anticipation of returning to the market with the placing programme.

INVESTMENT MANAGER'S REPORT (CONTINUED)

In this way, the Group will have greater utilisation and the deal flow will be clearly mapped as we continue to grow the size of portfolio.

Outlook

We are pleased with the yields that we are achieving – with the weighted average exceeding 9.8% - and the number of investment opportunities available to us in the market. We are excited about the programmes in place and the strength of our pipeline. We believe 2015 will be a good year for the industry as well as for the Group. As we grow, we look to further develop some of our specialist segments as well as adding additional asset classes to the portfolio.

SQN Capital Management LLC
24 February 2015

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Regulatory risk
Changes in law or regulation may adversely affect the Group's ability to carry on its business or may increase the Group's Ongoing Charges.

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

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

Interest rate changes may reduce the value of the Group's portfolio and the Group's returns
Changes in interest rates will affect the market value of the Group's portfolio. In general, the market value of an equipment lease will change in inverse relation to an interest rate change when the lease has a fixed rate of return. The same is true for fixed rate asset finance contracts

and notes. Thus, in a period of rising interest rates, the market value of the Group's equipment leases and other fixed rate contracts will decrease. A decrease in the market value of the Group's portfolio will adversely affect the Group's ability to liquidate it without suffering losses. In times of interest rate rises, protection to real returns will be conditional on future leases being written at higher rates.

Movements in foreign currency rates may result in losses
The Group will enter into transactions where the payments to be made or received are not in Sterling. The Investment Managers intend to hedge the expected income on the Group's portfolio and anticipate that, where appropriate, they may hedge the principal amount against foreign currency fluctuation risks. However, there can be no assurance that the hedges put in place will be cost-effective or will provide adequate protection in all circumstances. Please refer to note 7 for more detail on hedging.

Risks relating to the ordinary shares of the Group

There may be volatility in the price of the Ordinary Shares
The price of the Ordinary Shares may decline below the Initial Placing and Offer Price and Shareholders may not be able to sell their Ordinary Shares at a price equal to or greater than the Initial Placing and Offer Price. To optimise returns, Shareholders may need to hold the Ordinary Shares for the long term and the Ordinary Shares may not be suitable for short term investment.

Shareholders have no right of redemption or repurchase by the Group and must rely, in part, on the existence of a liquid market in order to realise their investment.
As the Group is a Registered Closed-ended Collective Investment Scheme, Shareholders have no entitlement to have their Ordinary Shares redeemed or repurchased by the Group. Whilst the Directors retain the right to effect repurchases of the Ordinary Shares with a view to reducing any discount to Net Asset Value per Ordinary Share, they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors to do so.

Shareholders wishing to realise their investment in the Group will therefore be required to dispose of their Ordinary Shares through trades on the London Stock Exchange or negotiate transactions with potential purchasers. Accordingly, Shareholders' ability to realise their investment is, in part, dependent on the existence of a liquid market in the Ordinary Shares and on the extent of its liquidity. Investors should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Ordinary Shares, nor can they be certain that they will be able to realise their investment on a basis that necessarily reflects the value of the underlying investments held by the Group.

Other risks

The Directors wish to draw the attention of Shareholders to the other risks as set out in the Group's prospectus, which is available on the Group's website: www.sqnassetfinance.com.

DIRECTORS' STATEMENT OF RESPONSIBILITIES

The Directors are responsible for preparing the Interim Financial Report and Unaudited Condensed Consolidated set of financial statements in accordance with applicable Guernsey law and regulations.

The Directors confirm to the best of their knowledge that:

- the unaudited condensed consolidated set of financial statements has been prepared in accordance with IAS 34 – "Interim Financial Reporting";

- the Chairman's Statement, the Investment Manager's Report, the Principal Risks and Uncertainties and the notes to the unaudited condensed consolidated interim financial report includes a fair review of the information required by:

a) DTR 4.2.7R (indication of important events up to 31 December 2014 and a description of principal risks and uncertainties for the remaining six months of the year);

b) DTR 4.2.8R (disclosure of related parties' transactions and charges therein);

Peter Niven
Chairman
24 February 2015

Christopher Spencer
Director
24 February 2015

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SQN ASSET FINANCE INCOME FUND LIMITED

Introduction

We have been engaged by SQN Asset Finance Income Fund Limited (referred to as the "Company" and together with its subsidiaries as "the Group") to review the unaudited condensed consolidated financial statements in the interim report of the Group for the period ended 31 December 2014 ("interim financial information"), which comprise the unaudited condensed consolidated statement of comprehensive income, unaudited condensed consolidated statement of financial position, unaudited condensed consolidated statement of changes in equity, unaudited condensed consolidated cash flow statement and the related explanatory notes to the unaudited condensed consolidated financial statements.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the unaudited condensed consolidated financial statements.

Directors' responsibilities

The interim report is the responsibility of, and has been approved, by the directors. The directors are responsible for preparing the interim report in accordance with the letter of engagement.

As disclosed in note 1 of the interim financial information, the annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The unaudited condensed consolidated financial statements included in the interim report have 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 Group a conclusion on the unaudited condensed consolidated financial statements in the interim report based on our review.

Our report has been prepared in accordance with the terms of our engagement and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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

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 Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, 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 Ireland) 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 unaudited condensed consolidated financial statements in the interim report for the period ended 31 December 2014 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and other applicable legislation and regulations.

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

25 February 2015

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	£
Income		
Finance income		1,311,944
Interest on cash and cash equivalents		179,748
Other income		428,010
Total income	3	1,919,702
Unrealised foreign exchange gain on investments		1,008,273
Unrealised foreign exchange loss on forward contracts		(204,720)
Other unrealised foreign exchange gains		48,427
Realised foreign exchange gain on investments		48,415
Net foreign exchange gain		900,395
Expenses		
Investment management fees	4(a)/5	692,192
Directors' fees and travel expenses	5	64,004
Administration and professional fees	4(b)/5	190,628
Total operating expenses		946,824
Operating profit		1,873,273
Total comprehensive income for the period		1,873,273
Basic and Diluted Earnings per Ordinary Share	6	1.249p

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

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 2014

	Notes	£
Non-current assets		
Investments designated as fair value through profit or loss	7	4,773,912
Lease receivables		7,377,103
Loans and receivables		59,742,365
Residual value		144,989
		72,038,369
Current assets		
Cash and cash equivalents		76,317,417
Interest receivables	8	491,567
Other receivables and prepayments	8	797,352
		77,606,336
Total assets		**149,644,705**
Current liabilities		
Investment payables		598,400
Derivative liabilities	7	204,720
Other payables and accrued expenses	9	459,554
		1,262,674
Net assets		**148,382,031**
Equity		
Share capital	10	147,108,758
Retained earnings		1,273,273
		148,382,031
Net asset value per Sterling Ordinary Share	6	98.92p

These unaudited interim condensed financial statements were approved and authorised for issue by the Board of Directors on 24 February 2015, and signed on its behalf by:

Peter Niven
Director

Christopher Spencer
Director

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2014

	Note	Share Capital	Retained Earnings £	Total £
At the start of the period		-	-	-
Total comprehensive income for the period		-	1,873,273	1,873,273
Transactions with owners, recorded directly in equity				
Issue of Ordinary Shares	10	147,108,758	-	147,108,758
Dividends paid	11	-	(600,000)	(600,000)
Total transactions with owners		147,108,758	(600,000)	**146,508,758**
At the end of the period		**147,108,758**	**1,273,273**	**148,382,031**

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2014

	£
Operating activities:	
Total comprehensive income for the period	1,873,273
Adjustments for:	
Realised foreign exchange gain	(48,415)
Unrealised foreign exchange movements in the period	(851,980)
Increase in interest receivable	(491,567)
Increase in other receivables and prepayments	(797,352)
Increase in investment payables	598,400
Increase in other payables and accrued expenses	459,554
Purchase of investments	(72,352,864)
Amortisation of investment principal during the period	1,371,183
Net cash outflow from operating activities	**(70,239,768)**
Cash flow from financing activities	
Share issue net proceeds	147,108,758
Dividends paid	(600,000)
Net cash flows provided by financing activities	**146,508,758**
Net increase in cash and cash equivalents	**76,268,990**
Cash and cash equivalents at start of the period	-
Effect of exchange rate changes on cash and cash equivalents	48,427
Cash and cash equivalents at end of the period	**76,317,417**

During the period, interest received was £893,242 and interest paid was nil.

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

SQN Asset Finance Income Fund Limited, was incorporated on 28 May 2014 and registered in Guernsey as a closed-ended collective investment scheme. It listed its ordinary shares on the London Stock Exchange on 14 July 2014. The Group financial statements consolidate those of the Company and SQN Asset Finance (Guernsey) Limited ('the Subsidiary') which is a wholly owned Subsidiary set-up for the primary purpose of acting as an investment holding company.

The Group's registered address is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA

These condensed consolidated interim financial statements have been reviewed, not audited.

2. Accounting Policies

2.1) Basis of preparation

The unaudited condensed consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting*. They do not include all the disclosures that would otherwise be required in a complete set of financial statements.

As this is the first set of financial statements prepared by the Group, the Directors have exercised judgement in considering the extent of disclosure including the accounting policies and explanatory notes presented.

These unaudited condensed consolidated Financial Statements should be read in conjunction with the prospectus issued at IPO. The Group will prepare its first annual set of financial statements in accordance with IFRS for the period ending 30 June 2015.

These unaudited condensed consolidated financial statements have been prepared under a going concern basis. After reviewing the Group's budget and cash flow forecast for the next financial period, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Consolidation

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.2) Foreign currency translation

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

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

2.3) Financial instruments

Financial assets

a) Classification and Measurement

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

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

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

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

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

b) Recognition and de-recognition

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

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

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

c) Fair value estimation

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

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

- The principal market for the asset or liability; or

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

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

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

d) Impairment of financial assets

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

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

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

e) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on revaluation recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'unrealised exchange loss on forward contracts' line item in the statement of comprehensive income.

Other financial liabilities, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4) Finance Leases

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

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

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

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

2.5) Income

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

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

2.6) Interest income and expenses

Interest income and expenses (if any) are recognised in the statement of comprehensive income on an accruals basis at the effective interest rate.

2.7) Operating expenses

All expenses are recognised in the income statement on an accruals basis.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.8) Dividends payable

In any financial year, the Group will aim to pay regular sustainable dividends to Shareholders subject to the solvency test prescribed by Guernsey law. It is expected that a distribution will be made by way of a dividend with respect to each calendar quarter for the period to December 2014 and monthly thereafter.

2.9) Cash and cash equivalents

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

2.10) Taxation

Profits arising in the Group are subject to tax at the standard rate of 0%.

2.11) Derivative financial instruments

The Group makes use of derivative financial instruments to manage its exposure to foreign exchange rate risk, including but not restricted to the use of foreign exchange forward contracts. A derivative with a positive fair value is recognised as a financial asset and a derivative with a negative fair value is recognised as a financial liability. Further details of derivative financial instruments are disclosed in note 7.

2.12) Segmental reporting

As the Group's investment portfolio is not yet fully invested, the Directors currently view the operations of the Group as one operating segment, being investment business. All significant operating decisions are based upon analysis of the Group's investments as one segment. The financial results from this segment are equivalent to the financial results of the Group as a whole.

Once the portfolio is fully invested, then it is expected that the Group, in line with the requirements of *IFRS 8: Operating Segments* will be able to provide more meaningful reporting segment information in its annual accounts for the period ending 30 June 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.13) Capital risk management

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

The Group's objectives when managing capital are to:

- safeguard the Group's ability to continue as a going concern;
- provide returns for Shareholders; and
- maintain an optimal capital structure to minimise the cost of capital.

The Board monitors the capital adequacy of the Group on an on-going basis and that the Group's objectives regarding capital management have been met.

3. Income

	2014 £
Finance income	1,311,944
Income on cash and cash equivalents	179,748
Other income	428,010
	1,919,702

Finance income is interest earned on the lease and loan arrangements and is accounted for on an effective interest basis over the life of the lease or loan.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Material Agreements

a) Investment Management Agreement

The Group's investments are managed by SQN Capital Management, LLC (the "US Manager") and SQN Capital Management (UK) Limited (the "UK Manager") (together the "Managers"). Under the terms of the Investment Management Agreement dated 16 June 2014, the Group appointed the Managers to provide management services to the Group. The Managers are entitled to a management fee which is calculated, accrued monthly and payable monthly in arrears at the following rate per annum of the Group's Net Asset Value:

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

SQN Capital Management LLC appointed Summit Asset Management Limited as the Sub-Investment Manager per the delegation agreement dated 28 June 2011, as amended and restated on 16 June 2014. The UK Manager will pay Summit Asset Management (the "Sub-Investment Manager") for its services. The Sub-Investment Manager is entitled to a fee which is calculated and accrued monthly in arrears at the following rate per annum.

On first £40 million of the Net Asset Value	£820,000
In respect of each full additional £1 million in excess of £40 million	£ 2,500

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

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

For the period ended 31 December 2014, the management fee expense was £692,192 of which £126,130 was unpaid at the period end.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

b) Administration and Custodian Agreement

The Group has engaged the services of BNP Paribas Securities Services S.C.A., Guernsey Branch (the "Administrator"), a private limited company incorporated in Guernsey on 27 October 2000, to provide administration and custodian services. Under the terms of the administration and custodian agreement dated 16 June 2014 the Administrator is entitled to receive an annual administration and custody fee of £110,000.

BNP Paribas Securities Services S.C.A., Guernsey Branch also performs the function of Secretary to the Group and for this role receives an annual fee of £36,000 plus fees for ad-hoc board meetings and services of £2,500 and £2,000 per board meeting and per shareholder meeting respectively.

c) Registrar Agreement

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

d) Placing Agreements

The Company, SQN Capital Management LLC, SQN Capital Management (UK) Limited, Summit Asset Management Limited, the Directors and Winterflood Securities ("Winterflood") entered into a placing and offer agreement on 16 June 2014. In addition, there is an engagement letter dated 14 July 2014 between the Company and Winterflood. In accordance with the placing and offer agreement and the engagement letter, Winterflood acts as Sponsor, Financial Advisor and Sole Book runner in connection with the issue and/or the Placing Programme. For their services, Winterflood are entitled to an annual brokerage and advisory fee of £45,000 and to receive commission fees of 1% and 0.5% of the gross value of any share issues and repurchases respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Operating expenses

	2014 £
Investment management fees	692,192
Administration fees	66,600
Custody fees	9,329
Directors' fees and travel expenses	64,004
Audit fees	14,055
Brokerage fees	20,985
Publication fees	20,703
Printing fees	11,774
Registrar fees	11,564
Other expenses	35,618
Total operating expenses	**946,824**

6. Earnings per share and net asset value per share

The calculation of basic earnings per Ordinary Share is based on the operating profit attributable to Ordinary Shares of £1,873,273 and on the weighted average number of Ordinary Shares in issue during the period of 150,000,000 Ordinary Shares.

The calculation of net asset value per Ordinary Share is based on a net asset value attributable to Ordinary Shares of £148,382,031 and the number of shares in issue at 31 December 2014 of 150,000,000 Ordinary Shares.

7. Financial instruments

The Group's accounting policy on fair value measurements is discussed in Note 2(c).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 Manager's own assumptions. This category includes instruments that are valued based on price quotes for which the inputs are unobservable or price quotes for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

For financial assets not carried at amortised cost, the Investment Committee of the Board together with the Investment Manager determines fair value using valuation techniques.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Financial Instruments fair value hierarchy as at 31 December 2014

	Level 1 £	Level 2 £	Level 3 £	Total £
Financial Assets				
Designated at fair value through profit and loss	-	-	4,773,912	4,773,912
Total financial assets	**-**	**-**	**4,773,912**	**4,773,912**
Financial Liabilities				
Derivative liabilities	-	(204,720)	-	(204,720)
Total financial liabilities	**-**	**(204,720)**	**-**	**(204,720)**

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

	£
Balance at start of the period	-
Purchases during the period	5,125,482
Principal amortisation during the period	(552,653)
Realised gain on investments	18,598
Unrealised gain on revaluation	182,485
Balance at end of the period	**4,773,912**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Transfers between levels are deemed to have occurred at the beginning of the reporting period.

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

As at 31 December 2014, the investments included within the Level 3 category of the fair value hierarchy in the table above, had a carrying value of £4,773,912 which represents the cost less partial repayments. The Investment Manager believes this is a reasonable approximation of their fair value.

The Group has therefore not presented quantitative information on the valuation of these assets.

Although the Board of Directors believes that the estimates of fair value are appropriate, the use of different methodologies could lead to different measurements of fair value, and the differences could be material.

8. Current Assets

Investment receivables

As at 31 December 2014, the trade receivables represent amounts due from the lessee or loan counterpart with regards to ongoing contractual obligations that remain outstanding at the reporting date.

Interest receivables

As at 31 December 2014, interest receivables represents accrued interest receivable on leases and loans.

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

Other receivables and prepayments

As at 31 December 2014, other receivables and prepayments include UK VAT receivable and prepaid transaction fees due for arranging the investments of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Current Liabilities

As at 31 December 2014, the investment trade payables represent amounts due for investments purchased that have been contracted for but not settled at the reporting date. The majority of these have been paid subsequent to 31 December 2014.

At 31 December 2014 other payables and accrued expenses were made up of the following;

	31 December 2014 £
Investment management fees	126,130
Administration and secretarial fees	9,667
Audit fees	14,055
Custody fees	9,329
Printing fees	11,712
Directors' fees	34,027
Brokerage fees	11,342
Deferred credit on investments	233,578
Other payables	9,714
	459,554

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

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

10. Share capital

The authorised share capital of the Company is represented by an unlimited number of Shares of no par value. On incorporation, the issued share capital of the Company was £1 consisting of one Ordinary Share, fully paid up.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company's share capital is denominated in Sterling.

Share movements

	Number
Balance at date of incorporation	1
Shares issued during the period	150,000,000
Balance at end of the period	**150,000,001**

The Company issued 150,000,000 Ordinary Shares of 100p per share under the initial placing and offer for subscription raising total proceeds of £150,000,000. The proceeds net of issue costs of £2,891,243 (1.93% of the gross proceeds), amounted to £147,108,758.

11. Dividends

The Group has declared and paid the following dividends to its shareholders during the period:

Period	Date declared	Payment date	Amount per share
14 July to 30 September 2014	21 October 2014	28 November 2014	0.40p

12. Capital management policies and procedures

The Group's capital management objectives are:

- to ensure that the Group will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders through an appropriate balance of equity capital and long-term debt.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Board, with the assistance of the Investment Manager monitors and reviews the broad structure of the Group's capital on an ongoing basis.

The Group has no imposed capital requirements.

The Group's capital at 31 December 2014 comprises:

	31 December 2014 £
Equity	
Equity share capital	147,108,758
Retained earnings and other reserves	1,273,273
	148,382,031

13. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Details on the Investment Management Agreement are included in note 4 to the financial statements.

SQN Capital Management, LLC (the "US Manager")
The Group is party to an Investment Management Agreement with the US Manager under which the US Manager is entitled to payment of management fees based on the aggregate of net asset values under management and structuring fees based on the value of new investments. During the Period, the management fees due to the US Manager amounted to £692,192 and an additional £164,364 was paid in structuring fees. At 31 December 2014, £126,130 of the management fees was still payable to the US Manager.

Summit Asset Management Limited (the "Sub-Investment Manager")
The US Manager is party to an agreement with the Sub-Investment Manager under which the Sub-Investment Manager is entitled to certain fees based on services provided to the Group. These fees are included in the fees paid to the US Manager as disclosed above.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

During the Period, the Group provided loans totalling £2,162,096 to special purpose entities majority-owned and controlled by the Sub-Investment Manager to finance the construction of wind and biomass renewable energy generating station ("Plant") that are the subject of asset purchase and equipment lease agreements made between the Sub-Investment Manager and the developers. The loan finance provided is applied by the Sub-Investment Manager to finance the development and construction of the Plant and the loans are secured by rights over the Plant and related leases together with related security.

The Group is entitled to receive interest on the principal amount of the loans equal to the finance charges payable under the related lease. This financing structure provided an interim solution that allowed the Group to acquire these investments shortly following the IPO. On or prior to completion of construction, the Group will acquire ownership of the Plant and the related leases from the special purpose entities majority-owned and controlled by the Sub-Investment Manager. This acquisition was completed after the Period end in respect of the wind powered generating station. During the Period, the Group paid £11,021 to the Sub-Investment Manager as reimbursement of expenses incurred by the Sub-Investment Manager in respect of these investments.

In addition, Neil Roberts, a director of the Sub-Investment Manager holds 100,000 ordinary shares in the Group.

SQN Echo II, LLC (*SQN Echo*)

SQN Echo is a special purpose company owned by SQN Alternative Investment Fund III L.P and SQN AIF IV, L.P, both being investment funds managed by the US Manager. SQN Echo was established to purchase and hold legal ownership of a portfolio of leases and related assets. During the period, the Group acquired a participation interest in the SQN Echo portfolio for £5,125,482 and is entitled to receive distributions from the portfolio in accordance with the participation agreement. Other participation interests are held by the shareholders of SQN Echo and by an independent institutional investor, unrelated to the Group and the US Manager, to whom an affiliate of the US Manager provides investment management services. The SQN Echo portfolio is managed and serviced by the US Manager who is responsible for the management and servicing of the portfolio including the management of distributions to the Group and other participants of all sums received. The value of this participation interest at the end of the Period is £4,773,912.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

SQN Alpha is a special purpose company wholly owned by the US Manager for the purpose of holding investments. During the Period, the Group advanced £14,070,440 to SQN Alpha to participate in a first lien mortgage on two commercial marine vessels under a comprehensive security agreement including a corporate guarantee. Prior to the period-end, the vessels, the mortgages, the security agreement along with all related rights and obligations were transferred to LuxCo which is also a wholly owned special purpose company owned by the US Manager. The US Manager has no economic interest in the vessels or the mortgages as the entities are holding companies set up to contain the potential liabilities of vessels away from the Group and to facilitate third-party participation in the financing on an equal basis. The obligor under the mortgage is an international organisation which elected to conduct this transaction out of Europe rather than the US as initially anticipated which is what lead to the transfer to the Luxembourg entity.

As a result of this transactions, SQN Alpha retained £1,585 to cover expenses related to the transfer.

14. Events occurring after the reporting period

On 21 January 2015, the Sub-Investment Manager sold its leasing division to the UK Investment Manager and ceased to act as the Sub-Investment Manager on the same date.

On 22 January 2015, the Group declared a dividend of 0.92p per Ordinary Share, for the quarter ended 31 December 2014. This dividend is to be paid to the shareholders on 26 February 2015 and the record date was 6 February 2015.

On 30 January 2015, SQN AFIF (Amber) Limited, a wholly owned subsidiary (the 'Amber Subsidiary') was incorporated with the primary purpose of acting as an investment holding company. The Amber Subsidiary has common directorship and the same registered address as the Group.

On 24 February 2015, the Group declared a dividend of 0.30p per Ordinary Share, for the month ended 31 January 2015. This dividend is to be paid to the shareholders on 19 March 2015 and the record date is 6 March 2015.

ADMINISTRATION

Non-Executive Directors (appointed 28 May 2014)

Peter Niven (Chairman of the Board)
John Falla
Christopher Spencer (Chair of Audit Committee)
Carol Goodwin

Registered Office

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

Investment Manager

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

U. K. Investment Manager (Sub-Investment Manager from 21 January 2015)

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

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

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

Sponsor, Financial Adviser and Placing Agent

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

Auditors

Baker Tilly CI Audit Limited, PO Box 344, Mont Crevelt House, Bulwer Avenue, St Sampsons, GY2 4LH, Guernsey, Channel Islands

Registrar

Registrar Capita Registrars (Guernsey) Limited, Mont Crevelt House, Bulwer Avenue, St Sampson, GY2 4LH, Guernsey, Channel Islands

Principal Bankers

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

Designated Manager, Administrator, Custodian and Secretary

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

Receiving Agent Capita Asset Services Corporate Actions

The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom

Legal Advisers to the Group (English Law)

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

Legal Advisers to the Group (Guernsey Law)

Mourant Ozannes, PO Box 186, 1 Le Marchant Street, St Peter Port, ,GY1 4HP, Guernsey,
Channel Islands

Website www.sqnassetfinance.com