



**SQN ASSET FINANCE  
INCOME FUND LIMITED**  
Interim Report and Unaudited  
Condensed Consolidated  
Financial Statements for the  
six months ended  
31 December 2016



# SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements  
for the six months ended 31 December 2016

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# SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements  
for the six months ended 31 December 2016

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## COMPANY OVERVIEW

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

### Company

#### **SQN Asset Finance Income Fund Limited**

Incorporated in Guernsey on 28 May 2014.  
Registered Guernsey closed-end collective investment scheme.  
Admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 July 2014 for Ordinary Shares, 9 November 2015 for the first issuance of C Shares (the “2015 C Shares”) and 12 December 2016 for the second issuance of 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 Investment 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 pages 47 and 48.

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for the six months ended 31 December 2016

## FINANCIAL HIGHLIGHTS, PERFORMANCE SUMMARY AND DIVIDEND HISTORY

### FINANCIAL HIGHLIGHTS

On 25 October 2016, the 2015 C Shares were converted into Ordinary Shares using a conversion ratio of 0.9929 Ordinary Shares for every one 2015 C Share held.

On 12 December 2016, 180,000,000 new 2016 C Shares were issued at a price of £1.00 each, raising net proceeds of £176,836,024. The 2016 C Share issue was fully subscribed.

### PERFORMANCE SUMMARY

Sterling in millions, except number of shares in issue

	31 December 2016 (Unaudited)	30 June 2016 (Audited)
<b>Number of Shares in Issue</b>		
- Ordinary Shares	357,707,507	178,985,507
- 2016 C Shares	180,000,000	-
- 2015 C Shares	-	180,000,000
<b>Total Net Asset Value ("NAV")</b>		
- Ordinary Shares	£355.71	£178.00
- 2016 C Shares	£176.75	-
- 2015 C Shares	-	£176.83
<b>NAV per share</b>		
- Ordinary Shares	99.44p	99.45p
- 2016 C Shares	98.20p	-
- 2015 C Shares	-	98.24p
<b>Share Price<sup>1</sup></b>		
- Ordinary Shares	114.50p	107.00p
- 2016 C Shares	103.14p	-
- 2015 C Shares	-	104.50p
<b>Market Capitalisation<sup>1</sup></b>		
- Ordinary Shares	£409.58	£191.51
- 2016 C Shares	£185.65	-
- 2015 C Shares	-	£188.10

<sup>1</sup>Source: London Stock Exchange – 31 December 2016

# SQN Asset Finance Income Fund Limited

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## FINANCIAL HIGHLIGHTS, PERFORMANCE SUMMARY AND DIVIDEND HISTORY (CONTINUED)

### PERFORMANCE SUMMARY (CONTINUED)

Sterling in millions, except per share data

	Six months ended 31 December 2016 (Unaudited)	Year ended 30 June 2016 (Audited)
<b>Earnings / (loss) per share</b>		
- Ordinary Shares	3.90p	6.64p
- 2016 C Shares	(0.05)p	-
- 2015 C Shares	-	0.66p
<b>Dividend paid per share</b>		
- Ordinary Shares	3.63p	7.12p
- 2016 C Shares	-	-
- 2015 C Shares	1.43p	0.7p
<b>Total comprehensive income before dividends</b>	£9.45	£13.08
<b>Investments</b>	£342.93	£278.38
<b>Cash and cash equivalents</b>	193.34	£87.82
<b>Weighted average yield (in excess of)</b>	9.50%	9.50%
<b>Weighted average remaining term</b>	91.46 months	82.69 months

### DIVIDEND HISTORY

Please refer to Note 14 for details of dividends paid during the period.

# CHAIRMAN'S STATEMENT

I am once again pleased to report that the Group has seen a further period of strong performance and continued growth. So much so that the Company's second C Share issue at the end of 2016 was once again oversubscribed taking the overall funds raised to £540 million. The Company's shares also continued to trade at a healthy premium to the NAV throughout the second half of 2016 with the market capitalisation touching £600 million.

The Ordinary Shares have paid a monthly dividend equal to 7.25% annually and, in October 2016, the 2015 C Shares achieved a level of income allowing them to be converted into full Ordinary Shares.

With the market returning to a level of normality following the Brexit vote shock, a pipeline of more than £140 million of attractive investment opportunities set the stage for the Group to return to the market in November 2016 with the issuance of £180 million new 2016 C Shares.

Our ongoing charges ratio was in line with expectations and is now forecast to decrease with the increased capital base and the management fee reducing further to 0.8% per annum on net assets over £500 million.

As at the end of 2016, the Group had invested approximately £343 million in equipment leasing and asset financing transactions spread over more than 15 different industries and asset classes, maintaining our broad spread of investments.

Anaerobic digestion plants ("AD Plants"), which are considered assets in the agricultural industry, account for 18.06% of NAV and is the single largest asset class. Investments in this sector are slowing as government subsidies that support the economics of these projects are scheduled to be scaled back at the end of the first quarter of 2017. Projects certified prior to the scale back date will be eligible for the subsidies for 15 to 20 years which includes all such Group investments.

The Group continues to focus on business-essential assets and equipment in the £1 million to £50 million range, with a particular focus on transactions up to £30 million. This remains an underbanked segment of the market which can be increasingly efficiently served as the fund continues to grow and maintains its position as a leading participant in that market.

The average investment size is now just short of £7 million, with a weighted average term of 91.46 months. The weighted average projected yield on investments remains in excess of 9.5% which should result in consistent incremental month on month capital growth for the Ordinary Shares.

The portfolio continues to comprise primarily finance leases and secured asset financings with more than 95% of expected revenue from fixed, non-cancellable contracts. The current pipeline of transactions is anticipated to maintain this same proportion of full payout contracts.

## CHAIRMAN'S STATEMENT (CONTINUED)

Although the majority (71.1%) of the Group's assets are in Sterling, part of the portfolio (15.3%) is in US Dollars and (13.6%) in Euros where both the capital and known income streams are appropriately hedged. With Sterling weakening following the Brexit vote, there have been margin calls which we have adequately met and we shall continue this strategy (see the Investment Managers' Report for further details).

As is standard in all financing businesses, not all transactions proceed as originally planned and so, where there are signs of cash flow difficulties on the part of the Group's debtors, both the Investment Managers and the Board are quick to identify these and react positively, where appropriate, to reschedule terms to the Group's satisfaction.

The Group continues not to use leverage secured on the overall portfolio to fund investments. However, as a prudent measure, we are in the process of considering a revolving working capital facility to manage the Group's cash requirements, between fund raisings, in a more efficient way which will also enable us to manage margin calls in the event that volatility in the currency markets continue.

The Investment Managers continue to find excellent deals in the marketplace and the task of investing the cash raised from the 2016 C shares issue in attractive opportunities remains a priority.

In these ways, your Board continues to manage the Group's assets positively and effectively and is grateful to shareholders for their continuing confidence.

**Peter Niven**

Chairman

16 February 2017

## INVESTMENT MANAGERS' REPORT

### Overview

In the second half of 2016, the Group invested £70.8 million which deployed the majority of the remaining proceeds raised from the 2015 C Share. That brought the Group's total investments in business-essential assets and equipment subject to lease or other financing arrangements secured by tangible assets to £342.9 million. Following the conversion of the 2015 C Shares on 25 October 2016, the Group returned to the market for an additional £180 million 2016 C Share issue, which was again oversubscribed and so the Group entered 2017 with £193.3 million of cash on hand and a robust pipeline of opportunities.

### Transactions during the Period

During the period, the Group made 66 investments across 19 different counterparties. Of the 19, 11 of those were to fulfil outstanding funding commitments on partially drawn transactions. Seven were new investments originated during the year, and one, the largest investment during the period, was in the due diligence and structuring process for almost a year.

Assets and Equipment	Investment Amount <sup>1</sup>	New/Existing	Projected Yield
Waste Treatment Facility with 5MW AD Plant	£23,720,439	New	9.50%
AD, Gas Clean Up, and Compression Plant with Tanker Trailers	£ 7,285,148	Existing	9.80%
Portfolio Interest	£ 6,227,904	Existing	9.46%
Waste Water Treatment Facility	£ 6,100,368	New	9.80%
Industrial Painting and Coating Equipment	£ 5,937,189	New	10.50%
Portfolio of Boilers and Heating Equipment	£ 5,702,929	New	9.30%
Gas to Grid AD Plant	£ 4,374,327	Existing	9.96%
Heavy Hose Manufacturing and Turning Equipment	£ 4,040,000	New	9.29%
AD Plant	£ 1,493,385	Existing	9.85%
Wind Turbines	£ 1,183,222	New	10.02%
Reel Drive Systems with Container and Control Van	£ 1,010,000	New	9.29%
Farm-based AD Plant (NI Funding Platform)	£ 950,000	New	9.85%
Wind Turbines	£ 868,251	Existing	10.02%
Farm-based AD Plant (NI Funding Platform)	£ 796,763	Existing	9.85%
Farm-based AD Plant (NI Funding Platform)	£ 362,784	Existing	9.85%
Farm-based AD Plant (NI Funding Platform)	£ 243,058	Existing	9.86%
Solar Cell and Chip Manufacturing Equipment	£ 211,393	Existing	10.51%
Farm-based AD Plant	£ 185,700	Existing	11.25%
Farm-based AD Plant (NI Funding Platform)	£ 94,647	Existing	9.85%
<b>Total</b>	<b>£70,787,515</b>		

<sup>1</sup>The investment amount does not include capitalised interest of £8,648,981.

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## INVESTMENT MANAGERS' REPORT (CONTINUED)

During the half year, the Group:

- entered into a £23.7 million sale-leaseback for a waste treatment facility with a 5MW AD Plant located in the north of England. The investment term is 14 years which makes it the second longest termed investment in the portfolio to date. The investment is anticipated to yield a net return in excess of 9.5% over the term, but will likely be refinanced prior to maturity resulting in a premium over the projected yield. This investment represents 4.5% of NAV;
- invested an additional £7.3 million, through a series of 16 payments tied to performance milestones and engineering certifications, in a 4MW AD Plant and gas clean up and compression plant in Northern Ireland, along with tanker trailers to transport the gas to 5 CHP sites in the Republic of Ireland. The total investment in this project, by the end of the period, was £14.7 million of which £4.1 million was an advance on VAT which will be recovered by the Group within six months;
- provided £6.2 million of additional financing under one of two existing loans to two entities within the same group of companies, supported by a diversified portfolio of financial assets, including manufacturing and transportation equipment. The total investment under the two notes was increased to approximately £24.8 million. The US Dollar denominated investment is appropriately hedged and is guaranteed by the group parent company. Total exposure to this group of companies was 4.7% of NAV;
- entered into a £6.1 million sale-leaseback for a waste water treatment facility in the Republic of Ireland. The facility incorporates a 1MW AD Plant. The investment term is 12 years with a contracted 25% balloon payment due on the last day of the term;
- invested £5.9 million as part of a syndicated, asset-secured 60 month term loan with one of the largest industrial painting and coating company in the United States. The company undertakes high-profile, long-term, infrastructure projects for a customer base that is 90% governmental entities. Subsequent to the Group's investment, the company secured a contract to refurbish and paint a series of airplane hangars under a US-government programme. The profit on that project alone would amortise the Group's investment;

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## INVESTMENT MANAGERS' REPORT (CONTINUED)

- agreed to provide up to £10 million of financing, under a wholesale financing programme, secured by a portfolio of boilers located in residential homes throughout the United Kingdom and also invested £5.7 million which is secured by an existing portfolio of leases with a 90% advance rate. Each future drawing under the programme will be coterminous with a 12-year vendor repair and complete after-sales service plan for the equipment; and
- invested an additional £4.4 million in a gas to grid 2.4MW AD Plant located in Scotland, through another series of payments, tied to performance milestones and engineering certifications. The total credit-approved facility for this project is £13 million for a term of 15 years. At year end, £12.2 was drawn which represents 2.29% of NAV.

In addition to the above and including co-investments with the Green Investment Bank under the Northern Ireland Funding Platform, the Group invested an additional £5 million in AD Plants throughout the United Kingdom. All but one of those investments were for existing projects as they achieved their funding milestones. The Group entered into what is likely to be the last investment in the space with an initial investment of £950,000 out of £1.9 million for a 499KW farm-based AD Plant through the Northern Ireland Funding Platform. The subsidies that support the economics in this asset class will be scaled back at the end of the first quarter of 2017. Projects that receive their certifications prior to that date will have the benefit of the subsidies for 15 to 20 years and all the Group's projects in this sector have been carefully managed to ensure that the subsidies are or will be in place.

The Group has also provided:

- £4 million of financing against approximately £8.6 million of industrial hose manufacturing and turning equipment. This company manufactures high-quality fluid transfer systems at factories in United States, China and the United Kingdom. The company's customer base is made up primarily of blue chip enterprises and the 7 year hire purchase agreement is for assets and equipment at the factory in the United Kingdom that produces the company's highest margin products;
- £868,251 of financing for two wind turbines in Northern Ireland under an existing commitment and funded £1.2 million in a new investment for two wind turbines in South Wales. Each investment has a term of 12 years and is projected to deliver a 10.02% return to the Group; and

## INVESTMENT MANAGERS' REPORT (CONTINUED)

- entered into a transaction to refinance a 400 ton reel drive system along with a spares container and a control van. The value of the equipment was in excess of £2.5 million. The Group provided £1 million against the equipment including paying off the existing encumbrance. A portion of the refinancing proceeds were used to complete the construction of a new 85-ton reel drive system which also became part of the Group's collateral package. The equipment is used offshore for both undersea pipeline and power cable construction, laying and maintenance. The hire purchase contract is for a term of 60 months.

In the United States, the Group had previously entered into a transaction to provide financing for manufacturing production lines for the leading American manufacturer of high-efficiency, cost-competitive PV solar cells and panels. During the period, the Group funded the final payment under this commitment to bring the total investment up to £21.4 million. The US Dollar denominated investment is appropriately hedged and has a guarantee from a publicly traded conglomerate that purchased a majority stake in the company during our due diligence process. This investment represented 4.02% of NAV.

### Top Ten Holdings

At period end, the top ten holdings of the Group were as follows:

Asset	Investment Amount	% of NAV	Asset Class	Industry
Anaerobic Digestion Plant	£ 25,851,335	4.86%	AD Plant	Agricultural
Glass Manufacturing Facility	£ 25,775,039	4.84%	Manufacturing	Glassware
Anaerobic Digestion Plant	£ 24,783,987	4.65%	AD Plant	Agricultural
Portfolio Interest	£ 24,516,708	4.60%	Diversified	Diversified
Solar Manufacturing Lines	£ 21,350,721	4.01%	Manufacturing	Solar
Combined Heat and Power Centres	£ 18,141,518	3.41%	Energy	Agricultural
Paper Production and Processing Plant	£ 18,049,916	3.39%	Paper Mill	Paper
Anaerobic Digestion Plant	£ 13,596,127	2.55%	AD Plant	Agricultural
Marine Vessels	£ 13,175,069	2.47%	Vessels	Transportation
Marine Vessels	£ 12,884,179	2.42%	Vessels	Transportation
<b>Total</b>	<b>£198,124,599</b>	<b>37.20%</b>		

## INVESTMENT MANAGERS' REPORT (CONTINUED)

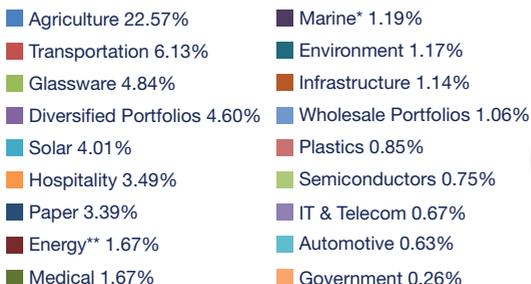
### Portfolio Diversification

Investments in the portfolio are spread over 15 asset classes and industries.

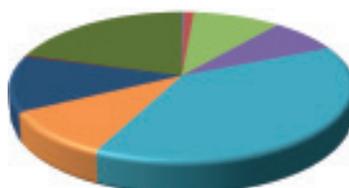
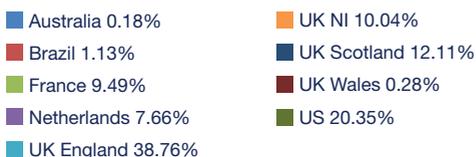
#### Asset Diversification



#### Industry Diversification



#### Portfolio by Region



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## INVESTMENT MANAGERS' REPORT (CONTINUED)

### Currency and Effects of Hedging on the Portfolio

The Group has a policy of appropriately hedging both the principal and the committed income arising from investments denominated in non-Sterling currencies. The policy adopted seeks to ensure that there will be no actual FX losses over the term of the hedged investment. This policy does, however, result in monthly variations in unrealised FX gains and losses arising from the hedged future income which can have an effect on the NAV and the income reported each month.

Following the Brexit vote and changes in U.S. interest rates, the value of Sterling has experienced a high level of volatility which has resulted in a higher cost to hedge non-Sterling investments requiring the Group to post additional cash in margin accounts for the existing hedges. Over the period, at certain times, the Group has had more than £20 million of cash in margin accounts. This created an element of drag on the portfolio leading up to closing the 2016 C Shares in December. The Group is in the process of making arrangements for a working capital facility to better manage such cash situations but facilities of this nature take considerable time to conclude.

Looking forward, the pipeline of transactions intended for the new 2016 C Shares funds is predominately Sterling-denominated which will dampen the effects of currency volatility on the portfolio.

### Performance

The Group has made over 200 individual investments, including progress and staged drawings, with more than 50 distinct counterparties since the initial public offering. In line with expectations, following the ramp-up periods for each share class, the Group has consistently paid a monthly dividend which annualises to 7.25%. Investor support has been very strong and shares have traded at a consistent premium.

There have been a number of accounts that have required attention but that is to be expected given the rates achieved and the project-finance structure of many of the transactions. The underwriting process is designed to address these situations when they arise. Each investment is underwritten from a credit quality and asset security point-of-view. The primary analysis is cash flow coverage with the asset security being an additional enhancement. In the event that there is a disruption in cash flows, the business essential element of the assets creates opportunities to manage through.

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## INVESTMENT MANAGERS' REPORT (CONTINUED)

In all cases, the investment term is shorter than the useful economic life of the underlying assets and equipment. This is the case with the Group's investment in medical equipment at a hospital in the United States. The hospital experienced a delay in receiving reimbursement under certain insurance plans and was unable to attract a number of key doctor groups in the timeframe that it had anticipated. As a result, the Group was asked to extend the payment terms to the hospital. The equipment has a useful economic life in excess of eight years and an initial investment term of 48 to 60 months on the two schedules. The hospital cannot function without the equipment and given these facts, the Group has sufficient room to work with the hospital on terms that better met their current cash flows without comprising yield or collateral coverage.

Another key attribute in the underwriting process is establishing a risk-appropriate loan-to-value in light of the liquidity of the specific asset's secondary market. This came into play when, early in 2015, the Group had to reposition two remote operating vehicles ("ROVs") when the counterparty went into administration. The same approach is currently being taken with the Group's £1.2 million investment, at an 80% advance rate, in a small, newly built supply vessel. The vessel is being repositioned from one operator to another while maintaining the same economics to the Group.

Not all equipment and assets have liquid secondary markets at attractive levels. This is often the case with investments that contain a component of project finance. In these situations, extensive security packages are built around the investments which, in most cases, includes personal guarantees, performance bonds, manufacturer's warranties, and in all cases, insured EPC contracts. As an example, the Group made an initial investment of £108,010 in an AD plant in Northern Ireland. The project failed to meet the milestone requirements for subsequent funding so the Group exercised its rights under the security package and exited the investment with a 23.20% IRR.

Overall, yields on individual investments in the portfolio remain above 9.50% supporting the 7.25% dividend after costs. There have been no negative consequences outside of the currency volatility as a result of Brexit and the successful 2016 C Shares raising will help to further diversify an already well-balanced portfolio.

## INVESTMENT MANAGERS' REPORT (CONTINUED)

### Performance by Sector

Industry	% of NAV	Investment Amount <sup>1</sup>	Average Yield
Agriculture	22.57%	£120,182,813	10.41%
Transportation (including vessels)	6.13%	£ 32,626,112	10.05%
Glassware	4.84%	£ 25,775,039	9.14%
Diversified Portfolios	4.60%	£ 24,516,708	9.57%
Solar	4.01%	£ 21,350,721	10.51%
Hospitality	3.49%	£ 18,570,301	9.18%
Paper	3.39%	£ 18,049,916	9.47%
Energy	1.67%	£ 8,893,823	11.07%
Medical	1.67%	£ 8,893,182	10.19%
Marine (excluding vessels)	1.19%	£ 6,340,690	9.41%
Environment	1.17%	£ 6,228,992	9.80%
Infrastructure	1.14%	£ 6,080,024	10.18%
Wholesale Portfolios	1.06%	£ 5,650,818	9.30%
Plastics	0.85%	£ 4,500,517	9.85%
Semiconductors	0.75%	£ 4,000,298	10.00%
IT & Telecom	0.67%	£ 3,550,296	6.93%
Automotive	0.63%	£ 3,341,834	9.82%
Government	0.26%	£ 1,362,123	9.80%

<sup>1</sup>Investments denominated in US Dollar and Euro have been translated into Sterling as at the trade date of investment and do not include any gains or losses on foreign exchange movements as at 31 December 2016.

## INVESTMENT MANAGERS' REPORT (CONTINUED)

Asset Class	% of NAV	Investment Amount <sup>1</sup>	Average Yield
AD	18.06%	£ 96,141,295	10.44%
Manufacturing	11.07%	£ 58,968,409	10.02%
Vessels	5.27%	£ 28,044,836	10.28%
Diversified Portfolios	4.60%	£ 24,516,708	9.57%
CHP	4.52%	£ 24,041,518	9.36%
Paper Mill	3.39%	£ 18,049,916	9.47%
IT & Telecom	2.81%	£ 14,975,547	8.50%
Wind Turbines	1.67%	£ 8,893,182	10.19%
Medical	1.56%	£ 8,320,886	11.26%
Modular Buildings	1.45%	£ 7,717,987	9.17%
Marine equipment (excluding vessels)	1.19%	£ 6,340,690	9.41%
Waste Processing	1.17%	£ 6,228,992	9.80%
Infrastructure Equipment	1.14%	£ 6,080,024	10.18%
Wholesale Portfolios	1.06%	£ 5,650,818	9.30%
Aviation	0.74%	£ 3,929,311	10.50%
VAT Receivable	0.26%	£ 1,362,123	9.80%
Ground Support	0.12%	£ 651,965	9.47%

<sup>1</sup>Investments denominated in US Dollar and Euro have been translated into Sterling as at the trade date of investment and do not include any gains or losses on foreign exchange movements as at 31 December 2016.

### Outlook

The Group is going into 2017 with a strong cash position and the largest pipeline of transactions to date. The team dedicated to managing the portfolio has increased from seven people at the time of the initial public offering to fifteen people leading up to the 2016 C Shares offering. Vendor and manufacturer relationships remain strong. Deal flow coming from advisors and consultants is increasing and no significant competitors have entered the market with banks remaining, for the most part, focused on pure credit lending. Rising interest rates should have a minimal effect on the pipeline but, to the extent that it does, it should make the Group's pricing relatively more attractive or result in slightly increased yields on new investments.

**SQN Capital Management, LLC**  
16 February 2017

**SQN Capital Management (UK) Limited**  
16 February 2017

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## DIRECTORS' STATEMENT OF RESPONSIBILITIES

The principal risks and uncertainties of the Group remain unchanged from those disclosed in the 30 June 2016 Annual Report and Financial Statements. The Board's view is that these risks and uncertainties remain unchanged up to 30 June 2017.

We confirm to the best of our knowledge that:

- the Unaudited Condensed Consolidated Financial Statements within the Interim 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 Manager's 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 Interim Condensed 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 16 February 2017 by:

**Peter Niven**  
Chairman

**Christopher Spencer**  
Director

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# INDEPENDENT AUDITOR'S 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 six months to 31 December 2016 ("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 statement of cash flows 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, the London Stock Exchange's Rules for Premium Listed companies and other applicable legislation and regulations.

As disclosed in note 2 of the interim financial information, the annual financial statements of the Group are 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 ("IAS 34").

## 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.

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## **INDEPENDENT AUDITOR’S REVIEW REPORT TO THE MEMBERS OF SQN ASSET FINANCE INCOME FUND LIMITED (CONTINUED)**

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.

### **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 six months to 31 December 2016 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and other applicable legislation and regulations.

### **Baker Tilly CI Audit Limited**

Chartered Accountants  
St. Sampsons, Guernsey

**Date: 16 February 2017**

# SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements

for the six months ended 31 December 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Notes	Six months ended 31 December 2016 (Unaudited) £	Six months ended 31 December 2015 (Unaudited) £
<b>Income</b>			
Finance income		12,336,612	6,725,479
Interest on cash and cash equivalents		25,611	148,128
Other income		78,333	1,360,568
<b>Total income</b>		<b>12,440,556</b>	<b>8,234,175</b>
Net unrealised gain on revaluation of investments		61,285	171,120
Net unrealised foreign exchange gain on investments		801,175	3,641,577
Net unrealised foreign exchange gain/(loss) on forward contracts		4,349,009	(2,260,388)
Other unrealised foreign exchange gains		5,948	544,652
Net realised foreign exchange gain on investments		4,393,037	963,755
Net realised foreign exchange loss on forward contracts		(10,200,378)	(3,166,355)
<b>Net realised and unrealised loss</b>		<b>(589,924)</b>	<b>(105,639)</b>
<b>Operating expenses</b>			
Investment management fees		(1,338,277)	(1,150,766)
Directors' fees and travel expenses		(69,428)	(95,035)
Other operating expenses	6	(335,987)	(342,181)
Depreciation		(175,884)	(175,884)
Accumulated retained loss on the 2015 C Shares at point of conversion	13/14	(482,568)	-
<b>Total operating expenses</b>		<b>(2,402,144)</b>	<b>(1,763,866)</b>
<b>Total comprehensive income for the period</b>		<b>9,448,488</b>	<b>6,364,670</b>
<b>Total comprehensive income / (loss) for the period analysed as follows:</b>			
Attributable to Ordinary Shareholders		9,530,299	6,106,691
Attributable to 2016 C Shareholders		(81,811)	-
Attributable to 2015 C Shareholders		-	257,979
<b>Total</b>		<b>9,448,488</b>	<b>6,364,670</b>
<b>Basic and diluted earnings per Ordinary Share (pence)</b>	7.1	3.90p	3.41p
<b>Basic and diluted loss per 2016 C Share (pence)</b>	7.2	(0.05)p	-
<b>Basic and diluted earnings per 2015 C Share (pence)</b>	7.3	-	0.14p

All results are derived from continuing operations.

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

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

# SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements  
for the six months ended 31 December 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 (Unaudited) £	30 June 2016 (Audited) £
<b>Non-current assets</b>			
Property, plant and equipment	8	6,441,251	4,631,548
Residual value		1,102,910	1,041,623
Investments designated as fair value through profit or loss	9.2	4,837,860	4,373,701
Finance lease and hire-purchase investments	10	72,494,288	62,389,028
Loans and other investments	9.1	258,056,019	205,944,354
		342,932,328	278,380,254
<b>Current assets</b>			
Cash and cash equivalents		193,335,837	87,815,244
Interest receivables		2,895,740	2,494,276
Other receivables and prepayments		2,274,486	1,974,907
Investment receivables		517,726	173,632
		199,023,789	92,458,059
<b>Total assets</b>		<b>541,956,117</b>	<b>370,838,313</b>
<b>Current liabilities</b>			
Other payables and accrued expenses	11	(1,838,497)	(794,431)
Derivative financial liability	9.2/15	(7,651,449)	(15,213,964)
		(9,489,946)	(16,008,395)
<b>Net assets</b>		<b>532,466,171</b>	<b>354,829,918</b>
<b>Equity</b>			
Share capital	13	530,552,458	353,716,434
Retained earnings		1,913,713	1,113,484
		<b>532,466,171</b>	<b>354,829,918</b>
NAV per Share			
- Ordinary Shares	7.1/16	99.44p	99.45p
- 2016 C Shares	7.2/16	98.20p	-
- 2015 C Shares	7.3/16	-	98.24p

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 February 2017, and signed on its behalf by:

**Peter Niven**  
Director

**Christopher Spencer**  
Director

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

# SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements  
for the six months ended 31 December 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016 (UNAUDITED)

	Note	Net Assets Attributable to Shareholders		
		Share Capital £	Retained Earnings £	Total £
Opening balance as at 1 July 2016		353,716,434	1,113,484	354,829,918
Total comprehensive income for the period		-	9,448,488	9,448,488
<b>Transactions with Shareholders, recorded directly in equity</b>				
Issue of 2016 C Shares	13	180,000,000	-	180,000,000
2016 C Shares issue costs	13	(3,163,976)		(3,163,976)
Dividends paid – Ordinary Shares	14	-	(8,648,259)	(8,648,259)
<b>Total transactions with Shareholders</b>		<b>176,836,024</b>	<b>(8,648,259)</b>	<b>168,187,765</b>
<b>Closing balance as at 31 December 2016</b>		<b>530,552,458</b>	<b>1,913,713</b>	<b>532,466,171</b>

FOR THE SIX MONTHS ENDED 31 DECEMBER 2015 (UNAUDITED)

	Note	Net Assets Attributable to Shareholders		
		Share Capital £	Retained Earnings £	Total £
Opening balance as at 1 July 2015		176,808,446	2,046,797	178,855,243
Total comprehensive income for the period		-	6,364,670	6,364,670
<b>Transactions with Shareholders, recorded directly in equity</b>				
Issue of 2015 C Shares		180,000,000	-	180,000,000
2015 C Shares issue costs		(3,101,549)		(3,101,549)
Dividends paid	14	-	(6,263,240)	(6,263,240)
<b>Total transactions with Shareholders</b>		<b>176,898,451</b>	<b>(6,263,240)</b>	<b>170,635,211</b>
<b>Closing balance as at 31 December 2015</b>		<b>353,706,897</b>	<b>2,148,227</b>	<b>355,855,124</b>

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

# SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements  
for the six months ended 31 December 2016

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	Six months ended 31 December 2016 (Unaudited) £	Six months ended 31 December 2015 (Unaudited) £
<b>Operating activities:</b>			
Total comprehensive income for the period		9,448,488	6,364,670
Adjustments for:			
Unrealised gain on investments		(61,285)	(171,120)
Unrealised gain on investments relating to the 2015 C Shares		(2,768,305)	-
Unrealised foreign exchange gain in the period		(5,156,132)	(1,925,841)
Unrealised foreign exchange gain in the period relating to the 2015 C Shares		(3,213,504)	-
Depreciation	8	175,884	175,884
Realised foreign exchange gain on investments		(4,393,037)	(963,755)
Increase in interest receivables		(401,464)	(1,130,517)
(Increase)/decrease in investment receivables		(344,094)	168,833
Increase in other receivables and prepayments		(299,579)	(1,023,430)
Increase/(decrease) in investment payables		1	(130,000)
Increase in other payables and accrued expenses	11	1,044,065	536,819
Acquisition of investments	8/9/10	(79,436,496)	(94,481,848)
Amortisation of investment principal during the period	8/9/10	17,203,010	17,310,375
Disposals during the period	9	5,529,332	-
<b>Net cash outflow from operating activities</b>		<b>(62,673,116)</b>	<b>(75,269,930)</b>
<b>Cash flow from financing activities</b>			
2016 C Share issue (net proceeds)	13	176,836,024	-
2015 C Share issue (net proceeds)	13	-	176,898,451
Dividends paid	14	(8,648,259)	(6,263,240)
<b>Net cash flows provided by financing activities</b>		<b>168,187,765</b>	<b>170,635,211</b>
<b>Net increase in cash and cash equivalents</b>		<b>105,514,649</b>	<b>95,365,281</b>
Cash and cash equivalents at start of the period		87,815,244	75,654,965
Effect of exchange rate changes on cash and cash equivalents		5,944	544,652
<b>Cash and cash equivalents at end of the period</b>		<b>193,335,837</b>	<b>171,564,898</b>

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

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# 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-end 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 Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange on 14 July 2014.

In November 2015, the Group raised additional capital by the issuance of the 2015 C Shares, which were listed on the Main Market of the London Stock Exchange. Net proceeds of £176,907,988 were raised through the issue of 180,000,000 2015 C Shares. On 25 October 2016, the 2015 C Shares were converted to Ordinary Shares using a conversion ratio of 0.9929 Ordinary Shares for each 2015 C Share. The conversion ratio was based on the NAV per 2015 C Share as at 14 October 2016, which was the conversion date (the "Conversion Date") (refer to note 13 for further details).

In December 2016, the Group raised additional capital by the issuance of the 2016 C Shares. Net proceeds of £176,836,024 were raised through the issue of 180,000,000 2016 C Shares. The 2016 C Shares are listed separately on the Main Market of the London Stock Exchange and were admitted on 12 December 2016 (refer to note 13 for further details).

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

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.

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## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

### **2. Basis of Preparation**

The Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34. 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 Financial Statements for the year ended 30 June 2016, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

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

### **3. Significant 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 Company's Directors to exercise judgement in applying its accounting policies. The areas where significant judgements and estimates have been used are included in Note 4.

The Group has applied the same accounting policies as in its Annual Report and Financial Statements for the year ended 30 June 2016.

A number of amendments to standards have become effective for financial periods beginning on or after 1 January 2016. The Directors have reviewed these amendments and while they have not formally assessed the impact they will have on the financial statements of the Group, their initial opinion is that they will not be applicable or will not have a material impact in these Unaudited Condensed Consolidated Financial Statements or in the Annual Report and Financial Statements for the year ended 30 June 2017.

### **4. Use of Estimates and Judgements**

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the Annual Report and Financial Statements for the year ended 30 June 2016.

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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Changes to Material Agreements

There were no changes to any material agreements during the six months' period ended 31 December 2016.

### 6. Other Operating Expenses

	31 December 2016 (Unaudited) £	31 December 2015 (Unaudited) £
Administration fees	118,232	102,700
Company secretarial fees	15,092	53,015
Audit fees <sup>1</sup>	25,604	18,415
Brokerage fees	16,001	23,421
Public relation fees	24,841	25,163
Registrar fees	14,432	20,803
Legal fees	900	5,574
Professional fees	48,889	26,776
Other expenses	71,996	66,314
<b>Total other operating expenses</b>	<b>335,987</b>	<b>342,181</b>

<sup>1</sup>The Group's auditor, Baker Tilly CI Audit Limited, provided non-audit services on the issue of the 2016 C Shares.

### 7. Earnings per Share and NAV per Share

#### 7.1 Ordinary Shares

The calculation of basic earnings per Ordinary Share is based on the operating profit attributable to Ordinary Shares of £9,530,299 (31 December 2015: £6,106,691) and on the weighted average number of Ordinary Shares in issue during the period of 244,419,245 (31 December 2015: 178,985,507).

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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The calculation of the NAV per Ordinary Share is based on a NAV attributable to Ordinary Shares of £355,711,958 (30 June 2016: £177,996,266) and the number of Ordinary Shares in issue as at 31 December 2016 of 357,707,507 (30 June 2016: 178,985,507).

### 7.2 2016 C Shares

The calculation of basic earnings per 2016 C Share is based on the operating loss attributable to 2016 C Shares of £81,811 and on the weighted average number of 2016 C Shares in issue during the period of 180,000,000.

The calculation of the NAV per 2016 C Share is based on a NAV attributable to 2016 C Shares of £176,754,213 and the number of 2016 C Shares in issue as at 31 December 2016 of 180,000,000.

### 7.3 2015 C Shares

The calculation of basic earnings per 2015 C Share is based on the operating profit attributable to 2015 C Shares of £Nil (31 December 2015: £257,979) and on the weighted average number of 2015 C Shares in issue during the period of 103,278,689 (31 December 2015: 180,000,000).

The calculation of the NAV per 2015 C Share is based on a NAV attributable to 2015 C Shares of £Nil (30 June 2016: £176,833,652) and the number of 2015 C Shares in issue as at 31 December 2016 of Nil (30 June 2016: 180,000,000).

## 8. Property, Plant and Equipment

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

- a) a hire purchase agreement which was re-leased to an alternative third party under an operating lease. The asset has a remaining useful life of 13 years (30 June 2016: 13.5 years).
- b) a finance lease which was terminated during the period and where the underlying asset was recovered by the Group. As at 31 December 2016, this asset is being remarketed by the Group.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The carrying amount is detailed in the table below:

<b>Cost</b>	<b>31 December 2016 (Unaudited) £</b>	<b>30 June 2016 (Audited) £</b>
<b>Opening balance</b>	<b>5,100,572</b>	<b>5,100,572</b>
Additions during the period/year	-	-
Reclassified investments <sup>1</sup>	1,985,587	-
<b>Closing balance</b>	<b>7,086,159</b>	<b>5,100,572</b>
<b>Accumulated depreciation</b>		
<b>Opening balance</b>	<b>(469,024)</b>	<b>(117,256)</b>
Depreciation during the period/year	(175,884)	(351,768)
<b>Net book value</b>	<b>6,441,251</b>	<b>4,631,548</b>

<sup>1</sup>This item, detailed above in note 8 b, relates to an investment that has been reclassified from the Finance Lease investments category. Please refer to notes 10 and 18 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 2016 (Unaudited)	Loans £	Construction Finance £	Receivables £	Total £
<b>Opening balance</b>	<b>92,965,222</b>	<b>103,530,815</b>	<b>9,448,317</b>	<b>205,944,354</b>
Advances and purchases during the period	9,903,268	58,609,048	-	68,512,316
Principal amortisation during the period	(4,579,288)	(6,514,935)	(1,963,046)	(13,057,269)
Disposals during the period	(5,401,127)	(128,205)	-	(5,529,332)
Reclassified investments <sup>1</sup>	21,139,325	(26,327,265)	-	(5,187,940)
2015 C Shares reclassification <sup>2</sup>	2,339,953	200,290	-	2,540,243
Realised foreign exchange gain on investments	345,865	3,777,382	270,090	4,393,337
Unrealised foreign exchange gain on revaluation	1,073,694	(550,995)	(82,389)	440,310
<b>Closing balance</b>	<b>117,786,912</b>	<b>132,596,135</b>	<b>7,672,972</b>	<b>258,056,019</b>

<sup>1</sup>This item relates to advances in the Construction Finance investments category that were reclassified as additions in the Loans, Finance Lease and Hire-Purchase investments categories, that appear in this note and in note 10 respectively.

<sup>2</sup>This item relates to the treatment of foreign exchange and accrued interest on investments that were held in the 2015 C Shares portfolio at the Conversion Date. The conversion of the 2015 C Shares class on the Conversion Date to the Ordinary Shares class realised foreign exchange movements in the 2015 C Shares portfolio which formed the cost basis of the transfer amount to the Ordinary Shares portfolio. Accrued interest up to the Conversion Date on the 2015 C Shares portfolio has been capitalised.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016 (Audited)	Loans £	Construction Finance £	Receivables £	Total £
<b>Opening balance</b>	<b>47,664,651</b>	<b>22,131,934</b>	<b>2,845,605</b>	<b>72,642,190</b>
Advances and purchases during the year	66,985,094	98,071,965	8,638,201	173,695,260
Principal amortisation during the year	(33,854,841)	(1,037,392)	(3,015,862)	(37,908,095)
Reclassified investments <sup>1</sup>	-	(20,290,025)	-	(20,290,025)
Realised foreign exchange gain on investments	1,689,357	22,324	108,137	1,819,818
Unrealised foreign exchange gain on revaluation	10,480,961	4,632,009	872,236	15,985,206
<b>Closing balance</b>	<b>92,965,222</b>	<b>103,530,815</b>	<b>9,448,317</b>	<b>205,944,354</b>

<sup>1</sup>This item relates to advances in the Construction Finance category that were reclassified as additions in the Finance Lease and Hire-Purchase investments categories that appear in note 10.

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.

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.

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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 in financial assets and financial liabilities designated at fair value through profit and loss.

The Group measures fair values using the following fair value hierarchy, which 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.

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

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

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The table below analyses the financial assets and financial liabilities held at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 December 2016 (Unaudited)	Level 1 £	Level 2 £	Level 3 £	Total £
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### Financial Assets

Investments designated at fair value through profit and loss	-	-	4,837,860	4,837,860
Finance lease residual value	-	-	1,102,910	1,102,910
Equity holding <sup>1</sup>	-	-	-	-
<b>Total Financial Assets</b>	-	-	<b>5,940,770</b>	<b>5,940,770</b>

### Financial Liabilities

Derivative financial liability	-	(7,651,449)	-	(7,651,449)
<b>Total Financial Liability</b>	-	<b>(7,651,449)</b>	-	<b>(7,651,449)</b>

30 June 2016 (Audited)	Level 1 £	Level 2 £	Level 3 £	Total £
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### Financial Assets

Investments designated at fair value through profit and loss	-	-	4,373,701	4,373,701
Finance lease residual value	-	-	1,041,623	1,041,623
Equity holding <sup>1</sup>	-	-	-	-
<b>Total Financial Assets</b>	-	-	<b>5,415,324</b>	<b>5,415,324</b>

### Financial Liabilities

Derivative financial liability	-	(15,213,964)	-	(15,213,964)
<b>Total Financial Liability</b>	-	<b>(15,213,964)</b>	-	<b>(15,213,964)</b>

<sup>1</sup>Refer to page 33 for further details on the equity holding.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

	31 December 2016 (Unaudited) £	30 June 2016 (Audited) £
<b>Opening balance</b>	<b>5,415,324</b>	<b>4,387,648</b>
Additions during the period / year	104,375	183,821
Sales during the period/year	(1,322)	(94,916)
Realised foreign exchange gain on investments	241	9,258
Unrealised foreign exchange gain on revaluation	422,152	929,513
<b>Closing balance</b>	<b>5,940,770</b>	<b>5,415,324</b>

Transfers between levels are deemed to have occurred at the date of the event or change in circumstances that caused the transfer. There were no transfers of investments between the levels during the period.

The Lease Participation investments represent a single participation investment in a portfolio of leases. The carrying value of £4,837,860 (30 June 2016: £4,373,701) represents the value attributable to the 'principal' element of the participation interest, determined in accordance with the participation agreement.

The participation agreement entitles the Group to receive interest on the principal balance at the rate of 10.5%. Payment amounts are not fixed and are dependent on the actual proceeds received on the Lease Portfolio each month. Any shortfall in interest payments is added to the principal balance and accrues interest at the same rate. The Group does not have any rights to any amounts received on the portfolio over and above the repayment of their principal plus any interest accrued at the rates stated above.

The Directors and the Investment Managers believe this is a reasonable approximation of the fair value. The Group has therefore not presented quantitative information on the valuation of the Lease Participation investments.

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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Information about the Secondary Market for Level 3 Investments

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

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

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

### Equity Holding

These represent asset finance facilities in the form of construction finance and hire purchase investments to five investee companies. In addition to these finance arrangements the Group acquired a 25.5% equity holding in each investee company.

The equity holdings are valued by the Directors, 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 Manager and such other factors as the Directors, 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 are reassessed on an ongoing basis by the Board.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9.3 Valuation Process

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

#### 31 December 2016 (Unaudited)

Description	Fair value £	Valuation Techniques	Unobservable Inputs
Lease participation	4,837,860	Principal balance	Third party appraisal
Finance lease residual value	1,102,910	Market approach	In place value/secondary market value
Equity holding	-	Market approach	N/A

#### 30 June 2016 (Audited)

Description	Fair value £	Valuation Techniques	Unobservable Inputs
Lease participation	4,373,701	Principal balance	Third party appraisal
Finance lease residual value	1,041,623	Market approach	In place value/secondary market value
Equity holding	-	Market approach	N/A

### 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 and at the end of the fixed or minimum term, the lessee can 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;

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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 movements in Finance Lease and Hire-Purchase investments:

31 December 2016 (Unaudited)	Finance Lease £	Hire-Purchase £	Total £
<b>Opening balance</b>	<b>23,662,205</b>	<b>38,726,823</b>	<b>62,389,028</b>
Additions during the period	1,101,260	9,718,545	10,819,805
Reclassified Construction Finance investments <sup>1</sup>	3,382,506	1,805,434	5,187,940
Reclassified Property, Plant and Equipment investments <sup>2</sup>	(1,985,587)	-	(1,985,587)
2015 C Shares reclassification <sup>3</sup>	13,009	215,053	228,062
Realised loss on investment	-	(541)	(541)
Principal amortisation during the period	(2,336,505)	(1,807,914)	(4,144,419)
<b>Closing balance</b>	<b>23,836,888</b>	<b>48,657,400</b>	<b>72,494,288</b>

<sup>1</sup> This item relates to advances that previously appeared in the Construction Finance investments category in note 9.1 and have been reclassified as Finance Lease or Hire-Purchase Investments.

<sup>2</sup> This item relates to an investment that has been reclassified to the Property, Plant and Equipment investments category. Please refer to notes 8 and 18 for additional information.

<sup>3</sup> This item relates to the treatment of accrued interest on investments that were held in the 2015 C Shares portfolio at the Conversion Date. Accrued interest up to the Conversion Date on the 2015 C Shares portfolio have been capitalised.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016 (Audited)	Finance Lease £	Hire-Purchase £	Total £
Opening balance	17,230,475	-	17,230,475
Additions during the year	6,886,027	22,592,633	29,478,660
Reclassified construction finance investments	2,880,118	17,409,907	20,290,025
Principal amortisation during the year	(3,334,415)	(1,275,717)	(4,610,132)
<b>Closing balance</b>	<b>23,662,205</b>	<b>38,726,823</b>	<b>62,389,028</b>

Assets leased to third parties under finance leases had an unguaranteed residual value at the end of the period of £1,102,910 (30 June 2016: £1,041,623).

During the period, residual investments sold totalled £Nil (30 June 2016: £94,916).

### 11. Other Payables and Accrued Expenses

	31 December 2016 (Unaudited) £	30 June 2016 (Audited) £
Investment management fees	378,675	312,856
Administration and secretarial fees	33,724	56,104
Audit fees	24,086	39,889
Printing fees	9,972	4,972
Brokerage fees	18,625	18,625
Rental reserve	444,148	353,741
Director fees	46,972	-
Other payables	428,301	6,408
Deferred loan pay down and interest	452,157	-
Investment payables	1,837	1,836
<b>Total other payables and accrued expenses</b>	<b>1,838,497</b>	<b>794,431</b>

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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Investment payables of £1,837 (30 June 2016: £1,836) represent amounts due for investments purchased that have been contracted for but not settled at the reporting date.

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.

### 12. Commitments and Contingent Liabilities

As at 31 December 2016, the Group had committed to invest a further £24,946,278 (30 June 2016: £39,584,941). These commitments are classified as “hard commitments” of £8,190,178 (30 June 2016: £39,584,941) which represent investments for which the documentation is finalised. As at 31 December 2016, there were “soft commitments” of £16,756,100 (30 June 2016: £Nil) which represent investments at varying stages of documentation.

The Group does not have any contingent liabilities.

### 13. 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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Company's share capital is denominated in Sterling.

	Number of Shares 31 December 2016 (Unaudited)	Stated Capital 31 December 2016 (Unaudited) £	Number of Shares 30 June 2016 (Audited)	Stated Capital 30 June 2016 (Audited) £
Ordinary Shares*	357,707,507	353,716,434	178,985,507	176,808,446
2016 C Shares**	180,000,000	176,836,024	-	-
2015 C Shares*	-	-	180,000,000	176,907,988
<b>Total</b>	<b>537,707,507</b>	<b>530,552,458</b>	<b>358,985,507</b>	<b>353,716,434</b>

### Share Movements (Net proceeds)

	Number of Shares		Stated Capital		Total £
	Ordinary Shares	C Shares	Ordinary Shares £	C Shares £	
<b>Balance at 1 July 2016</b>	<b>178,985,507</b>	<b>180,000,000</b>	<b>176,808,446</b>	<b>176,907,988</b>	<b>353,716,434</b>
Conversion of 2015 C Shares to Ordinary Shares*	178,722,000	(180,000,000)	176,425,420	(176,425,420)	-
2016 C Shares issued during the period**	-	180,000,000	-	176,836,024	176,836,024
<b>Balance at 31 December 2016</b>	<b>357,707,507</b>	<b>180,000,000</b>	<b>353,233,866</b>	<b>177,318,592</b>	<b>530,552,458</b>

\* In November 2015, the Group raised additional capital by the issuance of 2015 C Shares. Net proceeds of £176,907,988 were raised through the issue of 180,000,000 2015 C Shares. On 25 October 2016, the 2015 C Shares were converted into Ordinary Shares using an Ordinary Share conversion ratio of 0.9929 for each 2015 C Share. The conversion ratio was based on the NAV per 2015 C Share as at 14 October 2016, which was the calculation date. The 2015 C Shares issue costs were finalised in the year ended 30 June 2016 as £3,092,012. The reported figure in the 31 December 2015 financial statements was overstated by £9,537 and this additional amount has been reinvested into the Group during the year ended 30 June 2016.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

\*\* On 8 December 2016, the Board announced that gross proceeds of £180,000,000 been raised by issuing 180,000,000 2016 C Shares. The proceeds net of issue costs of £3,163,976 (1.76% of the gross proceeds), amounted to £176,836,024. The terms and timing of the conversion of 2016 C Shares to Ordinary Shares will be announced at a later date. The un-invested proceeds were held in cash and on fixed deposit as at 31 December 2016. Please refer to the Investment Manager's Report for details on the investment portfolio, opportunities and outlook.

### 14. Dividends

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

Period	Announcement Date	Payment Date	Amount per Share	Amount
<b>Ordinary Shares</b>				
				<b>£</b>
1 to 31 May 2016	21 June 2016	25 July 2016	0.6042p	1,081,430
1 to 30 June 2016	21 July 2016	22 August 2016	0.6042p	1,081,430
1 to 31 July 2016	18 August 2016	19 September 2016	0.6042p	1,081,430
1 to 31 August 2016	21 September 2016	24 October 2016	0.6042p	1,081,430
1 to 30 September 2016	21 October 2016	21 November 2016	0.6042p	2,161,269
1 to 31 October 2016	15 November 2016	19 December 2016	0.6042p	2,161,270
<b>Total</b>				<b>8,648,259</b>

The dividend for December 2016 had an ex-dividend date after the period end and is stated in Note 19.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Period	Announcement Date	Payment Date	Amount per Share	Amount
<b>2015 C Shares<sup>1</sup></b>				<b>£</b>
1 to 31 May 2016	21 June 2016	25 July 2016	0.2000p	360,000
1 to 30 June 2016	21 July 2016	22 August 2016	0.3300p	594,000
1 to 31 July 2016	18 August 2016	19 September 2016	0.4167p	750,060
1 to 31 August 2016	21 September 2016	24 October 2016	0.4861p	874,980
<b>Total</b>				<b>2,579,040</b>

<sup>1</sup> When the 2015 C Shares were converted to Ordinary Shares, the accumulated retained loss on the 2015 C Shares of £482,568, included the paid 2015 C Share dividends.

During the period ended 31 December 2015, the Company declared and paid the following dividends to its Shareholders:

Period	Announcement Date	Payment Date	Amount per Share	Amount
<b>Ordinary Shares</b>				<b>£</b>
1 to 31 May 2015	19 June 2015	20 July 2015	0.5200p	930,725
1 to 30 June 2015	20 July 2015	20 August 2015	0.5625p	1,006,795
1 to 31 July 2015	21 August 2015	18 September 2015	0.6042p	1,081,430
1 to 31 August 2015	17 September 2015	20 October 2015	0.6042p	1,081,430
1 to 30 September 2015	21 October 2015	27 November 2015	0.6042p	1,081,430
1 to 31 October 2015	20 November 2015	18 December 2015	0.6042p	1,081,430
<b>Total</b>				<b>6,263,240</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Derivative Financial Liability

The Group had the following open forward foreign exchange contracts:

As at 31 December 2016	Notional		Fair Value / GBP Equivalent	Settlement Date Month/Year
Buy/Sell Currency	Foreign Currency	GBP		
GBP/EUR	788,187	673,207	(2,467)	January 2017
GBP/EUR	455,808	389,578	(1,343)	February 2017
GBP/EUR	14,328,170	12,259,455	(1,932,155)	March 2017
GBP/EUR	25,171,299	21,549,557	(1,354,563)	April 2017
GBP/USD	48,861,718	39,495,992	(1,236,396)	June 2017
GBP/EUR	44,851,831	38,438,826	(231,759)	June 2017
GBP/USD	21,621,969	17,448,568	119,788	June 2017
GBP/USD	62,735,535	50,618,523	(3,764,047)	July 2017
GBP/EUR	15,770,921	13,560,800	751,493	October 2017

**(7,651,449)**

As at 30 June 2016	Notional		Fair Value / GBP Equivalent	Settlement Date Month/Year
Buy/Sell Currency	Foreign Currency	GBP		
GBP/EUR	28,937,566	24,067,026	(3,150,292)	July 2016
GBP/EUR	226,613	188,524	(10,710)	August 2016
GBP/USD	33,192,961	24,830,961	(1,458,927)	September 2016
GBP/EUR	6,773,233	5,643,146	(429,775)	September 2016
GBP/EUR	18,515,140	15,431,610	(896,184)	October 2016
GBP/EUR	45,150,513	37,675,891	(2,862,012)	November 2016
GBP/USD	82,266,109	61,401,921	(6,406,064)	December 2016

**(15,213,964)**

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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Segmental Reporting

There are two reportable segments as at 31 December 2016: Ordinary Shares and 2016 C Shares. For the year ended 30 June 2016 and the period ended 31 December 2015, two reportable segments were identified, Ordinary Shares and 2015 C Shares. Each Share Class has its own portfolio, is listed separately on the Main Market of the London Stock Exchange and the Company's 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 Statement of Comprehensive Income between the reportable segments:

<b>31 December 2016 (Unaudited)</b>	<b>Ordinary Shares</b>	<b>2016 C Shares</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Total income	12,417,044	23,512	12,440,556
Net realised and unrealised gain	(1,072,492)	-	(1,072,492)
Total operating expenses	(1,814,253)	(105,323)	(1,919,576)
<b>Total comprehensive income for the period</b>	<b>9,530,299</b>	<b>(81,811)</b>	<b>9,448,488</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 December 2015 (Unaudited)	Ordinary Shares £	2015 C Shares £	Total £
Total income	7,662,680	571,495	8,234,175
Net realised and unrealised gain	(105,639)	-	(105,639)
Total operating expenses	(1,450,350)	(313,516)	(1,763,866)
<b>Total comprehensive income for the period</b>	<b>6,106,691</b>	<b>257,979</b>	<b>6,364,670</b>

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

31 December 2016 (Unaudited)	Ordinary Shares £	2016 C Shares £	Total £
Non-current assets	342,932,328	-	342,932,328
Current assets	21,855,145	177,168,644	199,023,789
<b>Total assets</b>	<b>364,787,473</b>	<b>177,168,644</b>	<b>541,956,117</b>
Current liabilities	(9,075,515)	(414,431)	(9,489,946)
<b>Net assets</b>	<b>355,711,958</b>	<b>176,754,213</b>	<b>532,466,171</b>
<b>Equity</b>	<b>355,711,958</b>	<b>176,754,213</b>	<b>532,466,171</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 June 2016 (Audited)	Ordinary Shares £	2015 C Shares £	Total £
Non-current assets	175,573,063	102,807,191	278,380,254
Current assets	14,853,833	77,604,226	92,458,059
<b>Total assets</b>	<b>190,426,896</b>	<b>180,411,417</b>	<b>370,838,313</b>
Current liabilities	(12,430,630)	(3,577,765)	(16,008,395)
<b>Net assets</b>	<b>177,996,266</b>	<b>176,833,652</b>	<b>354,829,918</b>
<b>Equity</b>	<b>177,996,266</b>	<b>176,833,652</b>	<b>354,829,918</b>

### 17. Related Party Transactions

Below are details of any significant updates to the related party disclosure in the annual set of financial statements for the year ended 30 June 2016.

During the period, the management fees paid to the Investment Managers amounted to £1,338,277 (31 December 2015: £1,150,766). At 31 December 2016, management fees amounting to £378,675 (30 June 2016: £312,856) were unpaid.

During the period, structuring fees of £671,870 (31 December 2015: £870,749) were received by the Investment Managers.

### Share Interest

Neil Roberts, a Director of the UK Investment Manager holds 149,645 Ordinary Shares and 59,256 2016 C Shares in the Company as at 31 December 2016 (30 June 2016: 100,000 Ordinary Shares and 50,000 2015 C Shares).

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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Tim Spring, a Director of the UK Investment Manager holds 150,572 Ordinary Shares and 67,512 2016 C Shares in the Company (30 June 2016: 73,085 Ordinary Shares and 74,800 2015 C Shares).

The table below provides details of the Ordinary Shares and C Shares held by the Directors:

31 December 2016	Number of Ordinary Shares	Number of 2016 C Shares
Peter Niven	59,858	5,000
John Falla	19,637	4,961
Carol Goodwin	44,893	5,000
Christopher Spencer	19,929	4,982

30 June 2016	Number of Ordinary Shares	Number of 2015 C Shares
Peter Niven	40,000	20,000
John Falla	10,000	9,706
Carol Goodwin	30,000	15,000
Christopher Spencer	10,000	10,000

### SQN Asset Finance (Ireland) DAC

During the period, the Group acquired £5,187,697 of GBP denominated bonds due 6 June 2018 (30 June 2016: €42,670,000 of EUR denominated bonds due 12 May 2018) which were issued by SQN Asset Finance (Ireland) DAC, an unconsolidated structured entity incorporated in the Republic of Ireland. The UK Investment Manager acts as investment adviser to this entity.

## 18. Credit Risk

### Restructurings during the period ended 31 December 2016

During the period ended 31 December 2016, certain finance investments (a secured loan and two finance leases) were restructured resulting in repayment terms being amended.

As at 31 December 2016, the Group continues to hold these investments at their combined carrying amount of £20,045,186. The Directors do not consider these investments to be impaired following the restructuring of the finance agreements.

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## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

During the period ended 31 December 2016, one finance investment (a finance lease) was terminated because of default by the lessee and the leased asset was recovered. As at 31 December 2016, the Group continues to hold this investment at its carrying amount of £1,985,587. The Directors believe that the full carrying amount is recoverable, so do not consider this asset to be impaired.

### Restructurings during prior periods

Three finance investments (two secured loans and one finance lease), were restructured in prior periods. Two of the investments (the two secured loans) may require further restructuring; the third (the finance lease) is now performing in accordance with the agreed terms (as restructured).

As at 31 December 2016, the Group continues to hold the two investments for which further restructuring may be necessary at their combined carrying amount of £20,267,886 (30 June 2016: £19,201,474). The Directors do not consider these investments to be impaired.

During the period ended 31 December 2016, one finance investment (a construction finance loan), with a carrying amount of £119,588, on which interest recognition had been previously suspended, was liquidated and the carrying amount was received in full.

### 19. Events Occurring After the Reporting Period

On 19 December 2016, the Company declared a dividend of 0.6042p per Ordinary Share for the month ended 30 November 2015. This dividend was paid to the Shareholders on 23 January 2017.

On 23 January 2017, the Company declared a dividend of 0.6042p per Ordinary Share for the month ended 31 December 2016. This dividend will be paid to the Shareholders on 20 February 2017.

### 20. Ultimate Controlling Party

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

# SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements

for the six months ended 31 December 2016



## COMPANY INFORMATION

### Non-Executive Directors

Peter Niven

*(Chairman of the Board)*

John Falla

*(Chairman of Management*

*Engagement Committee)*

Christopher Spencer

*(Chairman of Audit and Risk Committee)*

Carol Goodwin

*(Chairman of Remuneration and Nomination*

*Committee)*

### Registered Office

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

### US Investment Manager

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

### UK Investment Manager

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

### Financial Adviser and Broker

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

### Auditor

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

### Registrar

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

### Principal Bankers

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

# SQN Asset Finance Income Fund Limited

Interim Report and Unaudited Condensed Consolidated Financial Statements  
for the six months ended 31 December 2016



## Designated Administrator, Custodian and Secretary

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

## Receiving Agent

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

## Legal Advisers (English Law)

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

## Legal Advisers (Guernsey Law)

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

Website [www.sqnassetfinance.com](http://www.sqnassetfinance.com)

SQN Asset Finance Income Fund, (company ticker: SQN LN and C share ticker: SQNX LN) the only diversified equipment leasing fund in the UK.

For more information, please visit [sqnassetfinance.com](http://sqnassetfinance.com)

## SINE QUA NON

*Latin: without which it could not be*



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## SINE QUA NON

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