GLI Finance Limited

Annual Report and Audited Consolidated Financial Statements For the year ended 31 December 2018

GLI Finance Limited
For the year ended 31 December 2018
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GLI Finance Limited
For the year ended 31 December 2018
HIGHLIGHTS

Group Highlights

- Group Revenue for the year was up 14% at £13.2m (2017: £11.6m) with operating profit before credit losses at £0.75m (2017: £0.1m) and operating losses for the year at £2.3m (2017: profit £0.1m) after the inclusion of IFRS 9 provisions which became effective on 1 January 2018.
- The Group is focused on the repayment of the Zero Dividend Preference shares ("ZDPs") due on 5 December 2019 and it commenced a buyback of these during the year with 1.5m ZDPs being acquired during 2018 and a further 1.6m ZDPs acquired post year-end. Post year-end the Group is seeking authority from shareholders to acquire up to a further 14.99% of ZDPs issued.
- The funding of the ZDPs throughout 2019 and the repayment of the principal due on maturity is expected to come from existing cash and cash from the realisation of on balance sheet loans as they mature.
- Further simplification of the Group following the closure of supply chain finance and focus on asset backed lending.

Strategic Review

- Our business strategy is focused on maximising returns for shareholders. We recognise that this has not been entirely positive over recent years as we have faced inherited challenges on the FinTech Ventures portfolio, however whilst we have made improvements on the cost side, we recognise that more needs to be done to improve profitability and the Group is focussed on achieving this.
- Key financial metrics* for Sancus BMS which management are focussing on and which we will report on going forward, are:
    - Return on tangible assets ("ROTA");
    - Cost income ratio; and
    - Loan Deployment.
- Focus is on lowering debt (with the repayment of the ZDPs in December 2019) and reducing our on-balance sheet loan exposure which in turn will increase ROTA.
- In accordance with the Group's stated policy of paying dividends out of net cash generation, no dividend will be declared for the period, but we will look to reinstate these when we are in a positive cashflow position.

Sancus BMS Highlights

- Revenue growth of 28% by the main operating unit, Sancus BMS, to £13.3m from £10.3m in the prior year.
- Sancus BMS operating profit before credit losses was up 82% to £2.8m (2017: £1.6m).
- Total cumulative loans advanced across Sancus BMS now at £1bn (prior year £797m) with actual loss rate of under 1% reflecting strong underwriting controls.
- The special purpose lending vehicle established in January 2018 with a £50m lending capacity, backed by a £45m credit facility with Honeycomb Investment Trust plc ("HIT") is providing a useful funding source. £22.9m had been drawn as at 31 December 2018.
- Announced discontinuation of the supply chain finance product line in February 2019, with focus in the UK on asset backed lending in Sancus Funding, our FCA regulated entity.
- Successful launch of Sancus Ireland during the year providing euro loan options for our client base.

FinTech Ventures Highlights

- The carrying value of FinTech Ventures portfolio at 31 December 2018 was £13.8m (2017: £29.6m).
- NAV per share for FinTech Ventures at 31 December 2018 was 5.1 pence (2017:10.0 pence).
- The write down in the year of £19.6m is across 8 platforms, as a result of market challenges in securing additional growth capital. It is clearly disappointing to take a further large write down and we continue to review our options to achieve the greatest potential return from the portfolio.
- 55% increase in loan origination across the portfolio companies compared to prior year.
- Four platforms have successfully raised new equity from third parties during the year. However, in some cases, we experienced greater dilution of our holding than expected. Several of the other platforms are looking to raise equity over the next twelve months and we have conservatively approached the valuation of those platforms with these difficult market conditions in mind.
- On a selective basis, GLI invested £2.6m across five of the platforms during the year, primarily in the form of convertible loan notes, to support their growth and protect our position as much as possible.

Note: *Performance measurement calculations are included in Note 27.

Andy Whelan, Chief Executive Officer commented:

"The Group has seen mixed progress during 2018, with improving revenue, successfully securing a new funding line and reducing costs across the business balanced against poor developments in the FinTech Ventures portfolio.

We are pleased that Sancus BMS, the key operating unit within the Group, has delivered some positive results during the year. The lending businesses that comprise Sancus BMS are strong, well managed, and have the ability to deliver a very attractive return on capital. We were delighted to have secured the £45m credit facility from HIT announced in January 2018 and this has helped us significantly grow the loan book. The new management team in the UK is making excellent progress in integrating the businesses and delivering synergies.

We are very disappointed to have had to take a further material write down on the FinTech Ventures portfolio. Whilst FinTech as a sector continues to grow strongly, increased competition is making it increasingly difficult for smaller players, particularly those that are loss making, to raise further equity. Given the plethora of investment opportunities, investors are often able to negotiate favourable terms. With competing demands for our capital, we often haven't been able to follow our money, and this has resulted in situations where we have been significantly diluted. Several of our platforms are looking to raise equity over the next twelve months, and given the material write-downs incurred, we believe there is upside potential if these raises are successful."

GLI Finance Limited
For the year ended 31 December 2018
OUR INVESTMENT PROPOSITION

What is alternative finance

Alternative finance refers to financial channels, processes and instruments that have emerged outside of the traditional finance system such as regulated banks and capital markets. Alternative finance providers act as intermediaries between borrowers and funders, and are complementary to traditional High Street banks. GLI Finance's subsidiary and associated alternative finance platforms (the Group) are non-bank lenders, utilising peer to peer, marketplace, and balance sheet lending models.

Sancus BMS operates a syndicated hybrid model for its asset backed lending business, with funding from three sources, including institutional investors, proprietary capital and Sancus Co-Funders. Institutional funders include Honeycomb Investment Trust. The Sancus Loan Note programme managed by Amberton Asset Management and Sancus Co-Funders are comprised of high net worth individuals, family offices and private clients.

Why does it matter

Small and medium enterprises (SMEs) continue to struggle to access finance as banks de-risk their balance sheets to meet increased regulatory capital requirements. Alternative finance providers have entered the market and are delivering the finance that many SMEs need. Substantial economic research suggests that access to finance plays an important role in promoting economic growth. Providing SMEs with access to alternative finance, supports their growth, contributes to economies and improves employment levels.

Marketplace lending grew at a rate of 20.3% in 2018, with the final quarter of 2018 seeing a total of £1.6bn in new gross lending, the highest quarterly total on record. Based on current trends, a similar pace of growth is expected in 2019. [2]

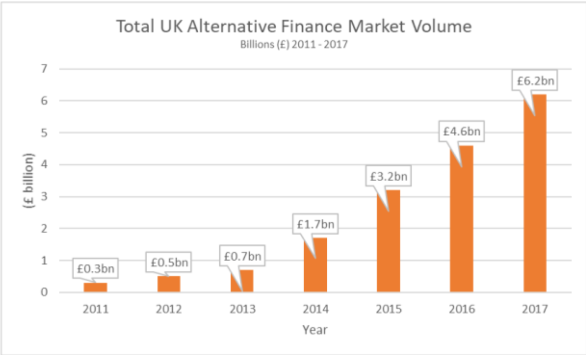
Another recent key development in the alternative finance space was the increased presence of institutional players within the market, investing directly through the platforms. Institutional investors included traditional banks, mutual funds, pension funds, hedge funds and asset management firms. There were also public and governmental funders such as local authorities and the British Business Bank.

The data suggests demand for alternative finance services in the UK is increasing. This is possibly driven by growing trust in these firms' business models, thanks to the length of time some of the leading players have been around and the speed and ease of access to funding.

Brexit, rather than threatening the alternative-finance market, has increased its appeal in comparison to traditional lenders. With banks responding to the consequences of a difficult economic climate by adopting tighter policies, individuals and businesses are increasingly looking elsewhere to secure funding.

The growing difficulty of securing a mortgage through traditional lenders, for example, has led to bridging loans becoming a popular means of obtaining the funds needed to purchase a property. (Source: International Banker 17/9/18).

There are also uncertainties created by Brexit which make it very difficult to predict future outcomes, however Sancus BMS has further tightened its credit processes to decline proposals where the repayment strategy is based upon bull market behaviour.



(Source: Cambridge Centre for Alternative Finance[1])

About GLI Finance

GLI Finance Limited (the "Group" or "GLI") is a Guernsey-domiciled company quoted on the AIM market of the London Stock Exchange (ticker GLIF).

The Group's objective is to maximise shareholder returns through the management of multi-jurisdictional businesses providing asset backed lending, and through the realisation of capital returns on its portfolio of FinTech investments in alternative finance platforms.

The Group has two business units, Sancus BMS (offices in 6 locations) and FinTech Ventures, which has investments in 11 platforms. Excluding the platforms we are invested in, the Group has 43 employees in the companies it owns and operates. (31 December 2017: 55 employees).

The Group's debt instruments include the ZDPs which are listed on the Main Market of the London Stock Exchange (ticker GLIZ), and the GLI Corporate Bond which is listed on the Cayman Exchange.

[1] Marketplace Lending Index – Issue 1 2019 – Link Asset Services

GLI Finance Limited
For the year ended 31 December 2018
KEY EVENTS TIMELINE 2018

Deal/Milestone	Date	Description
New appointment	January 2018	New appointment of Dan Walker as Managing Director of Sancus Finance and Sancus Funding and Group Executive.
£50m Lending Capacity	January 2018	A special purpose vehicle (Sancus Loans Limited, "SLL") with a £50m lending capacity, backed by a £45m facility with HIT was announced. The Group has invested £5m of its own capital into SLL which sits as a first loss position as part of the facility. In addition, the Group has provided a Guarantee, capped at £2m that it will continue to ensure the orderly wind down of the HIT related book in the event of the insolvency of Sancus BMS Group, given its position as facility and security agent.
Acquisition of ZDPs	May 2018	Shareholder approval was granted at the AGM in May 2018 to acquire up to 14.99% of shares issued. At the year-end the Group held 1,544,441 (7.4%) ZDP shares in treasury and post year-end the Group had acquired the balance up to 14.99% being 3,116,634 ZDPs in total.
Sancus Loan Note 4 Launched	July 2018	Sancus Loan Note 4 was launched with an initial raise of £5.9m and a maximum raise of £15m. Maturity is 30 September 2019. The Group provides a 20% First Loss Guarantee.
Sancus Properties Ltd ("SPL") (Previously known as Sancus Developments Ltd)	August 2018	New subsidiary created to hold security and a further portfolio of real estate assets held by a former borrower. The intention is to realise these assets via orderly transactions.
Sancus Ireland was launched	August 2018	Sancus Ireland was launched in August 2018 with a focus on asset backed lending.
Sale of BMS Irish Assets	September 2018	The Group's holding (30.3%) of BMS Finance (Ireland) SARL was sold to Beach Point Capital (Ireland) DAC and BMS Finance AB Limited ceased to be the investment advisor to the SARL. The sale realised £6.4m, with a further £0.1m to be received once the structure is fully wound up.
FinTech Platform – New Equity	November 2018	The Credit Junction ("TCJ"), one of the FinTech platforms in which GLI is invested, secured a $23m growth equity investment from Century Equity Partners, a US private equity firm. The transaction underpins the valuation of the Group's investment in TCJ.
Sancus Loan Note 3 Repaid	November 2018	Sancus Loan Note 3 was repaid on 8 November 2018 when £9.87m was repaid to Note Holders.
Sancus Loan Note 5 Launched	November 2018	Sancus Loan Note 5 was launched with an initial raise of £7.6m and has now reached £16.55m. It has a maximum raise of £50m. Maturity is 8 November 2021 and the Group provides a 10% First Loss Guarantee.
Sancus Loan Note 2 Repaid	January 2019	Sancus Loan Note 2 was redeemed early on 7 December 2019.
Closure of supply chain finance	February 2019	The supply chain finance business has underperformed due to a fundamental shift in the credit insurance market and lost £1m in 2018.
EGM to seek approval for further ZDP market acquisitions	March 2019	EGM to be held on 29 March 2019 to seek approval to renew the authority previously granted (for a further 14.99%) at the 2018 AGM authorising the Company to make market acquisitions of ZDPs.

STRATEGIC REVIEW

CHAIRMAN'S STATEMENT

Positioning the business for the future

Our priorities remain on maximising the earning potential of our two distinct business units. Sancus BMS comprises the Group's property backed and SME lending businesses. FinTech Ventures represents the Group's investments in 11 SME focussed FinTech lending platforms.

Sancus BMS continues to deliver strong growth and we are confident this growth will continue, as we increase our market share and launch into new markets such as Ireland. The launch of a special purpose lending vehicle with a £50m lending capacity, backed by a £45m facility with HIT in January of 2018 was an important step in the expansion plans for Sancus BMS. The implementation of the line is an endorsement of the thorough credit processes used within Sancus BMS and, as evidenced by the revenue growth seen during the year, this is proving a success.

The FinTech Ventures portfolio continues to pose challenges and it is disappointing to see further significant write downs during the year. Whilst the loan origination across the platforms has grown strongly, most of the platforms are taking longer to achieve profitability than they had previously forecast. In many cases, this is causing many of the platforms to need to secure further equity financing, which is further diluting our holding.

The CEO report goes into further detail around our strategy and the repayment plan of our ZDPs on 5 December 2019. Our strategy focuses on value creation for shareholders and we will look to reduce our on-balance sheet loan book over time and reduce our debt, which in turn will increase our return on tangible assets.

Overview

We expect the economies in which we operate to remain supportive of our businesses for the foreseeable future. Whilst Brexit will create some uncertainties and it is difficult to predict the outcome, we anticipate that Brexit will also create opportunities for the Group. The alternative finance sector continues to develop rapidly, and we believe we are well positioned to benefit from this trend across both parts of our business.

Sancus BMS continues to grow, and we have a solid, cash generating business with a strong pipeline and some exciting growth plans. The funding facility helps to support this growth, but we are also continuing to secure a steady flow of new co-funders due to the attractive risk adjusted returns which are available on our lending opportunities. We have hired our first two employees for our new Sancus asset backed lending business in Ireland, and the first 2 loans have been made in February 2019. We have announced that we are to close our supply chain finance offering, and this will allow the UK sales team to focus on asset backed lending and education finance. The work to restructure our UK operations has commenced and we are making good progress with the launch of the Sancus Trading Platform which is a fully online transactional platform. The further write downs within the FinTech Ventures portfolio is a major disappointment. We continue to assist the various management teams and Boards with their respective strategies and where they do deliver against their plans, we could see a material uplift against the current valuation levels. However, these platforms are still exposed to execution risk.

Dividend and Shareholders

In line with our dividend policy, it is not proposed to declare a dividend for this period, but we are committed to reinstating one as soon as feasible. I am grateful to all our shareholders who have kept confidence with the Group through what has been a challenging period as reflected in the depressed share price. We believe that the share price is trading well below the inherent value of the business and we look forward to seeing it recover in due course on the back of the strong growth delivered by the Executive Team within Sancus BMS.

Patrick Firth
Chairman
Date: 22 March 2019

GLI Finance Limited
For the year ended 31 December 2018
CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

During the year Sancus BMS has seen strong revenue growth and loan deployment with total loan origination reaching £1billion across Sancus BMS. I am therefore disappointed that our 2018 results have again suffered further write downs in the FinTech Ventures portfolio. In accordance with IFRS 9 which was a new standard introduced on 1 January 2018, we have made provisions for expected future credit losses against our loan book and fully provided for one supply chain finance exposure of £0.9m in respect of which the underlying company went into administration in January 2019. The impact of transition to this new standard was a £1.4m charge recorded through opening reserves with a £1.2m movement in the provision for the year. Also, for the first time this year there is a provision line against a new entity called Sancus Properties Limited ("SPL") which was set up to hold repossessed assets from a borrower. This work out will take some time with part of this portfolio of assets being developed to maximise returns. Until this is complete we are measuring these assets at the lower of cost or net realisable value ("NRV").

The outcome of the adjustments noted above means that we are reporting an operating loss of £2.3m for the Group, against a £0.1m profit last year. However, the operating profit before changes in expected credit losses and impairment charges was £0.7m profit against a £0.1m profit in 2017, noting that IFRS 9 was not introduced until 1 January 2018. The increase in the operating profit before expected credit losses demonstrates the strong progress that we have made across the business during the year and is a significant improvement compared to the prior year. We continue to grow our market share and as the Sancus brand is becoming increasingly well known, we are receiving a healthy flow of new lending opportunities and have a strong pipeline of new co-funders.

Our ZDPs mature on 5 December 2019 and the repayment of these has been a focus of the Board over recent months. As part of a new strategic plan (set out in further detail below) we will reduce our on-balance sheet loan exposure and use loan repayment proceeds to repay the ZDPs.

Part of our new strategic plan was a decision to cease the supply chain finance product line which was loss making, as announced in February 2019. Although we had seen improvements in performance, we witnessed changes in the markets with credit insurers reducing appetite to write cover and increasing premium levels markedly. Going forward we will continue to carry out education finance, but the main focus will be on asset backed lending in the UK through Sancus Funding which is FCA regulated. This is an area we know well and in which we have experience; we saw £30m of asset backed loans being deployed in the UK during 2018. These went through the Sancus Jersey platform as our UK platform was being built, but our new UK Trading Platform is live. Over time we expect this to be our largest market. Sancus Ireland was also launched in the second half of 2018 and we anticipate this will add to our growth plans and we are also considering new jurisdictions such as the Cayman Islands.

I am pleased with the continued progress we have made on the execution of the strategy. I expect the strong Sancus BMS growth rates to continue into 2019 and beyond as we are in the driving seat of this business with a healthy pipeline of loan origination. The FinTech Ventures portfolio has been a major disappointment and it is very frustrating that the good results seen in Sancus BMS Group are over-shadowed by these write downs, which are out of our control. However, we will continue to work hard on this portfolio and explore exits where we can realise appropriate value for shareholders.

I have provided below further detail on the operational and financial performance of the Group and Sancus BMS and FinTech Ventures separately.

Sancus BMS

Financial Highlights

I am delighted by the 28% increase in revenue within the Sancus BMS Group and this is testament to the hard work of the senior management team to build our profile in the markets in which we operate and secure a strong pipeline of new lending opportunities whilst also deepening our base of co-funders. The HIT facility has also strengthened our ability to fund larger loan opportunities and helped contribute to the increase in revenues.

We continue to manage costs carefully and have seen a nominal 2% increase in operating costs in the year, which reflect a commencement of operations in Ireland. Going forward, following the closure of the supply chain finance offering, we expect material headcount reductions and associated cost reductions.

Loan Book

Sancus BMS continues to show strong growth with the total loan book advances increasing 12% from the end of 2017 to £246m, despite discontinuing activities from the sale of the BMS Irish Fund during the year. With the launch of Ireland and now Sancus Funding focusing on asset backed lending, we expect loan origination to increase.

Co-Funders

The Sancus Loan Notes ("SLNs") comprise a planned series of Special Purpose Vehicles ("SPVs") designed to act like securitisation vehicles to help offset capital constraints and enable additional co-funder participation in loan opportunities. These are attractive to new clients that want to participate in a pooled vehicle, delivered across a number of loans, rather than via direct participation in individual loans. SLN4 had a successful launch in July 2018, and the initial £5.9m invested has now grown to £7.4m, with a maximum capacity of £15m. In November 2018, SLN5 was initially launched with £7.6m and has a maximum raise of £50m. As part of the structure of the loan notes, Sancus BMS provides first loss positions and further details are outlined in Note 26 to the accounts.

Sancus Funding

Sancus Funding changed its name from Funding Knight at the beginning of 2018, with the platform having obtained full FCA authorisation. Sancus Finance, as announced, is closing its supply chain finance offering, although we will still continue with education finance. A new Managing Director, Dan Walker, joined at the beginning of 2018 and has been focussed on the restructuring of these entities and improving the revenue, whilst reducing the cost base.

BMS

On 3 July 2018, we announced that we had sold the loan assets held within the BMS Irish Fund at par and in September 2018 this realised £6.4m in cash with a further £0.1m to be received once the structure is fully wound up. Some of this cash has been used to purchase some GLI ZDPs which we believe will deliver a strong return on investment given the ZDPs have been trading at a price significantly below their true accrued capital entitlement. The remaining cash has been redeployed for general investment purposes including the launch of Sancus BMS' property backed lending business in Ireland.

IT

The Group continues to invest in its technology. Following the successful launch of the Group's proprietary Loan Management System (LMS) in 2017, an online reporting platform for offshore co-funders has been rolled out in 2018. This platform has been well received by co-funders as it provides real time access to all of their account information and any new co-funding opportunities, including statements, details of loans in which they have participated, and all supporting documentation. A fully online, transactional platform, covering all Sancus UK's lending solutions has now also been launched in the UK.

IFRS 9

With the introduction of IFRS 9 on 1 January 2018 we have a year-end provision of £2.6m following the methodology as set out in Note 20, which is on an expected credit loss model. Our actual loss rate to date still remains low across the Sancus BMS portfolio at less than 1% reflecting our strong underwriting criteria and procedures. As highlighted by the IFRS 9 provision, there is always the risk of further defaults and potential losses as lending is clearly not risk free, however the expected risk adjusted return is considered very attractive.

Sancus Properties Limited

We noted in our Interim Report that in August 2018 a 100% owned SPV called Sancus Properties Limited (previously Sancus Developments Limited) was incorporated and entered into a Development Framework Agreement regarding security previously held by a former borrower. In addition, a further portfolio of real estate assets previously held by the borrower were acquired by the Company. The intention is to realise these assets via orderly transactions, the timing of which will be determined so as to best maximise shareholder value. These are reported as other assets and accounted for under IAS 2 Inventories whereby they are held at the lower of cost or net realisable value. At 31 December 2018 these had a value assigned to them of £4.4m and consist of a combination of houses, apartments and a large plot of land. The intention is to develop the land to obtain the greatest return with the existing houses and apartments, either on the market for sale now, or will be shortly.

FinTech Ventures

It is a huge disappointment to be reporting further write downs in the FinTech Ventures portfolio. As we have previously outlined, we are largely a passenger on this journey and due to capital constraints, we have not been able to follow our money and participate in the latest capital raisings conducted by these platforms. Whilst FinTech as a sector continues to grow strongly, the increased competition is making it increasingly difficult for smaller players, particularly those that are loss making, to raise further equity. Investors are much more discerning about potential valuations and are seeking key unique service propositions as to why a particular platform will succeed. For several of our platforms, it is disappointingly taking longer for them to achieve breakeven than previously forecasted. Four of the platforms successfully raised new capital during 2018 and several are currently seeking to raise further equity to fund further growth and to see them through to sustained profitability.

Competing demands for our capital means that the platforms have largely had to secure new third-party investors. Given the plethora of investment opportunities, these investors are often able to negotiate favourable terms and frustratingly, we often haven't been able to follow our money. In some cases, this has resulted in us being significantly diluted, particularly where the Executive Management teams have needed to be issued with further equity to ensure they are appropriately incentivised. With several of our platforms looking to raise equity over the next twelve months, we have factored this scenario, and potential dilution, into our current carrying values.

The movement in foreign currency rates since 31 December 2017 has resulted in a £0.9m increase in the fair value of our investments, primarily arising from the 6% appreciation of USD versus GBP.

We continue to improve the level of monitoring and influence over the platforms in which we hold investments in order to protect our interests particularly during this challenging period and Aaron Le Cornu is now overseeing the majority of these investments, allowing me to focus on building out the Sancus business I created.

Summary of Financial Performance

The net operating profit before credit losses of £0.7m shows a positive improvement on 2017 (£0.1m) following an increase in revenues and a focus on cost control. With the introduction of IFRS 9 in the year and the take on of repossessed assets in SPL we are reporting a net operating loss of £2.3m versus a £0.1m profit in 2017. In addition, we have had a total of £19.6m fair value write down on the FinTech Ventures portfolio which is clearly very disappointing.

Whilst these are not the results we wanted, nor expected, to report for the year, we are confident of building on this performance by improving profits and looking to get back to a position where we can recommence paying dividends, in line with our policy noted below. The focus on driving efficiencies has enabled us to reduce head office costs by a further £0.7m in the year, totalling £2.7m savings over the last 2 years. This has been achieved by insourcing more functions and reducing headcount within the UK operations and with the planned restructuring of the Group we expect to reduce costs further whilst increasing revenue from expanding our UK and Irish operations.

FinTech Ventures portfolio continues to be a challenge and as I have noted before, we are largely a passenger, but with Board and advisory rights. FinTech Ventures now represents 14% of our gross assets (down from 28% in the prior year) but we still spend a lot of time and effort working with the management teams of the platforms on their strategic priorities and capital raisings. 2018 has been a key year for many of the platforms with four of them raising fresh equity from third parties. Whilst most of the platforms are growing, it is typically at a slower rate than previously envisaged, which is extending the period to achieve break even. This is creating the need for the platforms to secure further growth capital. In several cases, new investors are leveraging the opportunity to secure a larger share of the platform resulting in early investors, such as ourselves, who are restricted in terms of the amount of capital we are able to put in, being heavily diluted.

Dividend Policy

The Group dividend policy recognises the need to balance dividend payments in the short term with the opportunities to grow the business for shareholders in the longer term. As such the Group's policy is to make dividend payments which are consistent with prudent capital and liquidity management, covered by cash earnings and realised profits on the sale of investments. In line with this dividend policy, no dividend is being declared for this period.

Related Party Transactions

Related party transactions are disclosed in Note 23. There have been no material changes in the related party transactions described in the last annual report.

Governance, Risk Management and Operations

Effective governance processes both at subsidiary and holding company level continue to be a priority for the Board. This is critical to ensuring that only well-considered risks are taken, and expected returns emerge as planned. At Group level we have implemented projects to take a more strategic approach to the assessment, reporting and management of investment risk.

The development of the digital trading platform continues with increased on-line functionality for co-funders. This has now been rolled out to Sancus UK clients, allowing them to participate online in asset backed lending opportunities.

Long-term strategy and business objectives

Since the end of 2016 we have made good progress in delivering against the objectives we agreed as a Board. We have this year updated these objectives to include an update on our future strategy regarding the repayment of the ZDPs in December 2019 and the shape of the business going forward with the focus on value creation, creating a capital light business which in turn will enable us to pay dividends.

Sancus BMS is our core operating unit and we have seen this continue to grow strongly. The coordination across the executive and senior management team, complemented with strong new business development expertise, is delivering a healthy flow and pipeline of lending opportunities. Our solid reputation in the markets in which we operate is also enabling us to lower our cost of funding, through the extension of our successful loan note program and the credit facility from HIT.

We are looking at our options for the FinTech Ventures portfolio and we will communicate any developments to shareholders as appropriate and in due course. It has certainly been a difficult and challenging journey over the years with the FinTech Ventures portfolio. Many of the platforms have reached key points in their development and the market for raising equity and debt financing is challenging, which has had a material impact on the latest valuations.

Long-term strategy and business objectives (continued)

However, we do still believe that the best option is to retain our economic interest so that we can hopefully benefit from any upside against current valuations for those platforms which do deliver on their strategy and forecasts. We are however acutely aware that we do not have excess capital to deploy into the platforms, and thus we are seeking a structure where we can retain the potential for future upside whilst limiting the demand for further capital deployment.

Brexit

The uncertainties created by Brexit make it very difficult to predict what impact this will have on the UK property lending market. However, Sancus BMS has further tightened its credit processes to decline proposals where the repayment strategy is based upon bull market behaviour. This was due to our continued fears during 2018 that global economies are at or are reaching the peak of this long bull market cycle and the threat of a global recession or correction in stock and bond markets is increasing.

There is no doubt that the global economy is entering a volatile period and Brexit is adding further stress. We do believe that the medium term benefits will be positive for alternative lenders as banks will step back further from their lending activities as they closely monitor their Tier 1 Capital ratios. In the immediate future, businesses may pause and take a "watch and see" approach for new projects, however for already committed projects we expect them to continue to push forward and execute on their plan.

In any stressful period there are arbitrage pricing opportunities and Sancus will seek to benefit from such instability.

Outlook

2019 is going to be a year of reorganisation as we build out the Sancus BMS entities and focus on value creation for shareholders. Our target is to deleverage our balance sheet and become a capital light business, which in turn will enable us to start paying dividends again. The ZDP repayment is key for us this year and as set out in our strategic review we have a clear plan of how we will execute this and be able to start afresh in 2020. Managements' focus is on improving profitability ROTA and we expect that by 2021 we will be reporting a much more positive picture.

As noted above we are exploring ways we can maximise the FinTech Ventures portfolio and I hope to be able to communicate a definitive plan in due course.

Andrew Whelan
Chief Executive Officer
22 March 2019

Following a clear strategic direction

The Group's strategy is to maximise shareholder value through growing the profitability of Sancus BMS and to realising value from its investments in FinTech Ventures.

2018 Progress and Targets for 2019

Financial Key Metrics

Strategic Goals	**How we will achieve these goals**	**2018 Progress**	**Targets for 2019**
NEW STRATEGIC OBJECTIVES			
Become a capital light entity	We will look to reduce our on-balance sheet loan book exposure and deploy these funds into acquiring and repaying the ZDPs due on 5 December 2019. This in turn will de-risk our balance sheet and improve ROTA.	During 2018 and post year-end we have acquired up to the allowed 14.99% ZDPs and are in the process of requesting shareholder approval for a further 14.99%.	Repayment of the ZDPs on 5 December 2019.
Focus on key metrics for creating shareholder value	We believe value creation will be achieved by focusing on key financial metrics. These include: • Revenue growth which is largely driven by loan deployment. • Improving our ROTA – by reducing our on-balance sheet loan book and increasing operating profits. • Increasing operating profits by reducing costs and increasing gross margin – this will enable us to recommence dividend payments.	• Revenue growth was up 28% in Sancus BMS • Focus is to improve ROTA significantly going forward. • Operating profits – improvement before credit losses and impairments due to revenue growth and cost control, however de-risking own balance sheet should help to reduce expected impairment charges over time.	• The Group is focused on continued revenue growth with the expansion into the UK and Ireland to expedite this growth. • Improve ROTA. • Operating profits to improve with reduction in expected credit loss provisions from lower capital at risk and further cost control. 2019 will be a year of reorganization and there will be a period of transition.

Strategic Goals	**How we will achieve these goals**	**2018 Progress**	**Targets for 2019**
Growing Sancus BMS			
Geographic expansion	We continue to consider the opportunities for growth afforded by other jurisdictions.	We have made 2 new senior appointments for the Irish office who joined on 1 August 2018 and lending operations commenced in November 2018.	Expand secured lending in Ireland and UK operations and look at new jurisdictions such as the Cayman Islands.
Profitably expand the funding base	Funding for the balance sheets and loan funds is critical to growth. We seek funding from institutional, corporate and high net worth individuals. We apply funding to businesses where returns for risk are optimised.	The HIT facility was signed in February 2018 providing long term funding of up to £45m. The Sancus Loan Note Programme is proving a success with SLN5 launched during the year for 3 years with a maximum limit of £50m. A material institutional co-funder for the UK business was signed in July 2018. The Offshore co-funder base (excluding loan notes and HIT) has grown 78% from 119 at 31 December 2017 to 212 at the end of December 2018.	Continue to launch further loan notes with or through Amberton Asset Management or similar structured vehicles to expand co-funder base. We will continue to target the co-funder base and nurture relationships. The new funding line is designed to be complementary with our co-funder base and work alongside it to fulfil larger sized loans. We will continue to explore long term financing lines and work alongside our syndicated lending approach.
Develop joined up business under the Sancus brand, with multiple routes to market and one platform	Sancus BMS will operate under the "Sancus" brand as one integrated business, maximising its reach in the market and providing multi product solutions to its co-funders and borrowers.	Interactive website went live in the first quarter of 2018 improving customer experience. The loan management system and Sancus Reporting Platform for co-funders is now live across the Offshore regions and the Sancus Trading Platform has been rolled out in the UK. The Trading Platform is a fully online transactional platform. "Joined up" approach continues and works well, including leveraging off experience and "know how" to launch the Irish property backed business.	Continued enhancement of the interactive website which went live in the first quarter of 2018 improving customer experience. Continue enhancements of the proprietary loan management system and platforms. Joined up approach across the Sancus BMS Group with bi-weekly activity calls and Quarterly Sales meetings attended by representatives from each entity.

GLI Finance Limited
For the year ended 31 December 2018
STRATEGIC PLAN (Continued)

Strategic Goals	How we will achieve these goals	2018 Progress	Targets for 2019
Growing Sancus BMS (Continued)			
Ensure all operating entities are profitable	Continue to work hard to increase revenues whilst managing costs. Monitor for unprofitable activities and withdraw when appropriate.	Decision made to close the unprofitable Sancus Finance, supply chain finance offering. £0.6m savings in operational costs achieved during the year.	Continue to monitor performance and continued focus on cost savings. We expect over time Ireland and the UK to be our largest revenue generating entities.
Quality risk management and compliance to capture value	Safeguarding the balance sheet and our reputation with co-funders is critical. Regular reviews of policy effectiveness, adjustments to controls, transparent reporting and a culture in which open challenge is encouraged are core to the strategy.	Actual loss rates maintained at less than 1% with strong underwriting focus across the Group. The IFRS 9 provision at 31 December 2018 is £2.6m, representing 4.5% of the loan assets where Sancus BMS has an economic interest and is exposed to any loss which might be incurred.	Credit processes and procedures will continue to be monitored and improved as required.
Continue to beat our 2% loan default target	Ensure continued quality of staff, adapt policies and procedures as required, monitor loan books and take early action on any problems, govern through Credit Committees.	Actual loss rates maintained at less than 1% with strong underwriting focus across the Group. The IFRS 9 provision at 31 December 2018 is £2.6m, representing 4.5% of the loan assets where Sancus BMS has an economic interest and is exposed to any loss which might be incurred.	Credit processes and procedures will continue to be monitored and improved as required. Our process will continue to evolve to adapt to both systematic risk such as Brexit and cyclical risks.
Realise value from FinTech Ventures Investments			
Support and guide the development of key platforms	Provide direct financial support at critical times, introducing potential investors/lenders and advice through active participation as a board member.	The Group has financial limitations on the extent to which it can further invest in FinTech but has provided financial support on an opportunistic basis to platforms where there is considered to be a high likelihood of a strong return on investment. During 2018, a further £2.6m has been invested across 5 platforms. We have introduced other investors to 4 of our platforms. The Group has not invested in any new platforms during the year. Board participation and involvement in key strategic discussions has been enhanced during the year.	Continue to assist platforms with the development of their strategy and particularly with regard to corporate finance and any capital restructurings. Increased monitoring and governance of FinTech Ventures. Continue to introduce other investors to support the ongoing growth of the platforms where appropriate.

Strategic Goals	How we will achieve these goals	2018 Progress	Targets for 2019
Managing the Group for value			
Realise value at optimal times	The Group does not consider itself a long-term holder of its FinTech portfolio and will seek to realise value at optimal times in the growth of each platform, or opportunistically if capital can be profitably redeployed.	Assistance continues with strategy, corporate finance and capital restructuring. 4 platforms successfully raised new equity from third parties during 2018 and several other platforms are looking to raise equity over the next 12 months.	Continue to assist platforms with the development of their strategy and particularly with regard to corporate finance and any capital restructurings, taking opportunities to realise value where appropriate.
Value capital allocation and liquidity management	The Group will continue to review where capital is best deployed, and how it can be raised most cost-effectively.	Discussions with potential lending parties continue. Strict liquidity controls continue. We continue to look to acquire our ZDPs in order to reduce our liability and earn a decent return on our capital given the ZDPs have been trading below their accrued capital entitlement. To date we have acquired up to the 14.99% of issued shares that shareholder approval has been received for with a further 14.99% requested for approval in the circular issued post year end. We have a repayment plan in place regarding the 2019 ZDPs as noted in the Going Concern Statement of the Directors Report.	Ongoing positive discussions with potential interested lending parties. Strict liquidity controls will continue to be applied. Seek out opportunities to improve the capital structure and achieve lower cost of funding. Average Group debt cost is 6% excluding HIT.
Stakeholder communication	The nature of the Group's business will continue to develop, and it will continue to be a priority to ensure investors fully appreciate the potential value the Group offers.	The CEO has direct dialogue with key shareholders and is always available to speak/ meet with shareholders.	Continued improvement in stakeholder communication programme.

GLI Finance Limited
For the year ended 31 December 2018
BUSINESS MODEL

An innovative business model designed to deliver value to stakeholders

Our Capital	The business cycle	What makes us different	Value creation for stakeholders
Financial Low balance sheet gearing, with listed debt facilities and institutional, corporate and high net worth participants in loan facilities.	**Sourcing of business opportunities** We continue to build our strengths in business origination, either direct and through brokers.	**Group comprises two distinct businesses, providing two different sources of value** Investors in GLI have interests in both an operating multi-jurisdictional niche SME lending altfi group of businesses, and a venture capital fintech portfolio which has invested in a portfolio of different business models, providing a range of opportunity and diversification of risk.	**Shareholders** A clear and straightforward strategy has been delivered, which should create returns from both operating dividends and investment realisations.
Capabilities Strength in origination of both lending and funding opportunities, credit assessment and structuring, and management of multi-jurisdictional business complexities.	**Due diligence, structuring and funding** The experience in our team allows risks to be rapidly assessed and deals structured to achieve value for stakeholders. Funders are matched with lending opportunities, or co-funders introduced to platforms.	**Sancus BMS is a multi-product, multi-jurisdictional, hybrid lending business** Sancus BMS operates across the UK, Ireland, Jersey, Guernsey, Gibraltar and the Isle of Man (an affiliate). Being a hybrid lender, it is able to arrange syndicated lending opportunities for funders, as well as looking for returns from on balance sheet lending.	**Debt funders** Competitive interest rates underpin ongoing relationships.
Relationships Our relationship and reputation with our funders and borrowers fundamentally underpins our business.	**Monitor, restructure** Deals are closely monitored, where action needs to be taken to restructure, our approach is pragmatic, flexible and inclusive.	**Combining traditional origination with proprietary technology which enables businesses to scale** Origination has largely been from traditional relationship-based sales processes.	**Co-funders** Opportunities to participate in a range of products providing a choice of term, return and associated risk.
Human A mix of entrepreneurial deal-making and value-capturing skill combined with deep experience are hallmarks of our teams. A culture of looking for the possibilities, of “how to” rather than "how not to" lend.	**Recover and realise value** Returns on loans, and in time, value from longer term investments (through planned or opportunistic sales) is realised.	**Hub-based system** Information technology skills and architecture, finance and operations functions are shared across jurisdictions where practical. Strategic management experience and direction is leveraged across businesses.	**Employees** Employment benefits commensurate with the value created for other stakeholders, combining short, medium and long term incentives, delivered in a relaxed, but professional working environment.
	Govern and Control Balance entrepreneurship with, sensible risk management and transparency to maintain stakeholder trust. Big business control within a small business environment.		**Government** Respect for all stakeholders means respect for the regulations governing our jurisdictionally-diverse businesses, so safeguarding our rights to operate.

GLI Finance Limited
For the year ended 31 December 2018
BUSINESS REVIEW - Sancus BMS

At a glance

Background	An alternative financing business operating in the UK, Ireland and 4 offshore locations, providing a range of borrowing solutions and funder-participation options. It is a hybrid lender, lending its own, as well as syndicated capital.
Strategy	**Growing Sancus BMS** • Geographic expansion of Sancus products to UK and Ireland. • Profitably expanding the funding base through additional co-funders and a credit facility. • One brand, solutions orientated client proposition, direct and intermediary-led origination supported by online interface. • Investment in proprietary Loan Management System with real-time client interface for trading and reporting. • Ensure all operating entities are profitable. • Quality risk management and compliance to capture value.
Financial Objective	Growth in consolidated cash earnings to create a base for sustainable dividend payments.
Location	Sancus – Jersey, Guernsey, Gibraltar, Isle of Man and Ireland BMS Finance – UK Sancus Funding – UK

Business Model

Sancus BMS comprises the following operations:

Sancus BMS Group (100%)
Sancus Jersey (100%)
Sancus Gibraltar (100%)
Sancus Guernsey (100%)
Sancus Ireland (100%)
BMS Finance (100%)
Sancus Finance (100%)
Sancus Funding (100%)
Sancus Isle of Man (29.3%)
Amberton Asset Management (50%)
Sancus Properties Limited (100%)
Sancus Loans Limited (100%)

On 2 January 2018, Dan Walker was appointed as the new MD of Sancus Finance and Sancus Funding, replacing Caroline Langron who retired.

On 16 January 2018 Funding Knight changed its name to Sancus Funding.

On 29 January 2018, the remaining 1.77% holding in Sancus Finance was acquired by Sancus BMS Group taking the holding to 100%.

The business operates in the UK, Ireland, Jersey, Guernsey, Gibraltar and Isle of Man. With the exception of the UK, which is in the process of being restructured (and Ireland which has just opened), these businesses are profitable and focus on specific niche lending opportunities. Importantly we do not try and compete with the traditional banks, but sit alongside and complement their services.

The business is managed by the members of the Sancus BMS Executive Committee, who are Andy Whelan (Chairman), Ewan Stradling (MD BMS Finance), John Davey (Executive Director), Dan Walker (MD Sancus Finance and Sancus Funding), Steve O'Brien (MD Sancus Gibraltar), Matt Watson (MD Sancus Guernsey), Mike Hennessey (MD Sancus IOM), Peter McVeigh (CFO) and Aaron Le Cornu (COO). Refer page 35 for more detail on this experienced team.

Sancus BMS operates in "niche" markets with loan origination underwritten by an experienced credit team, offering asset backed lending and SME finance.

Asset Backed Lending

Sancus provides secured lending to asset rich, cash constrained borrowers while also providing co-funding opportunities to institutional and high net worth clients. Focus is on property backed lending. Sancus is a hybrid lender that uses its own capital alongside co-funders.

This business model results in revenues being generated from interest income on lending own capital, administration fees on managing loans for co-funders, transaction fees on restructured loans, arrangement fees on loan origination and more frequently now built into deals are exit fees, resulting in a strong return on every £1 of capital employed.

Sancus Funding is an FCA authorised platform. It provides property bridging finance, property development finance and commercial property loans to SMEs and entrepreneurs in the UK.

Sancus BMS (Ireland) Limited has been established and became operational in November 2018.

SME Finance

BMS Finance's core business is the sourcing, structuring, and monitoring of senior secured, term lending (2 to 5 years) up to £6m for UK SMEs. SMEs must be led by talented, experienced management teams, have proven their commercial offering through generation of material revenues and show potential to grow within their sector or marketplace.

The lending strategy is sector agnostic although loans are not made to fund real estate backed deals or those in life sciences or biotech. The current portfolio consists of companies in favoured sectors such as business services, software, telecoms, financial services, media and advertising.

BMS is engaged as advisor to the management board of the investment company for which it receives a monthly, fixed advisory fee based on AUM. BMS continues to focus on deploying its capital through the investment company rather than through loans directly on its balance sheet.

During the year, the Irish advisory side of the business was sold to Beach Point Capital, so this business now comprises one investment company providing UK loans which has long term committed capital from investors including circa 49% being subscribed by the government investment vehicle, namely British Business Investments (formerly British Business Bank Investments). Following the departure of certain key individuals in 2018, the fund is in suspension and the loan book has amortised (total capital committed to the UK focused investment company is now at £40m). GLI holds 25% of total capital commitments.

Sancus Finance ceased its supply chain finance offering in February 2019 but continues to offer education finance (enabling further education and higher education institutions to manage their cash flows or support investment plans) through a transactional online platform. The business earns arrangement fees and a margin reflecting the amounts paid by clients in excess of that which is due to funders.

GLI Finance Limited
For the year ended 31 December 2018
BUSINESS REVIEW - FinTech Ventures

At a glance

Background	A portfolio of investments in FinTech platforms in the UK, USA, France, Spain and Cameroon.
Strategy	**Realise value from the development of platforms in FinTech Ventures** • Support and guide the development of key platforms • Realise value at an optimum time
Financial Objective	Achieve a positive Return on Investment (ie. increase in net asset value) over time, creating the healthy option of paying a proportion of realised returns as dividends.
Location	Finexkap – France, Funding Options – UK, Finpoint – UK, Liftforward – USA, MyTripleA – Spain, Open Energy Group – USA, Ovamba – Cameroon, The Credit Junction – USA, Trader River – UK, Trade River – USA, UK Bond Network – UK.

Business Model

Set out below are descriptions of the business models of the platforms in which the Group remains interested.

Finexkap
www.finexkap.com

Finexkap offers short-term funding solutions with no volume or timeframe conditions. The service focuses on easy-to-use features - "in just a few clicks" French SMEs and independent workers can sell their receivables and gain access to working capital financing with competitive advantages compared to traditional factoring services. The following key developments took place in the year:

- Origination growth remained strong in the period and at the end of 2018, Finexkap had originated EUR245m of invoice transactions since inception in January 2015. Volumes are still growing significantly with year on year growth multiples averaging 1.5x and demand continues to be strong. As a reference point, Finexkap's origination in 2018 was greater than the combined origination of all other SME lending platforms in France, and twice that of the #2 platform.

- Throughout 2018, Finexkap has kept expanding its customer reach by integrating its services with new B2B software providers through its dedicated widgets operating through APIs - Cash Connect (e-invoicing, accounting), Cash Market (B2B marketplaces), and Cash Reverse (reverse factoring). Whilst this strategy only started at the end of 2016, 24% of the origination for the year already arose from such partnerships (vs. 16% in 2017). More importantly, 59% of new clients in 2018 arose from such partnerships, which confirms that this trend is expected to accelerate exponentially in the near future.

- Series B funding round was closed in Q1 2018 with the arrival of a new venture capital fund, Black River Ventures, and the conversion of all existing shareholders' loans and convertible debt into equity. Another strategic funding round is expected for the first half of 2019.

Finexkap continues to be acknowledged by industry professionals as one of the most advanced platforms in the space. Finexkap won the 2018 AltFi award for the P2P Business Platform of the Year and was a runner up in the Direct Lending Platform of the Year.

Funding Options
www.fundingoptions.com

Funding Options uses proprietary matchmaking technology to connect SMEs and lenders. In 2018, more than fifty different finance providers lent through the Funding Options platform, which is now originating well over £100m p.a. for thousands of SMEs. The following developments took place in the period:

- £5m minority equity investment by ING Ventures - the corporate venture capital arm of ING Bank N.V. - alongside launching in the Netherlands, the company's first overseas market;

Funding Options (Continued)

- Double winner of the Open Up Challenge, a bank-funded prize mandated by the Competition & Markets Authority (CMA) to build innovative new SME financial services on Open Banking data;
- Selected for the second year running as the UK's best introducer of business finance in Credit Strategy magazine's influential Lending Awards;
- Blue chip commercial partnership wins across price comparison and ecommerce sites, as well as in the strategically-important banking sector.

The leadership team of Funding Options remain very confident that its unique technology-led model is highly scalable and will continue to deliver strong revenue growth.

Finpoint
www.finpoint.co.uk

Finpoint is an FCA regulated finance platform and one-stop-shop for small and medium sized enterprises (SMEs), seeking to obtain finance from its lender panel which now consists of over 120 banks, specialist lenders and equity providers. Finpoint's technology platform matches borrowers anonymously with lenders' credit criteria and thereby introduces finance providers to relevant lending opportunities. An SME can reach multiple finance providers with just one application, selecting the most suitable offer and creating real choice, efficiency and competition, all in a simple and transparent process. The clients, which are largely corporate borrowers, access all types of finance, all maturities and all sectors, and are in the driving seat to compare what lenders offer. The service is free to borrowers, with any fees being paid by the lenders. Finpoint works with partners and associations such as PWC, regional growth hubs, accountants, brokers and notably the Federation of Small Businesses (FSB), the UK's largest SME organization with over 170,000 members where an exclusive service has been agreed. Finpoint has aspirations to become the market leading platform intermediary in the corporate lending sector in the UK. It also has plans to expand initially into Europe (Germany & Austria) and South-East Asia where it already has a joint venture with SME International Trade Association of Malaysia (SMiTA).

LiftForward
www.liftforward.com

LiftForward is a USA provider of payment solutions to major corporations. Their solutions provide subscription services, membership programs and Hardware as a Service. LiftForward's payment solutions include digital lead generation, point-of sale software, white labelled e-commerce platforms, inventory management, shipping, customer account management and real-time customer analytics reporting. LiftForward also supplies the financing, providing a total end-to-end solution. LiftForward's Hardware as a Service is becoming the sought after method of selling equipment and capital items of all types. LiftForward's software and services powers Microsoft's Surface Plus Membership which allows businesses to pay monthly fees in exchange for a bundle of equipment, software, warranties, training and accessories. LiftForward also powers HTC's Vive Membership which allows customers to experience the latest virtual reality hardware and gaming software for a low monthly fee.

Businesses are able to access the Microsoft Plus Membership in retail locations across the United States, through phone support, and online directly from Microsoft's website. From the website, customers are able to research the products they desire and ultimately complete the transaction on LiftForward's platform. This includes completing an application for finance of the equipment required, as well as taking up the membership option, which provides ongoing Microsoft user support, and the ability to subsequently upgrade equipment. LiftForward's technology approves transactions in real-time allowing customers to walk out of retail locations with the equipment after applying in-store. When an order is placed, LiftForward's technology triggers shipment. LiftFoward's technology and business services are tied into Microsoft's front and back-end allowing for the delivery of real-time metrics and consumer analytics. These tight relationships allow the business to benefit from the growth of clients' businesses, which is a significant advantage in the competitive markets in which it operates.

MytripleA
www.mytriplea.com

MytripleA is a Spanish business finance platform meeting both the short-term and long-term financing needs of Spanish SMEs. MytripleA offers investors three products; 1) insurance-guaranteed loans for more conservative investors and 2) non-guaranteed loans offering investors higher risk and higher return and 3) invoice financing. Key developments in the period included:

- Obtained a lending platform license from the Spanish Securities Exchange Commission (CNMV). This followed The Bank of Spain's approval of MytripleA as a payment entity in the prior year, thereby providing the business with a competitive advantage in the Spanish P2P sector. As of Feb 2019, it is the only P2P Spanish platform holding the above licenses.
- In 2018 MytripleA consolidated its position as the leading platform in Spain, being the biggest originator in 2018. Total loan origination volume during 2018 was EUR 27m doubling for the second consecutive year the volume and revenues of previous year.
- The platform has attracted more than 4,000 investor clients, including institutional local investors who have invested more than EUR 17.6m in the last 6 months.
- The platform successfully secured institutional funders during 2018.
- During 2018, a new invoice finance product has been launched and MytripleA originated EUR3.2m in this product.

Open Energy Group
www.openenergyGroup.com

Open Energy is a USA technology-enabled renewable energy finance solutions platform. Open Energy uses an online platform to originate corporate and project debt opportunities and facilitates direct competition from institutional investors.

The Open Energy Finance Exchange matches corporate customers with best-fit direct financing solutions for their renewable energy and energy efficiency projects through a network of competitive financing counterparties.

Open Energy also offers highly specialized renewable energy project and corporate finance solutions, born from the heritage of innovative lending in the renewable energy sector. Open Energy is delivering a one-stop financing solution platform to enable customers to maximize their financial return and drive growth throughout the renewable energy sector.

Ovamba
www.ovamba.com

Ovamba is a platform that connects micro, small and medium sized ("MSMEs") businesses in Cameroon with the short-term capital, logistics services and inventory management solutions needed to drive business growth and empower great entrepreneurs.

Key developments in the period included:

- Significant expansion of funding relationship with Crowdcredit, a speciality Japanese lender providing alternative investment solutions to Japanese Mass affluent investors.
- Successfully securing follow on equity investment from a blend of previous investors and Courtyard Capital, a specialist FinTech investor for working capital.
- Recognition as an innovative FinTech platform by Innovative Finance for a unique Sharia Compliant investment and risk mitigation model.
- 2016 Winner - Best FinTech in Africa - Lending and Financing Category in the inaugural FinTech Africa competition which saw 1100 entries from all 54 African countries.

The Credit Junction
www.thecreditjunction.com

TCJ is the first data-driven, asset-based lender for small and mid-sized businesses.

The company's lending arm combines technology and data intelligence with traditional credit metrics to offer up to a maximum of $7.5m in capital availability per borrower. Since its launch in May 2015, the company has raised over $200m in credit facilities to help America's suppliers, manufacturers and distributors access the capital they need to achieve their growth objectives.

The company's data business helps its customers reduce risk and extract deeper insights across multiple credit products and asset classes. The platform captures, integrates and analyses financial data from various sources to provide its users with real-time visibility into their underlying credit, asset and portfolio exposures.

TCJ is headquartered in New York, NY.

The Credit Junction (Continued)

2018 was a transformative year as TCJ closed two significant capital raises; the first in March with MidCap Financial for a $150M credit facility and the second in October with Century Equity Partners for a $23M growth equity investment. Both of those events strengthen the capitalization of the company and will allow TCJ to expand its ability to provide financing solutions to Supply Chain America, as well as commercialize its proprietary data and risk analytics platform.

TradeRiver UK
www.traderiverfinance.com

TradeRiver is a UK based, non-bank online funding platform which finances trade, both cross-border and in the UK. It is an established alternative finance provider that often funds alongside existing funders. It provides businesses with finance to purchase goods and services through a unique propriety online platform, with 100% paperless execution.

Borrowers are typically SMEs and MMEs generating annual turnover between £5m and £200m with the majority requiring funding for imports to the UK. The company has provided funding for over 2,700 individual transactions, in 30 different countries, with total lending of over £195m since inception. Receivables are 95% credit insured, providing an attractive risk adjusted return to the funders.

TradeRiver US
www.traderiverusa.com

TradeRiver USA is a non-bank online funding solution which finances trade, both cross-border and within the United States. It utilizes the same technology solution as TradeRiver UK, which also owns 25% of the equity in TradeRiver USA.

Key developments in the period included:

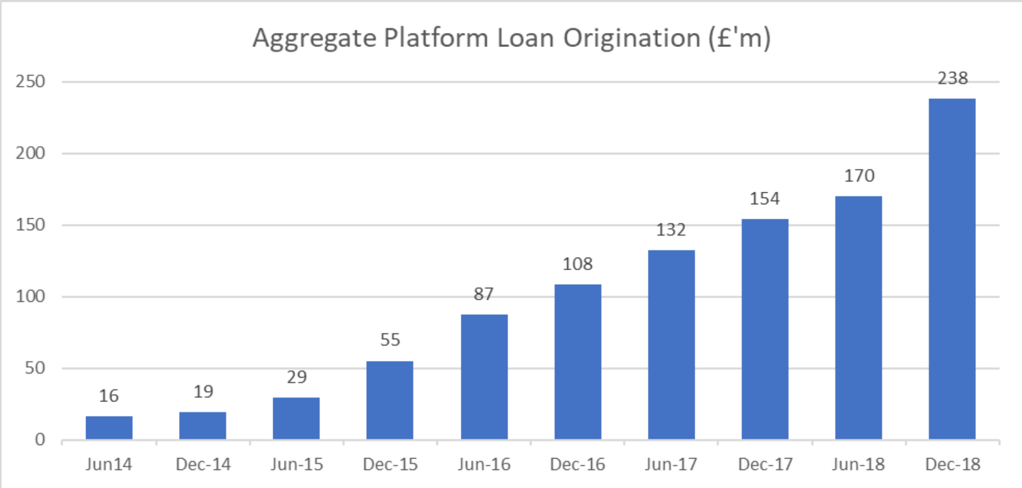
- The Partner Program expanded from 68 to 91 during 2018.
- Increased geographic penetration into California and the mid-Atlantic.
- Initiated discussions with a major European financial institution on a senior debt facility to accommodate future growth needs over the next three to five years.
- Assets are 90% credit insured, providing an attractive offering to their funders.

Torca (formerly UK Bond Network)
www.torca.io

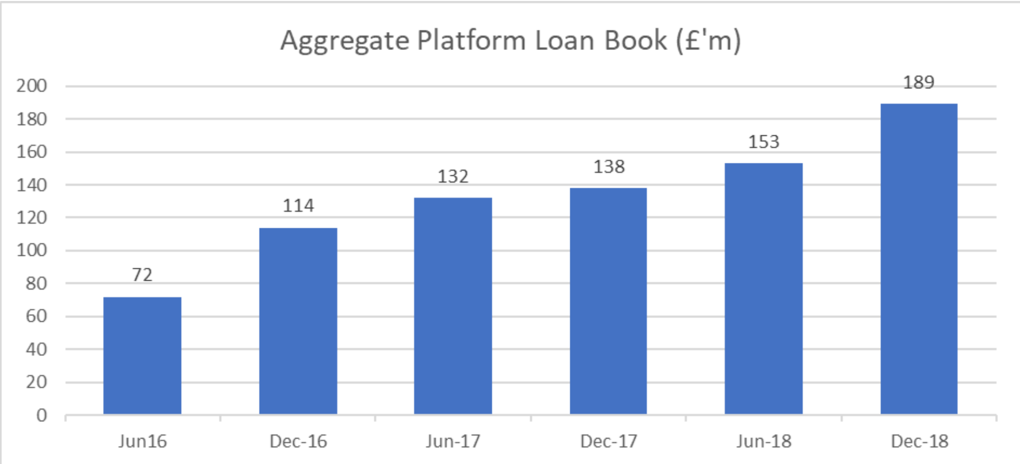
UKBN Group ceased its activities in the peer to business debt finance market as at 4th February 2019. Under the Torca brand, the group is now focused on delivering a niche account for businesses in the Tokenisation and Decentralised Ledger Technology sector. Torca's current core product encompasses regulatory onboarding and settlement of funds in the Security Token Sector. Torca will be expanding their regulatory permissions to offer Custody, and Quasi Banking solutions, and are also engaged with the regulator to pioneer strategic asset tokenisation mechanisms.

Combined Key Performance Indicators

The individual financial results of platforms are considered commercially sensitive and as such are not disclosed, particularly given that many of the platforms are likely to be conducting capital restructurings and equity raises during 2019. However, loan statistics, which are typically closely correlated with revenues, are presented on an aggregate basis.



The platforms have shown consistent growth in loan origination, with an increase of 55% in their origination in 2018 compared to 2017. This continued growth in origination is promising and with a number of the platforms anticipating additional fund raises in 2019, the portfolio looks set to continue this growth trend.



Aggregate loan books have increased by 37% during the year. This growth in loan books, and related revenue increases, has been a critical input to the valuations the Group has placed on its interests in platforms. Refer to Note 20(4) for comment on the sensitivity of the Group's valuations to changes in revenues earned by platforms.

GLI Finance Limited
For the year ended 31 December 2018
FINANCIAL REVIEW

Overview

The business is split into 2 operating units, Sancus BMS and FinTech Ventures. In addition, there are Group operating costs, which are split out separately below. In the table, the results of these operating units are shown with highlights for the year being a 28% improvement in revenue and operating profits before credit losses in Sancus BMS increasing from £1.6m in 2017 to £2.8m in the current year.

Financial Results for the year ended 31 December 2018 (Table 1)

Statement of Comprehensive Income	2018 £'000	2017 £'000	Movement %	Movement £'000
Sancus BMS				
Revenue	13,261	10,341	28%	2,920
Total cost of sales	(3,983)	(2,448)	(63%)	(1,535)
Gross profit	9,278	7,893	18%	1,385
Operating expenses	(6,449)	(6,340)	(2%)	(109)
Operating profit before credit losses	**2,829**	**1,553**	**82%**	**1,276**
Changes in expected credit losses	(1,247)	-	(100%)	(1,247)
Impairment charges on financial assets	(1,763)	-	(100%)	(1,763)
Operating (loss) profit	**(181)**	**1,553**	**(112%)**	**(1,734)**
Other net gains/(losses)	(121)	(400)	70%	279
Goodwill impairment	(2,139)	-	(100%)	(2,139)
Tax	(243)	(20)	(1115%)	(223)
Total (loss)/profit after tax	**(2,684)**	**1,133**	**(337%)**	**(3,817)**
FinTech Ventures				
Revenue	(40)	1,293	(103%)	(1,333)
Operating expenses	(677)	(1,673)	60%	996
FinTech Ventures fair value adjustment	(19,634)	(11,919)	(65%)	(7,715)
FinTech Ventures Forex	928	(1,540)	160%	2,468
Other net gains/(losses)	310	(453)	168%	763
Total loss after tax	**(19,113)**	**(14,292)**	**(34%)**	**(4,821)**
Group Treasury				
Operating expenses	(1,367)	(1,072)	(28%)	(295)
SSIF loss on disposal/fair value adjustment	**-**	(953)	100%	953
Total loss after tax	**(1,367)**	**(2,025)**	**32%**	**658**
Total Group loss after tax	**(23,164)**	**(15,184)**	**(53%)**	**(7,980)**

Sancus BMS

Sancus BMS saw revenue increase by 28% in the year, partly from revenue from HIT (£1.9m, 2017:Nil) which is now consolidated but also from a growth in the individual entities which on a like for like basis (excluding SSIF in 2017 of £0.3m), was 13%. Cost of sales also increased in the year from the inclusion of the HIT debt cost which was £1.6m (2017:Nil), which still resulted in an increase in gross profit of 18% to £9.3m. Sancus BMS's operating expenses as shown in Note 4, have increased marginally in the year to £6.4m compared to £6.3m in 2017. This is as a result of investment into business development resources and the expansion of its operations, although this has been offset to a certain extent by further cost savings in Sancus Finance and Sancus Funding.

This resulted in an 82% increase in operating profit before credit losses to £2.8m from £1.6m in 2017.

For the first time this year we are reporting changes in expected credit losses in accordance with IFRS 9 which was £1.2m and a £1.8m impairment charge on financial assets which relates to the value assigned to repossessed assets of a previous borrower, some of which are being developed and whereby the intention is to try and re-coup some of these losses incurred on initial acquisition. Other net gains and losses include the equity movement on Amberton which is accounted for as a joint venture and Sancus Isle of Man whereby we own 29%.

Sancus BMS (continued)

The goodwill impairment of £2.1m was in relation to Sancus Finance which was adjusted at interim. A full impairment review was carried out on Sancus Jersey and Sancus Gibraltar at the year-end on a DCF model with the conclusion no impairment was required. This resulted in a total loss after tax for Sancus BMS of £2.7m (2017: profit £1.1m).

FinTech Ventures

FinTech Ventures which has been discussed in the CEO report in detail has disappointingly suffered further material write downs, with the portfolio now valued at £13.8m, plus £1.8m for interest and loans receivable so total net assets of £15.6m (2017: Total net assets £31.1m). Post year-end the interest receivable balance reduced by £0.5m following cash receipt of interest due on one of the loans.

The interest income revenue has reduced compared to previous years as we are only making selective new investments to protect our position on certain platforms. During 2018, we have written down accrued interest on loans and preference shares where we have concerns around potential recoverability. We have benefited from our holdings in the USD platforms, producing a £0.9m foreign exchange gain in the year. We have also received £0.2m of cash relating to a FinTech Ventures related loan which had previously been written down to zero.

Operating expenses are allocated to FinTech Ventures on a percentage basis of Group overall costs. Aaron Le Cornu continues to get more involved with the FinTech Ventures platforms, now having Board seats on five of them, which is freeing up the time of our CEO, Andy Whelan, to focus more on Sancus BMS and Group corporate activities. Accordingly, we have reduced the amount of operating costs allocated to FinTech Ventures this year to £0.7m (2017: £1.7m).

Group

As noted above, we allocate Group and FinTech operating costs on an allocation basis and the total of these costs was £2.0m in 2018 compared to £2.7m in 2017. £1.4m of these costs has been allocated to Group this year (2017: £1.1m).

In 2018 this has therefore produced savings of £0.7m. In 2016, the total Group and FinTech Ventures operating costs were £4.7m, so over the last 2 years, £2.7m has been saved. These cost savings have predominantly come from a reduction in staff, legal and professional costs and other administrative costs.

Cash management and debt costs

The focus during 2018 and ongoing into 2019 has been the repayment plan for the ZDPs. We have been managing cash carefully and have been buying back ZDPs as they become available in the market and will continue to do so in 2019 by managing the cash returned on the maturing Sancus BMS loans.

To measure business unit performance, finance costs are allocated to Sancus BMS to recognise its use of the Group's debt facilities in its lending activities. FinTech Ventures is treated as being funded by equity. This allocation best matches the risk profile of each business unit with its capital structure, as well as recognising that interest costs are effectively serviced by interest income from Sancus BMS.

Total cost of sales of £4.0m for 2018 (2017: £2.4m) includes: debt interest costs on the ZDPs and Bond of £1.8m (2017: £2.2m); £1.6m interest on the HIT facility (2017: £Nil) and broker fees of £0.6m (2017: £0.3m).

At the year end, interest bearing debt comprised:

- £10m 5-year Bond (7%) matures 30 June 2021, interest paid half yearly;
- £19.2m 2019 ZDPs (5.5%) income entitlement and principal due on expiry 5 December 2019 (£25.2m); and
- £22.9m HIT facility (7.25%) (total facility £45m), interest paid monthly.

The Group has been acquiring ZDPs in the market during the year and post year-end the Group has acquired up to the 14.99% allowance of shares issued as approved by Shareholders at the 2018 AGM. This has reduced the net amount due on 5 December 2019 to £23.1m.

GLI Finance Limited
For the year ended 31 December 2018
FINANCIAL REVIEW (Continued)

Financial Position (Table 2)

£'000	31 December 2018	31 December 2017
Sancus BMS on Balance Sheet loans and loan equivalents	26,678	46,326
HIT Loans	25,639	-
Goodwill	22,894	25,033
FinTech Ventures Loan and loan equivalents	883	908
FinTech Ventures Investment Portfolio	13,804	29,598
Sancus Properties Limited	4,404	-
Trade and other receivables	5,656	4,170
Other assets	3,784	3,401
Cash and cash equivalents	5,863	3,016
Total Assets	**109,605**	**112,452**
ZDPs payable	(24,059)	(24,714)
Bond payable	(10,000)	(10,000)
HIT Debt	(22,684)	-
Other Liabilities	(2,635)	(2,935)
Total Liabilities	**(59,378)**	**(37,649)**
Group net assets	**50,227**	**74,803**

The Group's net assets have decreased in the year by £24.6m to £50.2m. The majority of this movement is due to the £19.6m write down on the FinTech Ventures portfolio, £2.1m Goodwill impairment and IFRS 9 loan impairment adjustments.

The Group's liabilities are £59.4m but with £22.7m relating to the HIT facility.

Sancus BMS on Balance Sheet loans and loan equivalents (Table 3)

£'000	31 December 2018	31 December 2017
Jersey	8,219	4,808
Gibraltar	6,268	5,896
Guernsey	310	718
BMS – Investment in the funds and other loans	10,074	22,045
Sancus UK	143	1,002
Sancus Loan Notes	3,311	10,907
IOM preference shares	950	950
IFRS 9 Provision	(2,597)	-
Total Sancus BMS on Balance Sheet Loans and loan equivalents	**26,678**	**46,326**

The reduction in Sancus BMS on Balance Sheet loans and loan equivalents from £46.3m in 2017 to £26.7m is due to the repayment of SLN1 in the year (£7.6m) and the repayment of the BMS Irish Loan book and part repayment of the BMS UK Loan book, totalling £11.5m.

£5m of the SLN1 repayment was reinvested in SLL (HIT loans of £25.6m), which is backed by the HIT credit facility and where the Group holds £5m in equity as a first loss position. Post year-end, the Sancus Loan Note £3.3m and the IOM preference shares were repaid.

HIT Funding Facility

A special purpose loan vehicle called Sancus Loans Limited, which is non-recourse to GLI, was established at the start of the year with a £50m funding capacity. This has been backed by a £45m credit facility from HIT, with a term of 3 years. Although non-recourse to GLI the SPV is 100% owned by the Group and is therefore consolidated. As a result, both the SLL loans and HIT facility appear on the consolidated balance sheet. To also note in the consolidated numbers, cash held by SLL is included of £0.4m and interest receivables was £1m, causing part of the increase seen in cash and other receivables noted above.

Cash Flow

Cash generated from operating activities, excluding loan movements, for the year was £0.1m compared to cash used of £2.5m in 2017. The major operating cash flows during the year included £7.7m invested in BMS Finance Loans (2017: £5.4m), £25.6m invested in Sancus Loans Limited loans (2017: £Nil), proceeds from the sale of the Irish Sarl investment of £11.5m and £8.1m received from the repayment of Sancus Loan Notes (2017: £3.0m paid out to participate in Sancus Loan Notes). In respect of investing activities £2.6m was invested in FinTech Ventures primarily in the form of convertible loan notes (2017: £6.5m) and £1.0m was invested in Sancus (IOM) preference shares. In respect of financing activities £22.6m (after costs) was received from the drawdown of the HIT facility (2017: £11.9m payment to repay the syndicated loan) and £1.8m was used to purchase ZDP shares.

Sancus BMS

Financial Review

Financial Results of the operating entities in Sancus BMS

The results noted below are on a like for like basis. There has been one adjustment made to the 2017 revenue number which is to exclude the SSIF dividends which ceased in March 2017 when the fund was sold. Total 2017 Sancus BMS revenue per Note 4 is £10.341m, less £0.303m SSIF dividends is £10.038m as shown below.

Table 4

	2018					2017					2018 v 2017 Movement	
£'000	**Sancus**	**BMS**	**Sancus UK***	**SLL**	**Total**	**Sancus**	**BMS**	**Sancus UK ***	**SLL**	**Total**	**%**	**£'000**
Total revenue	7,218	2,890	1,248	1,905	13,261	5,363	3,588	1,087	-	10,038	32%	3,223
Other cost of sales	(124)	-	(428)	-	(552)	(15)	-	(255)	-	(270)	(104%)	(282)
Operating expenses	(3,013)	(1,349)	(2,077)	(10)	(6,449)	(2,510)	(1,469)	(2,361)	-	(6,340)	(2%)	(109)
Operating profit/(loss) before debt costs	4,081	1,541	(1,257)	1,895	6,260	2,838	2,119	(1,529)	-	3,428	83%	2,832
Allocated debt costs	(1,834)			(1,597)	(3,431)	(1,878)			-	(1,878)	(83%)	(1,553)
Operating profit before credit losses					**2,829**					**1,550**	**83%**	**1,279**
Changes in ECL's					(1,247)					-	(100%)	(1,247)
Impairments on financial assets					(1,763)					-	(100%)	(1,763)
Operating (loss)/profit					**(181)**					**1,550**	**(112%)**	**(1,731)**
Cost income ratio (Note 27)	41.7%	46.7%	166.4%	0.5%	48.6%	46.8%	40.9%	217.2%	-	63.2%	23%	14.5%
Total Loan Book £m	*142.4*	*49.1*	*13.8*	*25.6*	*230.9*	*118.9*	*81.3*	*18.2*	-	*218.4*	*6%*	*13*
On Balance sheet loans £m	*19.0***	*10.1****	*0.1*	*5.0*	*34.3*	*23.2***	*22.0****	*1.0*	-	*46.2*	*(26%)*	*(12)*

*Sancus Finance and Sancus Funding combined results.
** Sancus Loan Notes included in Sancus total.
*** 2018 Includes BMS UK Fund, 2017 includes BMS UK and Irish fund loans held by GLI £1m and BMS £21m.

Year on year, revenue has increased by 32% (28% if including SSIF in 2017) with operating expenses remaining flat in total overall. From the start of 2018 SLL is consolidated into the numbers, so after debt costs, operating profit before credit losses was £2.8m compared to £1.6m last year. This year we have made IFRS 9 provisions against our loan book exposure with a £1.2m charge to the SOCI. We have also reported an impairment loss on financial assets of £1.8m against some repossessed assets which until they are developed and sold we are required to report these at the lower of Cost and NRV, hence the write down.

We have seen a marginal increase in costs within Sancus BMS, the net effect of the team being built out to expand operations in Ireland and the offshore entities, but savings on headcount made in the UK. With the announced closure of our supply chain finance offering, operating costs will decrease and we would expect that the offshore costs have stabilised with no further investment on headcount required.

GLI Finance Limited
For the year ended 31 December 2018
FINANCIAL REVIEW (Continued)

The HIT facility has allowed Sancus to further complement its existing co-funder base particularly in funding larger loan opportunities and has supported the loan book growth we have seen in 2018 and expect this to increase into 2019.

Over the last 2 years £1.1m of cost savings have been made in Sancus UK, however as announced in February 2019 a decision has been made to close the supply chain finance ("SCF") offering and focus on asset backed lending and education finance.

BMS has also seen changes in the year with the sale of the Irish mandate and loan assets. This can be seen in the reduction of the revenue in comparison to the prior year. BMS still holds the advisory mandate for the UK Sarl for which it receives advisory fees and return on capital deployed in the UK fund, although changes in key personnel has led to restrictions on further loan deployments.

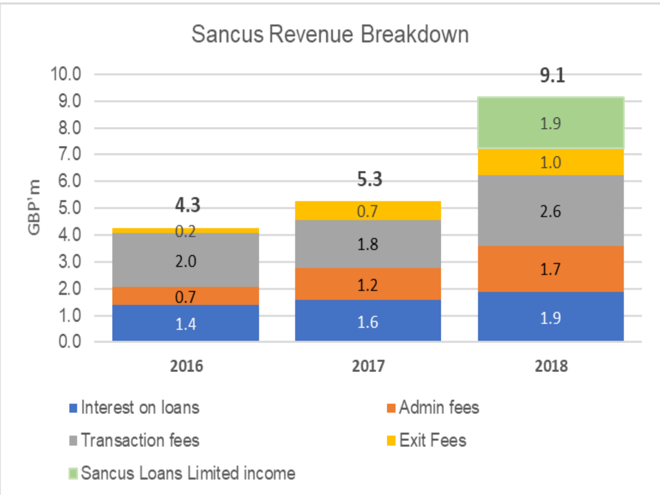
Asset Backed Lending

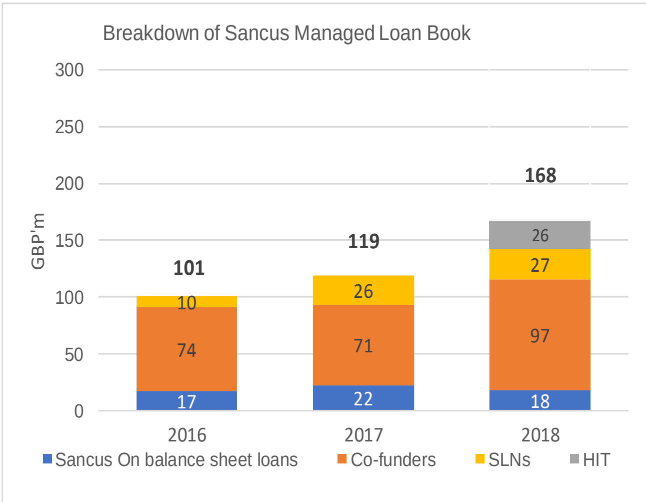
Sancus
www.sancus.com

Sancus has loaned in total £579m since it became fully operational in January 2014, including the Isle of Man.

On average, the profile of the loan book is as follows:
- Loans size is £2.5m;
- duration is 19 months;
- interest rates charged are 10.8%, and
- loan to Values (LTV) are 55%.

Table 5 and 6





The graphs above show the performance achieved by Sancus Jersey, Sancus Gibraltar and Sancus Guernsey. Sancus Ireland did not carry out any lending in 2018 but will be included going forward, along with Sancus UK. The results of Sancus IOM have not been included due to the Group only holding 29% and therefore they are not part of the consolidated results.

The total loan book has increased by an impressive 41% from £119m at the end of December 2017 to £168m at the end of December 2018, with HIT contributing 22% to this increase. Co-funder participation increased by 38% from last year.

Transaction fees have increased by 47% during 2018 as a result of the increase in loan origination. Exit fees increased 42% in the year as these are being built into most of the deals now done.

Interest income on loans was up 20% from £1.6m in 2017 to £1.9m in 2018 even though we saw the Sancus on balance sheet loan book decrease by 14%. This is due to the average interest rates being marginally up on last year.

GLI Finance Limited
For the year ended 31 December 2018
FINANCIAL REVIEW (Continued)

Sancus Loan Note Programme

The Sancus Loan Notes provides Sancus BMS with another pool of funders who wish to be part of a group of assets rather than 1 specific loan. These are managed by Amberton Asset Management which is a joint venture with Somerston Group and is regulated by The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (“POI”) License. Since the programme was launched in November 2016, 5 have been launched to date with Sancus participating directly with its own capital or providing a first loss position. The table below shows the history of the loan notes to date.

There are 2 live loan notes in March 2019 following the repayment of SLN2 on 7 February 2019. The Group currently therefore has total guarantees of £3.2m, being 20% of SLN4 (£1.5m) and 10% of SLN5 of (£1.7m).

(Table 7)

Loan Note	Date Launched	Amount launched with £’000	Term (years)	Maturity/ redemption date	Coupon %	Maximum Raise £’000	Sancus Guarantee £’000	Total Loan Note at 31 December 2018 £’000	Sancus BMS Capital at 31 Dec 208 £’000	Loan Note balance as at today £’000
SLN 1 (repaid)	7/11/2016	17,550	2.0	28/2/2018	8%	10,050	£7,500	-	7,500	-
SLN 2 (repaid)	12/4/2017	14,450	2.0	7/2/2019	7%	12,000	£3,000	14,759	3,000	-
SLN 3 (repaid)	4/10/2017	3,700	1.1	8/11/2018	6%	15,000	20% first loss	-	-	-
SLN 4	9/7/2018	1,950	1.25	30/9/2019	6%	15,000	20% first loss	7,457	-	7,469
SLN 5	8/11/2018	6,450	3.0	8/11/2021	7%	50,000	10% first loss	8,017	-	16,652

SME Finance

BMS Finance
www.bms-finance.com

As announced during the year the Irish advisory side of the business was sold to Beach Point Capital, so BMS Finance now comprises one investment company providing UK loans which has long term committed capital from investors including circa 49% being subscribed by the government investment vehicle, namely British Business Investments (formerly British Business Bank Investments). Following the departure of certain key individuals in 2018, the fund is in suspension and the loan book has amortised (total capital committed to the UK focused investment company is now at £40m). GLI holds 25% of total capital commitments.

BMS received revenue of £2.9m in the year from their advisory fee to the UK fund and from its return on capital invested into the UK fund. 2017 revenue was £3.6m with the reduction as explained above from a reduction in advisory fees from the sale of the Irish Sarl and sale of loan assets. Operating expenses have decreased in the year in line with a reduction in headcount relating to the Irish team from £1.5m to £1.3m.

Sancus Finance
www.sancus.com

Sancus Finance ceased its supply chain finance offering in February 2019 but continues to offer education finance (enabling further education and higher education institutions to manage their cash flows or support investment plans) through a transactional online platform. The business earns arrangement fees and a margin reflecting the amounts paid by clients in excess of that which is due to funders.

FinTech Ventures

Financial Review

FinTech Ventures Portfolio Asset Split (Table 8)

£'000	31 December 2018	31 December 2017
Equity	11,608	24,554
Preference Shares	-	1,916
Loans	2,196	3,128
Total FinTech Ventures portfolio	**13,804**	**29,598**
Total Number of Platforms	**11**	**11**
Number of Platforms valued at zero	**6**	**2**

The total fair value at 31 December 2018 of £13.8m is made up of investments in the following instruments: £11.6m of Equity, and £2.2m of Loans mainly in the form of convertible loan notes where we retain the potential upside from being able to convert on favourable terms should the platform deliver a successful opportunity for us to exit. Given the difficult market conditions, some tough decisions have been made to write down the valuations of several of the platforms in the portfolio, as highlighted by 6 of them now being valued at zero.

At the time, these minority stakes in the various platforms were acquired by the Group back in 2014 and 2015, it was expected that they would achieve profitability far quicker than they have. In practice, the plethora of FinTech start-ups has created a very competitive market and scale has been harder to achieve. As a portfolio of early stage businesses, it is perhaps inevitable that some platforms have either failed or have underperformed to the point where it has been appropriate to take write-downs. However, several of the platforms continue to perform well with good year on year growth and we are confident of upside potential being delivered in due course. Whilst investment risk related to this portfolio will remain an ongoing feature we hope that several of the platforms are successful in securing further growth capital over the next 12 months.

The valuation methodology employed by the Group is unchanged and remains compliant with IFRS 13, based on a fair value approach and taking into account the International Private Equity and Venture Capital Valuation Guidelines ("IPEV"), which provides guidance on fair value valuation practices. We continue to reference recent transaction prices to complement our internally managed discounted cash flow models.

Platform Exposure

Table 9 Platform	Platform exposure £'m	NAV per share (pence)
1	**6.7**	2.2
2	**2.6**	0.8
3	**1.9**	0.6
4	**1.4**	0.5
5	**1.2**	0.4
Total Fair Value of Portfolio	**13.8**	**4.5**
Loans through platforms and accrued interest	**1.8**	0.6
Total Net Assets of FinTech Ventures	**15.6**	**5.1**

For commercial reasons we do not disclose the carrying value of each platform, but to provide some transparency regarding the portfolio exposure the above table splits out the platform exposure by amount for the largest 5 holdings and NAV per share.

GLI Finance Limited
For the year ended 31 December 2018
PRINCIPAL RISKS, UNCERTAINTIES AND RELATED INTERNAL CONTROLS

The Group aims to carefully manage the risks which are inherent across its business activities in order to deliver an appropriate risk adjusted commercial return. The principal risks which the Group has consciously accepted in the pursuit of value creation are liquidity risk, regulatory and compliance risk, market risk, credit risk, strategic risk, and investment risk. With regard to the FinTech activities, exposure to investment risk is a factor of the strategic, liquidity, credit and operational risks assumed by the platforms in which the Group is invested.

This section on the Group's Principal Risks should be read together with the sections on the Group's Governance Framework, the operation of the Audit and Risk Committee, as well as Note 20 which describes the sensitivity of the Group's financial results to its Financial Risk exposures. These sections explain how these risks are being managed, monitored and governed.

The table below describes the Group's assessment of the principal risks which could potentially have a significant impact on the Group's operations and financial results. The Group's risk definitions are described in more detail within the Board Committee Structure on page 41.

Principal Risks	Internal controls mitigating Risks	Current Rating of Risks
Group		
1. Capital and liquidity Risk		**High**
GLI's own funding is sourced primarily from the ZDP shares and the Corporate Bond (as detailed in Note 15). For Sancus BMS, co-funding of lending opportunities is sought from institutional, high net worth and private individuals. Expansion of lending and investment activities will be constrained to the extent of retained profits unless further sources of funding are secured.	GLI has a Treasury Committee which meets twice a month to manage current liquidity, and forecasts over several years to predict longer term funding requirements. The Sancus Loan Notes used for co-funding lending opportunities, are administered by Amberton Asset Management (a licensed investment manager). Management of each of the operating companies balance their lending and funding and proposals to advance lending are contingent on sufficient funding having been agreed. As a contingency, the Treasury Committee monitors the liquidity of the various assets and has identified relatively liquid assets which could be realised if required.	With the maturity of the ZDP shares in December 2019, capital and liquidity management remains a key risk and priority for the Executive and Treasury Committee. See Viability Statement for more details. Management at Group and subsidiary level are focussed on raising additional on and off balance sheet funding in order to grow lending activities. Successfully managing this risk is critical to the Group's growth and thus forms a core part of management and the Board's strategic discussions.

2. Regulatory and Compliance Risk		Low
As a Financial Services business, compliance with regulation is considered paramount within the Group, particularly with regard to Anti Money Laundering (AML) regulations which are critically important. The Group is subject to the AIM rules. Whilst not strictly subject to the UK Corporate Governance Code (April 2016), due to the Company being a Guernsey company, the Code has been largely adopted (See page 37 Governance Framework).	All entities have developed and implemented appropriate policies and procedures relating to regulatory compliance and Anti Money Laundering. The Group Compliance Committee monitors these risks, and forthcoming regulations, with appropriate reporting from the various Heads of Compliance and Money Laundering Reporting Officers. Further reviews of AML compliance are carried out by independent third parties where considered appropriate. The Company has an appointed NOMAD, Liberum, with whom it liaises regularly, to ensure compliance with the AIM rules, including the Market Abuse Regulations. Boards receive quarterly reports from Compliance Officers and where appropriate, Money Laundering Reporting Officers on compliance monitoring plans and any breaches identified.	The compliance framework as described is considered to be operating effectively.
3. Market risk		**Low**
The primary market risks are considered to be interest rate and foreign exchange risk. Given the nature of the business operations, with relatively short term lending and currencies on lending opportunities being matched the exposure is considered to have limited impact on its positions as a going concern. Foreign exchange risk primarily arises from the USD and Euro investments in the FinTech portfolio. The uncertainties caused by Brexit are also considered to have a potential impact on these primary market risks that are currently difficult to predict.	Exposures to these risks are monitored regularly by the GLI Treasury Committee and reported to the Board on a quarterly basis. These risks are identified and assessed at the time of entering into new transactions and to address possible Brexit impact credit processes have been tightened to decline proposals where the repayment strategy is based upon bull market behaviour.	More information on the sensitivity to these risks is contained in Note 20.
4. Credit Risk		**Medium**
The Group has both direct credit exposures, for on balance sheet lending, and indirect credit exposures, managed on behalf of co-funders. See Note 20(5) for further details.	Each operational entity has its own credit policies and procedures which are the subject of at least annual review by operating entity Boards. The respective Credit Committees take all credit decisions and monitor credit exposures on an ongoing basis. At GLI level, a New Business Committee is responsible for all lending decisions.	The credit performance across the Group remains good with actual losses incurred being less than 1% of loans advanced. The introduction of IFRS 9 during the year has resulted in additional provisions being required.

Sancus BMS		
5. Operational Risk – Execution of the Sancus BMS strategy		**Medium**
Approximately 60% of GLI's capital has been deployed into the Sancus BMS group. There is a risk that the planned growth of these businesses will not be realised primarily as a result of sub optimal levels of loan origination and funding. A negative impact of Brexit on the UK and Channel Islands' economies would add to the risk.	The Board and Executive Committee of Sancus BMS recognise the challenge of building the business to meet the financial targets and actively manage all aspects of the business on an ongoing basis. Plans and budgets are in place and performance against these is monitored regularly by the management team and the Executive Committee. There continues to be strong demand by both borrowers and Co-funders for the lending products offered across the business, and the risk adjusted returns available to Co-funders. In addition, 2018 has seen the roll out of an online business capability for Sancus in order to provide borrowers and Co-funders with online interactive services.	By its nature, this risk will remain an area of focus for the Board and management for the foreseeable future, although the Board considers it is within risk appetite at the current time.
FinTech Ventures		
6. Investment risk – Platform Valuations		**High**
Across the majority of the FinTech portfolio, their growth rates have been slower than originally anticipated and the business models have proved more capital intensive. Whilst several of the platforms have successfully raised capital during 2018, this has often been on less favourable terms than previously expected. GLI's capital position has meant it has often not been able to participate in these fund raisings, resulting in dilution to our holding and often a write down in our carrying value. There remains a risk that some platforms may not be successful in the longer term, either as a result of lack of loan funding, lack of working capital funding or difficulties in establishing a competitive position in their chosen markets.	The Group has board seats on most investee company boards and thus is able to participate in the strategic discussions and monitor the progress on each platform. The Group regularly monitors the progress of each business, with regular review of financial and KPI reporting. Period end valuations are conducted for all investments in platforms. These are based on a variety of factors including the pricing for any recent relevant capital transactions by the respective platform or using an appropriate valuation methodology such as a discounted cashflow model. The forecasts provided by management of the platforms are often challenged and where considered appropriate adjustments are made and sensitivity analysis is included as part of the valuation work. The internal work is complimented by external valuation experts where considered appropriate.	Platforms are typically in their early stages of development, and the majority are yet to achieve break-even as they continue to build scale as they build out their competitive positions in their respective markets. As a result of the impact of the capital transactions undertaken during 2018 and currently in the pipeline, the Board has materially reduced the holding value of the FinTech portfolio. However, there remains further downside risk if the platforms fail to deliver against their forecasts or are unable to secure the necessary funding. The valuations are also subject to a number of material estimation uncertainties, refer to Note 20 (4) for investment valuation sensitivities.

CORPORATE GOVERNANCE

Board of Directors and GLI Executive Team

Introduction

The Board recognises the importance of a strong corporate governance culture.

The composition of the Board is the subject of ongoing review. Somerston Group has the right to nominate a candidate for appointment to the Board, but as of yet have not taken up this right.

Board of Directors

The Company operates a unitary Board Structure, comprised of both Executive and Non-Executive Directors. The Board regularly assesses the independence of its Non-Executive Directors to ensure it continues to operate effectively. Biographical details of the Directors can be found below.

The terms of directors' appointments are available from the Company Secretary.

On joining the board, any new director will have received an induction through face to face meetings with existing directors, senior management and the Company's Administrators.
The ongoing need to update skills is reviewed at Board meetings and training is provided accordingly.

Patrick Firth – Independent Non-Executive Director
Mr Firth is a director of a number of offshore funds and management companies and until June 2009 was managing director of Butterfield Fulcrum (formerly Butterfield Fund Services (Guernsey) Limited). Prior to joining Butterfield Fund Services (Guernsey) Limited, Mr Firth was head of operations and subsequently managing director of BISYS Fund Services (Guernsey) Limited, where he was responsible for the administration of both offshore and onshore (FSA regulated) funds. He is currently a director of the following listed entities: IGG-Longbow Senior Secured UK Property Debt Investments Limited, Riverstone Energy Limited and NextEnergy Solar Fund Limited (all listed on the main market of the London Stock Exchange), JZ Capital Partners Limited (admitted to trading on the Specialist Fund Market of the London Stock Exchange), Guernsey Portfolios PCC Limited, and Investec World Axis PCC Limited (admitted to the International Stock Exchange) and Global Private Equity One Limited which is admitted to the Bermuda Stock Exchange. Mr Firth qualified as a Chartered Accountant with KPMG in 1990 having worked in the audit departments in Cambridge and Guernsey. Mr Firth graduated from the University of Newcastle and received a Masters degree from Bath University.

Mr. Firth was appointed to the Board, the Audit and Risk Committee and Nomination Committee on 17 June 2005. He is a Guernsey resident. Mr Firth is Chairman of the Board and of the Nomination Committee.

John Whittle - Independent Non-Executive Director
Mr Whittle has a background in large third party Fund Administration. He has worked extensively in high tech service industries and has in-depth experience of strategic development and mergers/acquisitions. He has experience of listed company boards as well as the private equity, property and fund of funds sectors. He is currently a director of International Public Partnerships Ltd (a member of the FTSE250), Starwood European Real Estate Finance Limited and India Capital Growth Fund Ltd (both listed on the main market of the London Stock Exchange), Chenavari Toro Income Fund Limited (admitted to trading on the Specialist Fund Segment of the London Stock Exchange) and two companies admitted to trading on AIM, Aberdeen Frontier Markets Investment Company Ltd and Globalworth Real Estate Investment ("Globalworth").

Mr Whittle, a Chartered Accountant, has also served as Finance Director of Close Fund Services Limited (responsible for internal finance and client financial reporting), Managing Director of Hugh Symons Group PLC and Finance Director and Deputy MD of Talkland International Limited (now Vodafone Retail).

Mr. Whittle was appointed to the Board, the Audit and Risk Committee and the Remuneration Committee on 23 September 2016, after having been appointed as an Alternate Director to James Carthew in December 2015. He is resident in Guernsey. Mr Whittle is Chairman of the Audit and Risk Committee, and of the Remuneration Committee.

Andrew Whelan – Executive Director
Andrew has over 25 years investment experience and is a Chartered Fellow of the Chartered Institute for Securities & Investment. Prior to founding Sancus in 2013, Andrew was a founding partner of Ermitage Group following its MBO in 2006 from Liberty Life, backed by Caledonia Investments. He left Ermitage following its successful sale to Nexar Capital Group in July 2011 and after a period of gardening leave joined International Asset Monitor as Managing Director to create a new Jersey Branch.

Andrew joined Liberty Ermitage in 2001 and was a Group Executive Director and Managing Director of Ermitage Global Wealth Management Jersey Limited. He was also CIO of Ermitage's Wealth Management business and products and during his 10 year tenure won multiple investment awards. Prior to Liberty Ermitage Andrew worked for Kleinwort Benson part of the Dresdner Private Banking Group and started his career with Morgan Grenfell in 1987.

He has been recognised in the Citywealth Leaders List in 2007-2011 and 2013-2016 and is also a member of the Retained Global Speaker programme for the CFA Society. Andrew is resident in Jersey.

Mr. Whelan was appointed to the Board on 16 December 2014.

Emma Stubbs – Executive Director

Emma joined GLI in November 2013 as Chief Financial Officer and was appointed to the GLI Board on 16 September 2014. Emma is also a Board member of Sancus BMS Group.

Prior to joining GLI, Emma was Head of Business Analysis and Projects at Sportingbet, an online gaming company from January 2007 to October 2013 where she was responsible for formulating strategy across Europe and Emerging Markets. She had a key role in providing business performance and analysis advice with regard to JVs, B2B, M&A and entering regulated markets. From November 2004 to January 2007. Emma worked as an Account Manager at Marsh Management Services (Guernsey) Limited, a Captive Insurance Company.

Emma is a Fellow member of the Association of Chartered Certified Accountants and qualified with Deloitte in 2004. She graduated from the University of the West of England with a BA Hons degree in Accounting and Finance. Emma is resident in Guernsey.

GLI Executive Team

Andrew Whelan – Chief Executive Officer
See above.

Emma Stubbs – Chief Financial Officer
See above.

Aaron Le Cornu – Chief Operating Officer

Dan Walker – UK Managing Director

Aaron Le Cornu
Aaron was previously Chief Financial Officer at Elian, a Fiduciary Services business operating in 21 countries, which was purchased by Intertrust Group in December 2016. Aaron was involved in the management buyout of Elian from Ogier, the law firm, and was previously the Chief Operating Officer of the Ogier Group. Aaron worked for HSBC Bank for 10 years and held a number of senior positions, latterly as Deputy CEO of HSBC International. He was heavily involved in several acquisitions concluded by HSBC, including the purchase of M&S Money in 2004. Aaron qualified as a Chartered Accountant with Arthur Andersen in London in 1995. He is resident in Jersey.

Dan Walker
Dan became UK Managing Director in January 2018 which includes Sancus Finance, Sancus Funding and BMS.

Dan has worked in the finance industry since 1999. He started his career as a solicitor at Linklaters LLP after reading law at Merton College, Oxford University. After six years working on the legal aspects of structured transactions in real estate, trade and acquisition finance, Dan joined the Strategic Transactions Group at Lloyds Banking Group, originating and executing structured funding and investment transactions for the bank and its clients.

He joined Varengold Bank AG, a small German private bank, in 2015 to head its London office and help develop its prime brokerage business and build a credit book focused on receivables and real estate finance. Dan has completed all three levels of the Chartered Financial Analyst examinations.

The Sancus BMS Executive Committee

Sancus BMS is managed by a team of experienced financial services professionals. The members of the Executive Committee, who meet quarterly to discuss strategy and review performance, are Andrew Whelan (Chairman), Ewan Stradling, John Davey, Dan Walker, Steve O'Brien, Matt Watson, Peter McVeigh and Aaron Le Cornu.

Andrew Whelan – CEO, Sancus BMS

Refer page 33.

Ewan Stradling – Managing Director, BMS Finance

Prior to founding BMS Finance, Ewan worked with a range of companies, including Group CFO for Agilisys Limited, a high growth IT outsourcer with £150m annual turnover. Ewan was responsible for the Agilisys Group's commercial, legal and finance functions. His experience included numerous corporate transactions, a substantial turnaround and restructuring, and board positions as an investor director.
Prior to joining Agilisys Limited, Ewan worked for Investec in the corporate finance department. He specialised in M&A within the small and mid-cap TMT sector.

John Davey – Executive Director, Sancus

John has over 25 years' experience in the finance industry. He has a First Class Honours degree in Economics, qualified as an Associate of the Chartered Institute of Bankers in the top ten students worldwide, in his qualifying year, and is a Chartered Fellow of the Chartered Institute for Securities & Investment (by Diploma).

John started his working career at Kleinwort Benson and Coopers & Lybrand before joining Collins Stewart in 1997 where he spent 10 years building up the Wealth Management division. He resigned as the CEO of the Wealth Management division and as a Director of Collins Stewart (Europe) Limited in 2007 to join the start-up business Spearpoint Limited where he was the CEO and largest shareholder. Spearpoint was sold to Brooks Macdonald Group Plc., the AIM listed integrated wealth management business, in 2012.

John is also a significant early stage investor in Succession Advisory Services the successful wealth management group, fund consolidator and platform operator, where he is a Non-Executive Director.

Dan Walker – UK Managing Director

Refer page 34.

Steve O'Brien – Managing Director, Sancus Gibraltar

Steve joined Sancus (Gibraltar) Limited in June 2015 as Managing Director and has 17 years experience working within the offshore financial services industry specialising in the Corporate, Commercial and Financial Intermediary sector.

He is a member of the Society of Trust & Estate Practitioners and an Associate of the Institute of Financial Services.

Steve began his career with Matheson Investments International Limited in 1998 before moving to the Royal Bank of Scotland International in 2003, where he focused on developing relationships with their key corporate and institutional clients. He was headhunted in 2012 by Santander UK Plc to join their offshore leadership team and to open their first corporate branch in an offshore jurisdiction.

Matt Watson – Managing Director, Sancus Guernsey

Matt joined Sancus in June 2017 as Managing Director of Sancus (Guernsey) Limited.

Matt has over 10 years' experience within the Asset Management industry. He began his career in 2006 With Collins Stewart in London, leaving in 2008 to return to his native Island of Guernsey to help set up Spearpoint Limited. At Spearpoint he developed and ran the stockbroking business in the Channel Islands as well as building a proprietary FX system. Following the acquisition of Spearpoint by Brooks Macdonald, Matt was appointed Head of the Guernsey office where his responsibilities included the portfolio management, stockbroking and FX teams. Matt left Brooks Macdonald in 2016 and joined Amberton Asset Management in September 2016 as Managing Director of Capital Markets.

Peter McVeigh – Chief Financial Officer, Sancus BMS

Peter has over 20 years' experience in the finance industry. He holds an Honours degree in Finance & Economics from the University of Strathclyde Business School and qualified as a Chartered Accountant in 2001.

Peter began his career at The Royal Bank of Scotland International before moving into financial control within the asset management space, firstly with Aberdeen Asset Management and then with Ermitage Asset Management. He resigned from Ermitage in 2008 to join the start-up asset management business, Spearpoint Limited, as their Chief Financial Officer. Spearpoint was sold to Brooks Macdonald Group Plc., the AIM-listed integrated wealth management business, in 2012. Whilst working for John Davey (CEO of Spearpoint and Director and co-founder of Sancus), Peter helped with the initial establishment of Sancus in 2013, before being offered the opportunity to join the Group full time in 2016.

Peter's skill set extends from operational financial control, financial reporting and analysis, through to corporate finance, particularly acquisition and integration.

Aaron Le Cornu – Chief Operating Officer, Sancus BMS

Refer page 34.

Michael Mooney - Managing Director, Sancus BMS (Ireland) Limited

Michael joined Sancus in August 2018, heading up their office in Ireland and has 20 years' experience in financial services including 16 years in banking and real estate finance. Prior to joining Sancus, Michael worked for Barclays for 12 years. From 2012 he was a Director in their Corporate Real Estate Finance Department in Ireland, focussed on investment and development property finance transactions for institutional, large corporate borrowers and private clients. His responsibilities included a leadership role across origination, structuring and execution in both Ireland and the UK. Michael also worked on a number of loan restructurings in Barclays and for two years he also worked in the Investment Bank, Barclays Capital, where his responsibilities included the origination and execution of investment property transactions on a pan-European basis for securitisation into the capital markets.

Prior to Barclays, Michael worked in Corporate and Property Finance at Ulster Bank in Dublin. He was initially responsible for a portfolio of small and mid-cap corporate borrowers, typically providing working capital finance. Latterly he worked on sourcing larger ticket property development transactions.

Michael began his career in the Financial Services department of KPMG in Dublin where he worked for four years. Michael is a fellow of Chartered Accountants Ireland.

Steve Simpson - Head of Group IT, Sancus BMS Group

Steve Simpson has over 25 years of experience in the design, implementation and administration of secure and highly-available enterprise and web-based solutions for corporate customers across various sectors including finance and telecoms. Steve started his technology career with Nokia before they became known for setting the standard in mobile phones. He was part of a small team that in little over 2 years implemented the business systems in the UK to support Nokia's growth to global brand leader. He became the System Architect responsible for Nokia's global unix standards. Other notable assignments include over 6 years as part of Hewlett Packard's mission critical consultancy team designing and implementing HA solutions for Hewlett Packard's top 100 enterprise customers and 10 years in the development of web based application across the telecoms sector. Steve joined the co-founders of Platform Black in 2011 to design and develop the technology to provide an innovative online business finance marketplace that connects investors to businesses who are seeking flexible working capital finance solutions.

GLI Finance Limited
For the year ended 31 December 2018
GOVERNANCE FRAMEWORK

As a Guernsey incorporated company and under the AIM Rules for Companies, it is not a requirement for the Company to comply with The UK Corporate Governance Code ("UK Code"). However, the Board places a high degree of importance on ensuring that high standards of corporate governance are maintained in order to safeguard and enhance long-term shareholder value. The Directors have therefore reviewed the UK Code (as updated April 2016) and have also considered the provisions of the Finance Sector Code of Corporate Governance published by the Guernsey Financial Services Commission ("GFSC") in September 2011 (the "Guernsey Code").

In recognition of the Company's evolution to a trading business and the continuing internalisation of key management and administrative functions, the Board believes that applying the principles and reporting against the provisions of the UK Code accurately reflects the nature, scale and complexity of the business and enables the Board to provide better information to shareholders than would have otherwise been possible by using an alternative corporate governance code. The Company's robust corporate governance framework has been based on these principles and is designed to deliver the Group's strategy.

As at 31 December 2018, the Company complied substantially with the relevant provisions of the UK Code and it is the intention of the Board that the Company will comply with these provisions throughout the year ending 31 December 2019 (but analysing the new code), save with regard to the following:

- The appointment of a Senior Independent Director: Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be referred.

- Establishment of management engagement committee: Due to its size and composition, the Board does not consider it necessary to establish a management engagement committee. The Company continues to make progress in reducing the number of functions outsourced to third-parties and the Board as a whole monitors the performance of the Company's service providers, either through Board meetings or, if appropriate, through the use of an appropriately constituted committee.

- Internal audit function: The Board has considered the need for an internal audit function and continues to monitor progress with the internalisation of key functions to ensure that an internal audit function (or similar control) will be put in place at the appropriate time. As at the date of this report the Directors remain satisfied that, due to the size of the Company and that certain key day-to-day operations continue to be performed by regulated service providers, an internal audit function is not considered necessary.

Composition and Independence of the Board of Directors
As at 31 December 2018, the Board consisted of four members, two of whom are non-executive and independent. Mrs Stubbs and Mr Whelan are both members of the Group's Executive Team and are therefore not considered independent under the UK Code.

The Chairman of the Board is Patrick Firth and biographies for all Directors can be found on pages 33 and 34. In considering the independence of the Chairman, the Board has considered the provisions of the UK Code relating to independence and has determined that Patrick Firth is an Independent Director.

The Directors recognise the importance of succession planning for the Board and review the composition of the Board annually. As of December 2018, Patrick Firth had served as a Director of the Company for thirteen years. However, the Board is of the view that length of service does not necessarily compromise the independence or the effective contribution of Directors where continuity and experience can be a benefit to the Board. In considering the independence of the Chairman, the Board has considered the provisions of the UK Code relating to independence and remains satisfied that he remains independent of the Company.

The Board believes that long serving Directors should not be prevented from forming part of the Board or from acting as Chairman and no limit has been imposed on the overall length of service of the Directors. Each Director will retire, and seek reappointment at every third annual general meeting ("AGM"), with those serving for nine years or more subject to reappointment annually.

Mr. Firth retires by rotation and will offer himself for re-election at the next Annual General Meeting.

The Directors believe that the Board has a balance of skills and experience which enables it to provide effective strategic leadership and proper governance of the Company.

The Board has contractually delegated external service providers to perform the share registration and company secretarial requirements. Each of these contracts was only entered into after proper consideration by the Board of the quality of the services offered. The Board is responsible for the appointment and monitoring of these service providers.

The Board undertakes an annual evaluation of its own performance, the performance of its formally constituted committees and that of individual Directors. This includes a formal process of self-appraisal reviewing the balance of skills, experience, independence and diversity present on the Board, and individual director performance, contribution and commitment to the Group to ensure that the Board and its committees continue to operate effectively, or to identify areas where action is required. The remainder of the Board is responsible for evaluating the performance of the Chairman. The Chairman also has responsibility for assessing the individual Board members' training requirements.

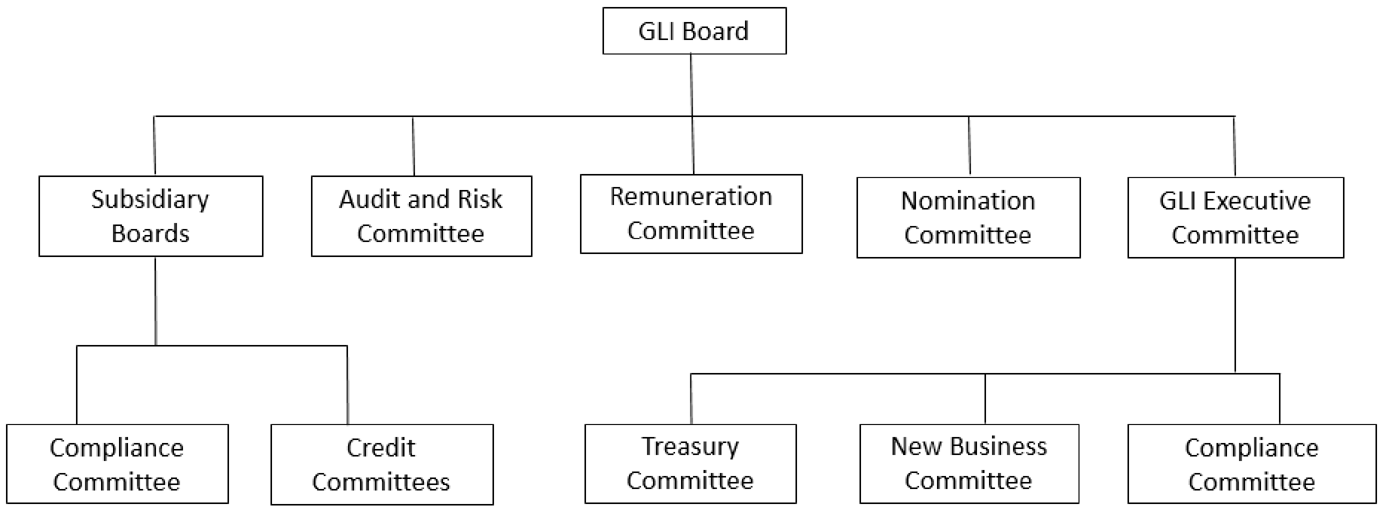
It is the Board's intention to restore an independent majority to the Board through the recruitment of an additional non-executive director with a strong credit, lending and/or trading company background. The Somerston Group may also exercise their right to nominate a candidate for appointment to the Board during the forthcoming year, subject to the Directors remaining satisfied that any such individual will positively contribute to the existing mix of skills, knowledge, experience and diversity present on the Board.

The Directors remain mindful of the benefits which can flow from increasing the level of diversity represented on the Board including, but not limited to, cultural, gender, experience and background. Such factors will be taken into consideration by the Nomination Committee during the selection process.

Executive Team
As at the year end, the Company's executive team comprises Andrew Whelan (Chief Executive Officer), Emma Stubbs (Chief Financial Officer), Aaron Le Cornu (Chief Operating Officer) and Dan Walker (UK Managing Director) (together the "Executive Team or Management"). The Executive Team is responsible for the day-to-day management of the Company's operations.

The non-executive independent Directors monitor and evaluate the performance of the Executive Team.

Governance Structure



BOARD COMMITTEE STRUCTURE

Audit and Risk Committee
The Audit and Risk Committee conducts formal meetings at least three times a year. The Audit and Risk Committee's key roles are

- To provide advice to the Board on whether the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.
- To ensure that risk management and internal controls are operating effectively across the Group.
- To assess effectiveness of the external audit process.

The Audit and Risk Committee acts as an integral part of the Group's risk management framework by overseeing and advising the Board on current and potential risk exposures. Particular focus is paid to the principal risks, being those with the greatest potential to influence shareholders' economic decisions, and the controls in place to mitigate those risks.

The Committee oversees the operation of the Group's whistleblowing policies, receiving any reports which might be raised and reviewing proposed actions to address such issues.

The Audit and Risk Committee is currently chaired by John Whittle and its other member is Patrick Firth. The Board has considered the membership of the Audit and Risk Committee and has determined that the members of the Audit and Risk Committee have recent and relevant financial experience. For the principal duties and report of the Audit and Risk Committee please refer to the Audit and Risk Committee Report on pages 42 to 43.

Remuneration Committee
The Remuneration Committee comprises of John Whittle as Chairman, and Patrick Firth. The key duties include, but are not limited to, agreeing a framework for Director remuneration, ensuring management are appropriately incentivised to enhance performance, and reviewing the effectiveness of the remuneration policy on an on-going basis. Refer to the Remuneration Report on pages 44 and 45 for details of fees paid to the Directors during the year.

Nomination Committee
The Nomination Committee comprises of Patrick Firth as Chairman and John Whittle. The key duties include, but are not limited to, reviewing the structure, size and composition of the Board, to consider the succession planning for directors and senior executives, reviewing the leadership needs of the organisation and identifying candidates for appointment to the Board.

Meetings
The Directors meet on a quarterly basis ("Quarterly" meetings per the table below) and at other unscheduled times ("Other" meetings per the table below) when necessary to assess Group operations and the setting and monitoring of investment strategy and investment performance. At Quarterly meetings, the Board receives from the Executive Team and Administrator a full report on the Group's performance. As necessary, the Board gives direction to the Executive Team as to investment objectives and limits, and receives reports in relation to the financial position of the Group and the custody of its assets.

The Board is responsible for monitoring and scrutinising the performance of the Executive Team and has formally defined the types of decision which must be taken at Board level from those which have been delegated. Matters reserved for the Board include (but are not limited to) those which affect long-term strategy, appointment and movement of senior personnel, key service providers and their remuneration, communication with shareholders, corporate actions, determining the value of the Company's investments and agreeing the terms for any borrowing arrangements.

The table below, details the attendance at Board and Committee meetings during the year:

	Board				
	Quarterly	Other	Remuneration Committee	Audit and Risk Committee	Nomination Committee
Patrick Firth *(Chairman)*	4 of 4	4 of 4	1 of 1	3 of 3	None held
John Whittle	4 of 4	3 of 4	1 of 1	3 of 3	None held
Andrew Whelan	4 of 4	4 of 4	-	-	-
Emma Stubbs	4 of 4	4 of 4	-	-	-

Shareholder Opinions
The Board's advisers and the Executive Team maintain regular dialogue with key shareholders, the feedback from which is reported to the Board and the Chairman. Shareholders who wish to communicate with the Board should contact the Company Secretary in the first instance, whose contact details can be found on page 101.

GLI Finance Limited
For the year ended 31 December 2018
BOARD COMMITTEE STRUCTURE (Continued)

The Board also regularly monitors the shareholder profile of the Company. All shareholders have the opportunity, and are encouraged to attend the Company AGM at which members of the Board are available in person to meet shareholders and answer questions. In addition, the Company's Corporate Broker and Executive Team each maintain regular contact with major shareholders and report regularly to the Board on shareholder views.

Social, Ethical and Environmental Policies
The Board requires the Executive Team's investment appraisal process and its subsidiaries' lending processes to include an assessment of potential social, ethical and environmental matters.

Terms of Reference of Governance Committees
Committee Terms of Reference are available from the Company Secretary.

A robust, ongoing process of Risk Management and Internal Control
The Board and Executive Team are responsible for safeguarding the assets of the Group through establishing effective systems of risk management and internal control. This responsibility is shared by the directors of subsidiary companies, who are similarly responsible for safeguarding the assets of these companies.

The Board is also responsible for deciding on whether the nature and extent of risks taken within the Group are within its risk appetite. Such risks have been formally defined (refer page 41), setting the basis for the design and implementation of the Group's internal control framework.

On behalf of the Board, the Audit and Risk Committee oversees the Group's risk management and internal control systems. These systems are designed to ensure proper accounting records are maintained and that internal and published financial information is reliable, and that the assets of the Group are safeguarded. Such a system of internal controls can only provide reasonable and not absolute assurance against misstatement or loss.

Critical components of the Group's internal control framework include the documented policies which describe how each risk is to be managed and governed and the governance committees established in terms of such policies, which have mandates describing how they should operate, what reports they should receive and how they should govern the management of principal risks. Such policies have been implemented at Company as well as subsidiary levels.

On a quarterly basis, the Group Executive Committee review the key risks across the Group to ensure they are being managed within the Company's risk appetite. Action plans are drawn up if any risks are considered to be outside of the Company's risk appetite and these are monitored on a regular basis until they return to levels back within the risk appetite.

On a quarterly basis, the Board and/or Audit and Risk Committee receive reports on risk management, the key risks and the exposures outstanding. Also included in these reports are the results of Executive Management's quarterly risk and issue identification discussions noted above. These meetings also provide the Directors with the opportunity to consider any other issues which management may not have identified, and give direction on any additional risk management actions which might be required.

Described in the table below are the Group's risk definitions and the primary governance bodies, other than the Board and Audit and Risk Committee which either manage or oversee the management of such risks, at Company and/or subsidiary level.

Insurance
The GLI and Subsidiaries Insurance Programme is subject to annual review each year, with cover generally renewed in February of the following year. A significant amount of Insurance cover is held for Public Indemnity, Directors' and Officers' liability, Cyber, and Crime. Appropriate office and travel insurance is also in place.

The Group's Risk Definitions	Governance Committees
1. Investment Risk Investment risk is considered to primarily arise from the FinTech Ventures portfolio. The risk that an investment's actual return will be materially lower than what was previously expected.	GLI Executive Committee GLI New Business Committee
2. Capital and Liquidity Risk The risk that the Group is unable to meet its current or future financial obligations as they fall due, or has to incur excessive cost in order to meet them.	GLI Executive Committee GLI Treasury Committee
3. Credit Risk **Direct credit risk** is the risk of default of an on-balance sheet debt that may arise from a borrower failing to make payments of principal or interest in accordance with agreed terms. **Indirect credit risk** is defined as the potential impact on the Group of defaults in loans arranged and managed by GLI's subsidiaries which are funded by third party co-funders who carry the credit risk on these exposures. Subsidiaries do not carry direct credit risk in these circumstances but may be negatively impacted by consequential reputational risk.	GLI New Business Committee Sancus Credit Committees BMS Credit Committee
4. **Strategic Risk** The risk to the Group's earnings and profitability arising from its strategic decisions, ineffective implementation of decisions or the failure to respond appropriately well to changes in the business or economic environment.	GLI Executive Committee Sancus BMS Executive Committee
5. Market Risk The risk of financial loss from changes in interest rates or foreign exchange rates through unhedged or mismatched asset and liability positions.	GLI Executive Committee GLI Treasury Committee
6. Operational Risk The risk of loss or negative impact to the Group resulting from failure of or inadequate internal processes, systems or human error, or from external events (including legal risk).	GLI Executive Committee Sancus BMS Executive Committee
7. Regulatory and Compliance Risk The risk of legal or regulatory sanctions, material financial loss as a result of a failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct. This also includes the risk of material changes to the regulatory environment applicable to the Group's activities.	GLI Executive Committee GLI Compliance Committee GDPR Committee High AML Risk Committee Sancus BMS Executive Committee Sancus BMS Compliance Committee

AUDIT AND RISK COMMITTEE REPORT

The Audit and Risk Committee

The Audit and Risk Committee has a formal terms of reference mandate documenting the duties and responsibilities which it has been delegated by the Board. These are available from the Company Secretary.
The Audit and Risk Committee has been in operation throughout the year under review.

Chairman and Membership

The Audit and Risk Committee is chaired by John Whittle, and its other member is Patrick Firth, the other independent Director of the Company. Only independent Directors serve on the Audit and Risk Committee and members of the Audit and Risk Committee have no links with the Company's external auditor and are independent of the Executive Team. The Audit and Risk Committee meets not less than three times a year in Guernsey, and meets the external auditor at least twice a year in Guernsey. The identity of the chairman of the Audit and Risk Committee is reviewed on an annual basis and the membership of the Audit and Risk Committee and its terms of reference are kept under review. Regular attendees at the Audit and Risk Committee include the CEO, CFO, COO and UK MD.

Duties

The Audit and Risk Committee is responsible for monitoring the financial reporting process, including the appropriateness of the Company's accounting policies and the effectiveness of the Company's risk management and internal control systems.
The Committee continues to spend a considerable amount of time reviewing significant risks and areas of judgement. In particular, the Committee conducts detailed reviews and analysis of the valuations prepared by the Executive Team of the FinTech Ventures investments and the Subsidiary Goodwill value in use models to assess if any impairment could be required. These valuations are key elements in the Group's financial statements and the Audit and Risk Committee questions these carefully.

External Audit

The Audit and Risk Committee is responsible for overseeing the relationship with the external auditor, including the ongoing assessment of the auditor's independence. The Committee makes recommendations to the Board with regard to the appointment of the external auditor, and approves their terms of engagement and fees. The Committee discusses and agrees the nature and scope of the audit as set out in the audit engagement letter, reviews the results of the audit as described in the auditors' management letter and the ongoing independence and objectivity of the external auditor. Following a tender process, Deloitte were appointed as the Company's auditor in 2016, taking over from Grant Thornton.

Processes are in place to safeguard the independence of the external auditor, including controls around the use of the external auditor for non-audit services. The external auditor also provides the Audit and Risk Committee with further assurance as to the procedures that it maintains to preserve objectivity and confirmation that it remains independent. All non-audit services are pre-approved by the Audit and Risk Committee.

Effectiveness of External Auditor

The Committee assessed the effectiveness of the external auditor and the external audit process for 2018 through a number of steps, including:

- Agreement of their engagement letter and fees;
- review of the external audit plan;
- meetings with the external auditors;
- considering the extent of any non-audit services provided by the external auditors;
- considering the external auditors' fulfilment of the agreed audit plan and variations from it;
- considering the report from the auditor highlighting any major issues that arose during the course of the audit; and
- conducting interviews to obtain feedback from the Executive Team and Administrator to evaluate the performance of the audit team.

For the audit for the year ended 31 December 2018, the Audit Committee was satisfied that the audit was effective and that there were no factors which had any bearing on the independence or effectiveness of the external auditor.

Financial Reporting

The Audit and Risk Committee reviews, considers and, if thought appropriate, recommends to the Board the approval of the contents of the half yearly report and annual report and audited financial statements together with the external auditor's report thereon. It focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules. The ultimate responsibility for reviewing and approving the half year report and annual report and audited financial statements remains with the Board.

The Audit and Risk Committee provides a formal forum through which the external auditor reports to the Board and the external auditor is invited to attend Audit and Risk Committee meetings at which annual and half yearly financial statements are considered. After discussions with the Executive Team and external auditor, the Audit and Risk Committee determined that the key risks of misstatement of the Group's financial statements relate to the valuation of financial assets at fair value through profit or loss, the valuation and recoverability of goodwill, going concern and loan impairments.

Freely tradeable market prices are not available for the majority of the Group's financial assets, including the carrying value of goodwill arising on consolidation, which are therefore valued based on the accounting policies described in detail in Note 2 to the financial statements. The valuation process and methodology have been discussed with the Executive Team and external auditor. The Executive Team provides a detailed valuation report on a quarterly basis. The Audit and Risk Committee has reviewed the valuation report and the value in use model for Goodwill impairment, the Executive Team has confirmed to the Audit and Risk Committee that the valuation methodology has been applied consistently during the year and that the external auditor's work had not identified any errors or inconsistencies that were material in the context of the financial statements as a whole.

The Audit and Risk Committee has assessed the processes around the expected credit loss provisions recorded in respect of the Group's loan assets and reviewed the IFRS 9 model adopted at year-end which had also gone through the credit committee for approval. The external auditor's work had not identified any errors or inconsistencies that were material in the context of the financial statements as a whole.

As part of the assessment of Going Concern, the Audit and Risk Committee has reviewed in detail The Executive Team's Strategic Report, ZDP repayment plans and modelled cash flow forecasts including mitigations outlined in the Going Concern Note 2 (a). The external auditor's work had not identified any errors or inconsistencies in the context of the financial statements as a whole but include a material uncertainty paragraph in their audit report.

The accounting policies for revenue recognition are described in detail in Note 2(o) to the financial statements. The Audit and Risk Committee has reviewed the revenue recognition policies of the Group and has determined that they are in accordance with the accounting standards and have been applied consistently. The external auditor's work has not identified any material errors or inconsistencies in the context of the financial statements as a whole.

After due consideration, the Audit and Risk Committee recommends to the Board that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Non-Audit and audit related fees paid to the External Auditors

During 2018, £6,000 was paid for non-audit services to Deloitte by Sancus BMS Group (31 December 2017: £6,000) and for audit related services being the half year review, £26,750 was paid by GLI to Deloitte (31 December 2017: £26,000). There is no perceived threat to auditor independence given the nature of the services provided and the safeguards in place.

Risk Management and Internal Control Systems

During 2018, management continued to enhance its reporting on risk management to the Board and the Audit and Risk Committee, which cover the operation of the Company and its wholly owned subsidiaries. The Committee has received and considered these reports on three occasions, which has been the basis for its conclusion below.

In addition to the review of risk management reports, and in accordance with the guidance published in the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting by the Financial Reporting Council (the "FRC"), the Audit and Risk Committee has reviewed the Company's internal control procedures and concluded that these are adequate to manage the current risk profile.

During 2018, the Committee did not receive any reports relating to whistleblowing across the Group.

On behalf of the Audit and Risk Committee

John Whittle
Chairman
Audit and Risk Committee
22 March 2019

Introduction
An ordinary resolution for the approval of the annual remuneration report will be put to the shareholders at the annual general meeting to be held in 2019.

Remuneration Policy
A Remuneration Committee was appointed in 2011 comprised of Fred Forni as Chairman, Patrick Firth and James Carthew. Following the resignations of Fred Forni and James Carthew on 23 September 2016, the Committee now comprises of John Whittle as Chairman and Patrick Firth. The key duties include, but are not limited to, agreeing a framework for Director remuneration, ensuring management staff are appropriately incentivised to enhance performance, and reviewing the effectiveness of the remuneration policy on an on-going basis. No Director is involved in determining their own remuneration.

Non-Executive Directors
The Articles of Incorporation provide that, unless otherwise determined by Ordinary Resolution, there shall be paid to the Board such fees for their services in the office of Director as the Board may determine. It is the Board's policy to determine the level of Directors' fees having regard to the fees payable to non-executive directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and time committed to the Company's affairs.

An ordinary resolution was passed by shareholders at the Company's 2016 AGM instating a limit to the aggregate annual remuneration payable by the Company to its non-executive Directors, excluding out-of-pocket expenses, of £300,000 per annum.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in or with a view to the performance of their duties or in attending meetings of the Board or of committees or general meetings.

The Board shall have the power at any time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. The number of Directors shall not be less than two and there shall be no maximum number unless otherwise determined by the Company by Ordinary Resolution. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Executive Team
Fixed Salary
The Executive Team members are entitled to receive a fixed salary (less applicable tax and social security contributions). See below for details.

Executive Bonus Scheme
During 2017, an independent review of the Company's remuneration policy was conducted by Pearl Meyer. This review recommended the introduction of a long-term incentive scheme for the Executive team. This scheme was approved at the AGM in May 2017. Details of the options granted during 2017 as part of this scheme are detailed below.

Remuneration

Non-executive Directors
As at 31 December 2018, the non-executive Directors' annualised fees, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

	31 December 2018	31 December 2017
	£	£
Patrick Firth (Chairman)	50,000	50,000
John Whittle	42,500	42,500

The non-executive Directors base fee increased to £35,000 per annum with effect from 1 November 2014. In addition to the base fee, the Chairman receives an additional £15,000 per annum, the Audit and Risk Committee Chairman receives an additional £5,000 per annum and the Remuneration Committee Chairman receives an additional £2,500 per annum.

There was no increase in Directors' fees during the year ended 31 December 2018. Total Directors fees charged to the Company for the year ended 31 December 2018 were £92,500 (31 December 2017: £92,500) with £nil (31 December 2017: £nil) remaining unpaid at the year end.

Executive Team

For the year ended 31 December 2018, the Executive Team members' annual remuneration from the Group, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

	31 December 2018		**31 December 2017**	
	Fixed Salary £	**Option Scheme £**	**Fixed Salary £**	**Option Scheme £**
Andrew Whelan	247,200	-	240,000	-
Russell Harte (1)	-	-	150,000	-
Aaron Le Cornu (2)	154,500	-	150,000	-
Emma Stubbs	154,500	-	120,000	-
Dan Walker (3)	150,000	-	-	-

(1) Mr Harte ceased employment on 1 July 2017.
(2) Mr Le Cornu joined the Company on 1 May 2017.
(3) Mr Walker joined the Company with effect from 2 January 2018.

At the Company's annual general meeting ("AGM") held on 10 May 2017 Shareholders approved terms for a revised long-term incentive scheme, pursuant to which members of the Executive Team will be entitled to receive options to subscribe for new Ordinary Shares in the capital of the Company ("Share Options") at strike prices of 25p, 30p and 35p and will vest on the first, second and third anniversaries of the respective grant (the "New Scheme"). The New Scheme took effect from the date of the AGM and replaces the previous Executive Bonus Scheme. At the year-end no Share Options were in issue.

In addition to fixed salary payments, in 2018 the Executive Team members received pension contributions of £37,080 (Andrew Whelan), £23,175 (Emma Stubbs), £23,175 (Aaron Le Cornu), £11,250 (Dan Walker). (2017: £36,000 (Andrew Whelan), £11,250 (Russell Harte), £22,500 (Emma Stubbs), £9,375 (Aaron Le Cornu), £Nil (Dan Walker)).

Discretionary Executive Bonus and Sign-on Bonus Payments
In addition to their fixed salaries and participation in the Option Scheme, the Executive Team members were awarded the following discretionary executive bonus payments, by the Remuneration Committee, for duties performed during the year ended 31 December 2018. During the year Aaron Le Cornu and Dan Walker were issued sign-on bonuses which are also noted below:

	Total £	**Discretionary Bonus Paid in Cash £**	**Discretionary Bonus Paid in GLI Shares £**	**Sign-on bonus £**
Andrew Whelan	370,800	247,200	123,600	-
Aaron Le Cornu	146,350	46,350	-	100,000
Emma Stubbs	92,700	61,800	30,900	-
Dan Walker	175,000	75,000	75,000	25,000

Shares that were awarded to Executives were made from Treasury shares held by the Group, and were charged against income in 2018.

On behalf of the Remuneration Committee

John Whittle
Remuneration Committee Chairman
22 March 2019

GLI Finance Limited
For the year ended 31 December 2018
DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated financial statements (the "financial statements") for the year ended 31 December 2018.

The Directors submit their Report together with the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Statement of Cash Flows and the related Notes for the year ended 31 December 2018, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, in accordance with any relevant enactment for the time being in force, and are in agreement with the accounting records, which comply with Section 238 of The Companies (Guernsey) Law, 2008.

Principal Activities
The Company was incorporated and domiciled in Guernsey, Channel Islands, as a company limited by shares and with limited liability on 9 June 2005 in accordance with The Companies (Guernsey) Law, 1994 (since superseded by The Companies (Guernsey) Law, 2008). Until 25 March 2015, the Company was Authorised as a Closed-ended Investment Scheme and was subject to the Authorised Closed-ended Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission ("GFSC"). On 25 March 2015, the Company was registered with the GFSC as a Non-Regulated Financial Services Business, at which point the Company's authorised fund status was revoked. The Company's Ordinary Shares were admitted to the AIM market of the London Stock Exchange on 5 August 2005. The ZDPs were listed and traded on the main market of the London Stock Exchange with effect from 5 October 2015. In June 2016 the Company issued £10m 7% unsecured corporate bonds due 2021 (the "Bonds"). The Bonds were admitted to the Official List of the Cayman Islands Stock Exchange on 2 November 2016.

The Company does not have a fixed life and the Articles do not contain any trigger events for a voluntary liquidation of the Company.

Following the approval by Shareholders at the Company AGM on 19 May 2016, the Company changed its status from being an investing company for the purpose of the AIM rules to a trading Company.

The Executive Team is responsible for the day-to-day management of the Company.

The Group
As at 31 December 2018, the Group comprises the Company and the entities disclosed in Note 18 to the financial statements.

Directors and Executive Team of the Company
A list of the Directors and the Executive Team who served the Company during the year is shown on pages 33 and 34.

Results and Dividends
The Group results for the year are set out on page 58. No Dividends were paid during the year (31 December 2017: £1,717,829).

Substantial Shareholdings
As at 31 December 2018, the Company was aware of the following substantial shareholders who held more than 3 percent of issued share capital of the Company:

	Number of Ordinary Shares held	Percentage of total ordinary shares issued held
Somerston Group	83,017,496	26.6%
Philip J Milton & Company plc	19,174,838	6.14%
Investec Wealth & Investment	16,609,073	5.32%
DBH Global Holdings	15,603,285	5.00%
AXA Investment Managers	13,188,000	4.23%
Artemis Investment Management	12,098,577	3.88%
Brooks Macdonald Group plc	11,369,678	3.64%
Chelverton Asset Management	9,800,000	3.14%

Directors' Interests
As at 31 December 2018, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2018		31 December 2017	
	No. of Ordinary Shares Held	**% of Ordinary Shares**	**No. of Ordinary Shares Held**	**% of Ordinary Shares**
Patrick Firth *(Chairman)*	278,669	0.09	278,669	0.09
John Whittle	104,550	0.03	104,550	0.03
Andrew Whelan	8,051,921	2.58	8,051,921	2.58
Emma Stubbs	1,005,485	0.32	1,005,485	0.32

See Note 28 of the financial statements for details of the Directors interest in the Ordinary Shares of the Company between the year-end and the date of this report.

As at 31 December 2018, there were 10,000,000 unexercised share options for Ordinary Shares of the Company (31 December 2017: 10,000,000 Ordinary Shares).

Statement of Directors' Responsibilities
The Directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and The Companies (Guernsey) Law, 2008 for each financial period to give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit or loss for that period. International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all IFRS as adopted by the EU.

In preparing these financial statements, the Directors are required to:

- Ensure that the financial statements comply with the Memorandum and Articles of Incorporation and IFRS, as adopted by the European Union;
- Select suitable accounting policies and apply them consistently;
- Present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements have been properly prepared in accordance with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors also confirm that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Internal Controls Review
Taking into account the ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of the Board the Directors have conducted a robust assessment of the principal risks and uncertainties faced by the Group as set out on page 41 and is satisfied that each of these has been properly identified and is being effectively managed through the operation of appropriate internal controls and risk management systems, within the constraints of the resources of the Group.

Statement as to Disclosure of Information to Auditor
The Directors who held office at the date of approval of this Directors' Report confirm that:

- There is no relevant audit information of which the Company's auditors are unaware; and,
- The Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor
Deloitte LLP have indicated their willingness to continue in office and a resolution to re-appoint Deloitte LLP will be tabled at the forthcoming AGM.

Fair value accounting for FinTech Ventures' Platform Investments
In preparing the consolidated financial statements for the year ended 31 December 2018 the Directors have applied the exemption available under IAS 28.18 which states that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure investments in those associates and joint ventures at fair value through profit or loss in accordance with IAS 39 Financial Instruments.

The Directors consider that this segment of the Group is of a nature similar to a venture capital organisation on the basis that FinTech Ventures investments form part of a portfolio, which is monitored and managed without distinguishing between investments that qualify as associate undertakings. Furthermore, the most appropriate point in time for exit is being actively monitored as part of the Group's investment strategy.

Going Concern
The Directors have considered the going concern basis in the preparation of the financial statements as supported by the Director's assessment of the Company's and Group's ability to pay its debts as they fall due and have assessed the current position and the principal risks facing the business with a view to assessing the prospects of the Company.

The assessment has been supported by subjecting the Group's financial forecasts for at least the next 12 months to severe but reasonable scenarios and reviewing the effectiveness of any mitigating actions. This assessment mainly focused on the maturity of the ZDPs on 5 December 2019. At maturity it is the intention of the Board that the ZDPs will be repaid by using cash reserves of the Group. The Board believes that there will be sufficient cash resources available and has come to this conclusion by analysing key assumptions. These key assumptions include that Sancus BMS generates positive cash flows in 2019 and the collection of loan principal amounts are received as they mature and these repayments are not fully redeployed into new loans.

There are sensitivities around these assumptions which have been stress tested and include timings and risks the loans may not repay on time. Should this transpire, then the Group can also call upon other assets to raise cash, including the sale of shares held in treasury, the sale of the FinTech Ventures portfolio and other assets, although these are not the preferred options of the Board, we note that this is available if required. In the event that there is a short fall of cash reserves to repay the ZDPs on the 5 December 2019, it is the Group's intention to obtain a short term loan at similar interest rates paid in the past.

All of these factors and assumptions combined constitute a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors expect that if they are able to action the mitigations in accordance with the plan outlined above, the material uncertainty will be extinguished, as referenced in the viability statement below. The Directors are therefore of the opinion that the Company will have adequate financial resources to continue in operation and meet its liabilities as they fall due for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

Viability Statement
The Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a three year period.

The assessment of prospects and viability has been made with reference to the Group's business model and the Board's assessment of principal risks and uncertainties including how these are monitored and mitigated, as detailed on page 41. The assessment has been performed over a three year period to 31 December 2021 for the following reasons:

- This period includes the maturity date of the 2019 ZDPs due on 5 December 2019 and the Bond due on 30 June 2021.
- The Group's strategic plan covers a three year period which is considered appropriate given the rapidly developing alternative finance sector.
- The Group holds significant investments in early stage companies the results of which become increasingly challenging to forecast for periods beyond three years.

Viability Statement (continued)

The assessment has been supported by subjecting the Group's three-year financial model to the same scenarios as described in the Going Concern section above. In addition, this assessment focused on the risk of default of loans, the investment performance risk, the pricing pressure from competitors as well as risks in lending rates, currency rates, availability of financing and the impact of Brexit over the next three years. A robust assessment has also been made on the internal controls which forms part of the ongoing monitoring of the Board.

Regarding the £10m Bond due on 30 June 2021 which falls into the three year look out period, the Board will consider the repayment plan closer to the time. Options available would be using cash reverses which we are optimistic will be sufficient by June 2021 or we may consider replacing with another debt instrument.

The Directors have considered the potential impact of these risks on the business model, future performance, solvency and liquidity over the period.

Approved and signed on behalf of the Board of Directors on 22 March 2019.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLI FINANCE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of GLI Finance Limited (the 'Group'):

- **give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.**

We have audited the financial statements of the Group which comprise:

- the Group Statement of Comprehensive Income;
- the Group Statement of Financial Position;
- the Group Cash Flow Statement;
- the Group Statement of Changes in Equity; and
- the related Notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to Note 2(a) in the financial statements, which indicates that there is a material uncertainty over the timing and quantum of cash flows needed to generate sufficient cash reserves to repay the ZDP shares on the maturity date of 5 December 2019 and extinguish its liabilities as they fall due. The mitigations identified by the Directors are inherently uncertain as to their success, including the intention to obtain a short term loan as a means to finance the ZDP share redemption if necessary.

In response to this, we:

- assessed the design and implementation of controls relating to the forecasting process;
- evaluated the historical accuracy of forecasts prepared by management through performance of a retrospective review;
- reviewed the cash flow forecast and tested the clerical accuracy of the model as well as assessing the sophistication of the model used to prepare the forecasts;
- challenged key assumptions made in light of our knowledge of the business, including revenue forecasts, expenditure and other operating, investing and financing cash flows;
- performed a sensitivity analysis on the key assumptions; and
- assessed the proposed mitigations to address any expected cash shortfall (specifically as a result of redemption of the ZDP shares) and evaluated the validity of the options proposed by the Directors.

As stated in Note 2(a), these events or conditions, along with the other matters as set forth in Note 3 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of FinTech Ventures' investments; • Impairment of goodwill; and • Impairment and recoverability of loans; and • Going concern (see material uncertainty relating to going concern section above). Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used for the audit of the Group financial statements was £1.0 million which was determined on the basis of approximately 2% of the Group's net asset value ("NAV").
Scoping	We performed a full scope audit to respond to the risks of material misstatement for the whole group. The subsidiaries forming the Sancus BMS segment accounted for 67% of the Group's net assets and 100% of the Group's revenue for the year. The Parent and FinTech Ventures subsidiary (and its investments) accounted for 33% of the Group's net assets and 0% of the Group's revenue.
Significant changes in our approach	Going concern is a new key audit matter due to the uncertainty associated with the Board's assessment of the timing of cash flows in order to redeem the ZDP shares, which are due in less than 12 months.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of FinTech Ventures' Investments	
Key audit matter description	The FinTech Ventures' investment portfolio represents 13% (2017: 26%) of total assets in the financial statements, amounting to £13.8m (2017: £29.6m). Individual platform investments are classified and measured at fair value through profit or loss (“FVTPL”) in accordance with IFRS 9. The fair value of these investments is primarily determined using valuation techniques as all investments are unlisted. The investments made also represent investments in early stage companies and as such valuations will be sensitive to the assumptions made, as described in the sensitivity disclosures in Note 20. In the current year, recent fundraising activity has formed a key basis for determining the valuation of investments, with fewer investment valuations based on discounted cash flow models. However, discounts are applied to transactional inputs where considered necessary and as a reflection of the investee entities being early stage companies. Such adjustments may be subject to bias and we have therefore identified this as a potential fraud risk. Other valuation techniques applied can be complex and management is required to make a number of significant assumptions and judgements including discount rates, cash flow forecasts, growth models and discount for lack of marketability. As a result, errors or deliberate manipulation of valuations could result in material misstatement of the financial statements. The risk is explained further in the strategic report where this is included as a key risk of misstatement. Note 2(f) and Note 20 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, with Note 20 setting out details of valuation techniques applied and describing the related sensitivities.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of how valuations are performed and the Board’s process to recognise and measure investments. This was performed in consultation with our valuation specialists. For a sample of valuations, we have: • engaged with our internal valuation specialists to challenge the methodologies used to assess whether these were in accordance with the requirements of IFRS and to benchmark discount rates applied; • recalculated valuations determined using transactional evidence after considering whether the terms of any fundraising activity represented an appropriate benchmark; • agreed inputs to supporting evidence where appropriate; • reviewed and challenged the key inputs to discounted cash flow forecasts to identify any inconsistencies; • held meetings with management and our internal valuation specialists to discuss the matters arising from our audit procedures; • reviewed the performance of the underlying businesses against previous expectations and challenged the cash flow forecasts and growth assumptions in light of these facts; and • reviewed the disclosures made to assess whether these were in accordance with IFRS 13. As part of our work, we have also assessed the design and implementation of controls relating to the valuation process.
Key observations	Having carried out the procedures above, we have concluded the valuations fell within an acceptable range.

Impairment of goodwill	
Key audit matter description	As at 31 December 2018, the Group has recorded goodwill of £22.9m (2017: £25.0m) representing 21% (2017: 22%) of Group total assets at year end. A discounted cash flow model is prepared to assist the Board and Audit Committee in determining whether indicators of impairment exist. Management is required to make a number of significant assumptions and judgements including determination of appropriate discount rates, cash flow forecasts and growth models. There is a risk that assumptions made may be inappropriate, either as a result of errors or deliberate manipulation of inputs, which could result in material misstatement of the goodwill balance in the financial statements. The risk is explained further in the strategic report where this is included as a significant issue. Note 2h) and note 3 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, with Note 11 setting out details of the impairment tests and goodwill valuation sensitivities.
How the scope of our audit responded to the key audit matter	We have obtained an understanding of how the discounted cash flows are prepared and the Board's process to identify and recognise impairment. This was performed in consultation with our valuation specialists. In respect of the discounted cash flow models we have: • assessed the design and implementation of controls relating to the impairment assessment process; • reviewed the model prepared by management in light of the requirements of IAS 36; • engaged with our internal valuations specialists to benchmark the discount rates applied; • reviewed and challenged the key inputs to the cash flows including revenue growth, financing and expenditure to identify any inconsistencies with our understanding of the business model; • reviewed the performance of the underlying businesses against previous expectation and challenged the inputs in light of these facts; • agreed inputs to supporting evidence where appropriate; and challenged the disclosures made in light of the requirements of IAS 36.
Key observations	Having carried out the procedures above, we have concluded that the results of impairment tests prepared by management demonstrated headroom above the carrying value of goodwill balances.

Impairment and recoverability of loans	
Key audit matter description	As at 31 December 2018 the aggregate value of Sancus BMS loans and loan equivalents amounted to £52.3m (2017: £46.3m) representing 48% of total assets (2017: 41%). The loan portfolio comprises property backed (Sancus) and SME loans (via the BMS Finance (UK) Sarl). Through Sancus, the Group has direct exposure to loans through co-investment alongside third-party lenders. The Group has also provided a first loss guarantee as part of the Sancus Loan Note structures and has direct investment into loan SPVs including BMS Finance (UK) Sarl. The value of these assets is also supported by the underlying loan book. Management is required to assess loans and loan equivalents for impairment, including application of the expected credit loss model under IFRS 9, and recoverability. In making this assessment, management makes a number of significant judgements including the determination of appropriate assumptions for calculating the loss allowance under IFRS 9, as well as considering the impact of loan-specific matters including cash flow forecasts and covenant compliance. As a result, errors or deliberate manipulation of these determining factors could result in material misstatement of the financial statements. The risk is explained further in the strategic report where this is included as a key risk of misstatement. Note 2(f) and Note 3 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, with Note 20 setting out details of the associated risk factors, including credit risk.

How the scope of our audit responded to the key audit matter	In consultation with our internal credit specialists, we have: • assessed the design and implementation of relevant controls related to the loan impairment review process; • challenged the judgements (including qualitative and quantitative criteria) taken by management related to the categorisation of loan assets into the various credit stages required under IFRS 9. We considered this in the context of management's definition of significant increase in credit risk ('SICR') and performed a review of the 'Loan Monitoring Report' to assess evidence of changes in credit risk resulting from factors such as: - Movements in loan to value ratios (i.e. deterioration in asset security); - Covenant breaches; - Delinquency in contractual payments; or - Other signs of financial stress. • evaluated the reasonableness of estimates applied to determine the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each stage within which loan assets are classified and their compliance with IFRS 9 requirements; • tested the clerical accuracy of the expected credit loss provision based on the above inputs; • evaluated the adequacy of disclosures made in the financial statements in light of the requirements of IFRS 7 and IFRS 9; and • challenged the assumptions made by management in respect of the recoverable value any non-performing loans in light of available evidence and the underlying collateral.
Key observations	Having carried out the procedures above and based on the evidence obtained, we determined that the impairment assumptions were reasonable and the resulting estimate of expected credit losses and impairment is in accordance with accounting standards.

Our application of materiality

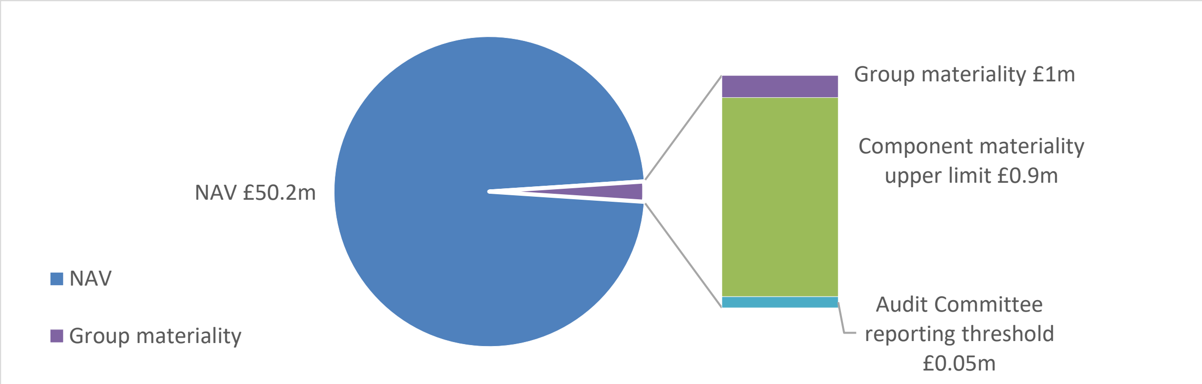
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements
Materiality	£1.0 million (2017: £1.49 million)
Basis for determining materiality	2% of the Group's net asset value ("NAV").
Rationale for the benchmark applied	This benchmark is considered the most appropriate given the significance of the FinTech Ventures' investment portfolio, goodwill and on-balance sheet lending.

For the current year, we have also adopted a lower level materiality for revenue balances. We consider revenue to be a critical performance measure for the Group as it is likely to be a key driver for future distributions from profits now the group has further developed its SME and property backed lending business.

The lower level materiality threshold applied was £218,000, being approximately 1.6% of total revenue. We agreed with the Audit Committee that this was appropriate as revenue balances are relatively low compared to our overall Group materiality set out above, yet there is increasing focus on the these as performance measures.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2017: £29,800) for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its environment, including internal control, and assessing the risks of material misstatement for the company and its subsidiaries. Audit work to respond to the risks of material misstatement was performed directly by the Group audit team for both the parent entity (including FinTech Ventures Limited) and the following wholly owned subsidiaries which form the Sancus BMS segment:

- Sancus BMS Group Limited;
- Sancus (Jersey) Limited;
- Sancus (Guernsey) Limited;
- Sancus (Gibraltar) Limited;
- Sancus BMS (Ireland) Limited;
- Sancus Properties Limited;
- Sancus Finance Limited;
- Sancus Funding Limited;
- Sancus Services Limited;
- Sancus Loans Limited;
- Sancus BMS Holdings Limited; and
- BMS Finance AB Limited.

Audit work performed for the above subsidiaries was executed by the Group audit team at levels of materiality applicable to each subsidiary, which in all instances was lower than Group materiality and ranged between £3k and £900k.

These subsidiaries (forming the Sancus BMS segment) accounted for 67% of the Group's net assets and 100% of the Group's revenue.

The Parent and FinTech Ventures Limited (and its investments) accounted for 33% of the Group's net assets and 0% of the Group's revenue for the year. There were no material changes in the overall composition of the Group during the year.

We tested the consolidation inputs and adjustments.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept ; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Use of our report

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

David Becker
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
22 March 2019

GLI Finance Limited
For the year ended 31 December 2018
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2018 £'000	31 December 2017 £'000
Revenue	5	13,221	11,634
Cost of sales	6	(3,983)	(2,448)
Gross profit		**9,238**	**9,186**
Operating expenses	7	(8,493)	(9,085)
Operating profit before credit losses		**745**	**101**
Changes in expected credit losses	20	(1,247)	-
Incurred losses on financial assets	20	(1,763)	-
Operating (loss)/profit		**(2,265)**	**101**
SSIF loss on disposal		-	(953)
FinTech Ventures fair value movement	20	(19,634)	(11,919)
FinTech Ventures foreign exchange gain/(loss)	20	928	(1,540)
Other net gains/(losses)		189	(853)
Impairment of goodwill	11	(2,139)	-
Loss for the year before tax		(22,921)	(15,164)
Income tax expense	16	(243)	(20)
Loss for the year after tax		**(23,164)**	**(15,184)**
Other comprehensive income			
Foreign exchange gain arising on consolidation		1	-
Total comprehensive loss for the year		**(23,163)**	**(15,184)**
Loss for the year after tax attributable to:			
Equity holders of the Company		(23,164)	(15,164)
Non-controlling interest		-	(20)
		(23,164)	**(15,184)**
Total comprehensive loss attributable to:			
Equity holders of the Company		(23,163)	(15,164)
Non-controlling interest		-	(20)
		(23,163)	**(15,184)**
Basic and Diluted Loss per Ordinary Share	9	(7.57)p	(5.01)p

The accompanying Notes on pages 62 to 100 form an integral part of these financial statements.

GLI Finance Limited
As at 31 December 2018
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Property and equipment		31	63
Goodwill	11	22,894	25,033
Other intangible assets	12	571	530
Sancus BMS loans and loan equivalents	20	14,916	27,238
FinTech Ventures investments	20	13,804	29,598
Other investments		327	542
Investments in joint ventures and associates	8	2,855	2,266
Total Non-current assets		55,398	85,270
Current assets			
Loans through platforms	20	883	908
Other assets	10	4,404	-
Sancus BMS loans and loan equivalents	20	37,401	19,088
Trade and other receivables	13	5,656	4,170
Cash and cash equivalents		5,863	3,016
Total Current assets		54,207	27,182
Total assets		**109,605**	**112,452**
EQUITY			
Share premium	14	112,557	112,557
Treasury shares	14	(1,162)	(1,162)
Retained earnings		(61,168)	(36,588)
Capital and reserves attributable to equity holders of the Group		50,227	74,807
Non-controlling interest		-	(4)
Total equity		50,227	74,803
LIABILITIES			
Non-current liabilities	15	32,684	34,714
Current liabilities	15	26,694	2,935
Total liabilities		59,378	37,649
Total equity and liabilities		**109,605**	**112,452**

The financial statements were approved by the Board of Directors on 22 March 2019 and were signed on its behalf by:

Director: Patrick Firth

Director: John Whittle

The accompanying Notes on pages 62 to 100 form an integral part of these financial statements.

GLI Finance Limited
For the year ended 31 December 2018
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Share Premium	Treasury Shares	Distributable Reserve	Foreign Exchange Reserve	Retained Earnings/ (Losses)	Capital and reserves attributable to equity holders of the Company	Non-controlling Interest	Total Equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2017		112,557	(1,162)	-	-	(36,588)	74,807	(4)	74,803
Adjustment in respect of IFRS 9	21	-	-	-	-	(1,350)	(1,350)	-	(1,350)
Restated at 1 January 2018		112,557	(1,162)	-	-	(37,938)	73,457	(4)	73,453
Acquisition of non-controlling interest in Sancus Finance		-	-	-	-	(67)	(67)	4	(63)
Transactions with owners		-	-	-	-	(67)	(67)	4	(63)
Total comprehensive loss for the year		-	-	-	1	(23,164)	(23,163)	-	(23,163)
Balance at 31 December 2018		**112,557**	**(1,162)**	**-**	**1**	**(61,169)**	**50,227**	**-**	**50,227**

Balance at 31 December 2016		111,942	(1,734)	34,803	-	(54,268)	90,743	125	90,868
Transferred to management	14	-	572	-	-	-	572	-	572
Transfer of distributable reserves to retained earnings		-	-	(34,803)	-	34,803	-	-	-
Acquisition of non-controlling interest in Sancus Finance		-	-	-	-	(241)	(241)	(109)	(350)
Dividends paid		615	-	-	-	(1,718)	(1,103)	-	(1,103)
Transactions with owners		615	572	(34,803)	-	32,844	(772)	(109)	(881)
Total comprehensive loss for the year		-	-	-	-	(15,164)	(15,164)	(20)	(15,184)
Balance at 31 December 2017		112,557	(1,162)	-	-	(36,588)	74,807	(4)	74,803

GLI Finance Limited
For the year ended 31 December 2018
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2018 £'000	31 December 2017 £'000
Cash inflow/(outflow) from operations, excluding loan movements	17	73	(2,517)
Increase on Sancus BMS loans		(7,714)	(5,384)
Decrease on loans through platforms		22	2,726
Increase on Sancus Loans Limited loans		(25,639)	-
Decrease in loans to UK and Irish SARLs		11,483	-
Divestment/(investment) in Sancus Loan Notes		8,062	(3,000)
Net Cash flows used in operating activities		(13,713)	(8,175)
Investing activities			
Acquisition of non-controlling interest and connected entities		(413)	(2,349)
Purchase of investments – FinTech Ventures		(2,995)	(6,949)
Sale of investments/repayment of loans - FinTech Ventures		376	414
Investment in Sancus (IOM) preference shares		(950)	-
Other cost of investment		-	(180)
Sale of SSIF investment		-	22,675
Property, equipment and other intangibles acquired		(275)	(298)
Net cash (outflow)/inflow from investing activities		(4,257)	13,313
Financing activities			
Repayment of syndicated loan		-	(11,920)
Sale of Corporate Bond		-	1,500
Proceeds from the HIT facility	17	22,591	-
Purchase of ZDPs	17	(1,774)	-
Dividends paid		-	(1,318)
Net cash generated/(used) in financing activities		20,817	(11,738)
Net increase/(decrease) in cash and cash equivalents		2,847	(6,600)
Cash and cash equivalents at beginning of year		3,016	9,616
Cash and cash equivalents at end of year		5,863	3,016

The investment in Sancus Loan Notes is considered an operating activity since it generates operating cash flows.

The accompanying Notes on pages 62 to 100 form an integral part of these financial statements.

1. GENERAL INFORMATION

GLI Finance Limited (the "Company"), and together with its subsidiaries, ("the Group") was incorporated, and domiciled in Guernsey, Channel Islands, as a company limited by shares and with limited liability, on 9 June 2005 in accordance with The Companies (Guernsey) Law, 1994 (since superseded by The Companies (Guernsey) Law, 2008). Until 25 March 2015, the Company was an Authorised Closed-ended Investment Scheme and was subject to the Authorised Closed-ended Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission ("GFSC"). On 25 March 2015, the Company was registered with the GFSC as a Non-Regulated Financial Services Business, at which point the Company's authorised fund status was revoked. The Company's Ordinary Shares were admitted to trading on the AIM market of the London Stock Exchange on 5 August 2005 and its issued ZDPs were listed and traded on the Standard listing Segment of the main market of the London Stock Exchange with effect from 5 October 2015.

The Company does not have a fixed life and the Articles do not contain any trigger events for a voluntary liquidation of the Company.

The Company is an operating company for the purpose of the AIM rules. The Executive Team is responsible for the management of the Company.

As at 31 December 2018, the Group comprises the Company and its subsidiaries (please refer to Note 18 for full details of the Company's subsidiaries).

The Company has taken advantage of the exemption conferred by the Companies (Guernsey) Law, 2008, Section 244, not to prepare company only financial statements.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), and all applicable requirements of Guernsey Company Law. The financial statements have been prepared under the historical cost convention, as modified for the measurement of investment at fair value through profit or loss. With the exception of changes in accounting policies detailed in Note 21 the principal accounting policies of the Group have remained unchanged from the previous year and are set out below. Comparative information in the primary statements is given for the year ended 31 December 2017.

The Group does not operate in an industry where significant or cyclical variations, as a result of seasonal activity, are experienced during any particular financial period.

Going Concern

The Directors have considered the going concern basis in the preparation of the financial statements as supported by the Director's assessment of the Company's and Group's ability to pay its debts as they fall due and have assessed the current position and the principal risks facing the business with a view to assessing the prospects of the Company.

The assessment has been supported by subjecting the Group's financial forecasts for at least the next 12 months to severe but reasonable scenarios and reviewing the effectiveness of any mitigating actions. This assessment mainly focused on the maturity of the ZDPs on 5 December 2019. At maturity it is the intention of the Board that the ZDPs will be repaid by using cash reserves of the Group. The Board believes that there will be sufficient cash resources available and has come to this conclusion by analysing key assumptions. These key assumptions include that Sancus BMS generates positive cash flows in 2019 and the collection of loan principal amounts are received as they mature and these repayments are not fully redeployed into new loans.

There are sensitivities around these assumptions which have been stress tested and include timings and risks the loans may not repay on time. Should this transpire, then the Group can also call upon other assets to raise cash, including the sale of shares held in treasury, the sale of the FinTech Ventures portfolio and other assets, although these are not the preferred options of the Board, we note that this is available if required. In the event that there is a short fall of cash reserves to repay the ZDPs on the 5 December 2019, it is the Group's intention to obtain a short term loan at similar interest rates paid in the past.

All of these factors and assumptions combined constitute a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors expect that if they are able to action the mitigations in accordance with the plan outlined above, the material uncertainty will be extinguished, as referenced in the viability statement.

(b) Basis of preparation (continued)

Going Concern (continued)

The Directors are therefore of the opinion that the Company will have adequate financial resources to continue in operation and meet its liabilities as they fall due for the foreseeable future and continue to adopt the going concern basis in preparing the financial statements.

(c) Basis of consolidation

The financial statements comprise the results of GLI Finance Limited and its subsidiaries for the year ended 31 December 2018. The subsidiaries are all entities where the Company has the power to control the investee, is exposed, or has rights to variable returns and has the ability to use its power to affect these returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year is recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests measured at their proportionate share of net assets acquired.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(d) Dividends

Dividend distributions are made at the discretion of the Company. A dividend distribution to shareholders is accounted for as a reduction in retained earnings. A proposed dividend is recognised as a liability in the period in which it has been approved and declared by the Directors.

(e) Expenditure

All expenses are accounted for on an accruals basis. The management fees, administration fees, finance costs and all other expenses (excluding share issue expenses which were offset against share premium) are charged through the Consolidated Statement of Comprehensive Income.

(f) Financial assets and liabilities

Recognition and initial measurement

Financial assets and financial liabilities are initially recognised on the trade date, which is the date on which the Group becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in the Consolidated Statement of Comprehensive Income. Financial assets and financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Subsequent to initial recognition, financial assets are either measured at fair value or amortised cost. Financial liabilities are measured at amortised cost. Realised gains and losses arising on the derecognition of financial assets and liabilities are recognised in the period in which they arise.

Fair value measurement

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

When available, the Group measures the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as "active" if transactions of the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Group measures financial instruments quoted in an active market at a mid price.

(f) Financial assets and liabilities (continued)

Fair value measurement (continued)

If there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Please refer to Note 20.

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

If in the case of any investment the Directors at any time consider that the above basis of valuation is inappropriate or that the value determined in accordance with the foregoing principles is unfair, they are entitled to substitute what in their opinion, is a fair value.

Gains and losses arising from changes in the fair value of the financial assets and liabilities at fair value through profit or loss are included in the Consolidated Statement of Comprehensive Income in the period in which they arise.

Loans and receivables

Non-derivative financial assets such as loans, loan equivalents, trade and other receivables with fixed or determinable payments and not quoted in an active market, are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently carried at amortised cost using the effective interest rate method, adjusted for any credit loss allowance. The effect of discounting on these trade and other receivables is not considered to be material.

The Group has loans and receivables with embedded prepayment options. Given the low probability of exercise and undetermined exercise dates, the value attributed to these embedded derivatives is considered to be £ nil.

Debt and Equity Instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments are recorded at the proceeds received less any direct costs of issue. Financial liabilities, including borrowings and trade payables, are recorded at amortised cost. Interest cost of such liabilities is allocated over the appropriate period.

Derecognition

Sales of all financial assets are recognised on trade date - the date on which the Group disposes of the economic benefits of the asset. Financial assets are derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in the Consolidated Statement of Comprehensive Income. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

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

(g) Foreign currency translation

Functional and presentation currency

The financial statements of the Group are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Directors have considered the primary economic currency of the Company and considered the currency in which finance is raised, distributions made, and ultimately what currency would be returned if the Company was wound up. The Directors have also considered the currency to which the underlying investments are exposed. On balance, the Directors believe Sterling best represents the functional currency of the Company. Therefore, the books and records are maintained in Sterling and for the purpose of the financial statements, the results and financial position of the Group are presented in Sterling, which is also the presentation currency of the Group.

(g) Foreign currency translation (continued)

Transactions and balances

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

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

All subsidiaries are presented in Sterling, which is their primary currency in which they operate.

Translation differences on non-monetary items are reported as part of the fair value gain or loss reported in the Consolidated Statement of Comprehensive Income.

Foreign exchange differences arising on consolidation of the Group's foreign operations are taken to the foreign exchange reserve. The rates of exchange as at the year-end are as follows:

31 December 2018	31 December 2017
£1: USD1.2743	£1: USD1.3508
£1: EUR1.1094	£1: EUR1.1258

(h) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is measured as the excess of (a) the aggregate of: (i) the consideration transferred measured in accordance with IFRS 3, which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with IFRS 3; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 2(k) for a description of impairment testing procedures.

(i) Interest costs

Interest costs are recognised when economic benefits are due to debt holders. Interest costs are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the liability's net carrying amount on initial recognition.

(j) Other intangible assets

Intangible assets with finite useful lives are amortised to profit or loss on a straight-line basis over their estimated useful lives. Useful lives and amortisation methods are reviewed at the end of each annual reporting period, or more frequently when there is an indication that the intangible asset may be impaired, with the effect of any changes accounted for on a prospective basis. Amortisation commences when the intangible asset is available for use. The residual value of intangible assets is assumed to be zero.

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available of use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

(j) Other intangible assets (continued)

Computer software (continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and third party contractor costs. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated useful lives, which does not exceed four years.

(k) Impairment testing of goodwill, intangible assets and property and equipment

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

All impairments or subsequent reversals of impairments are recognised in the Consolidated Statement of Comprehensive Income.

(l) Investment in Joint Venture and associates

A joint venture is a joint arrangement over which the Group has joint control. An associate is an entity over which the Group has significant influence but is not a subsidiary.

An investment in a joint venture or associate is accounted for by the Group using the equity method except for certain FinTech Ventures associates as described in Note 3. These are measured at fair value through profit or loss in accordance with policy Note 2(f).

Any goodwill or fair value adjustment attributable to the Group's share in the joint venture or associate is not recognised separately and is included in the amount recognised as an investment.

The carrying amount of the investment in a joint venture or associate is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture or associate and adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its joint venture or associate are eliminated to the extent of the Group's interest in the entity. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

(m) Non-Current Liabilities

Loans payable are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, loans payable are stated at amortised cost using the effective interest rate method.

The ZDPs are contractually required to be redeemed on their maturity date and they will be settled in cash, thus, ZDP shares are classified as liabilities (refer to Note 15) in accordance with IAS 32 Financial Instruments: Presentation. After initial recognition, these liabilities are measured at amortised cost, which represents the initial proceeds of the issuance plus the accrued entitlement to the reporting date. Any ZDPs acquired by the group, as noted in Note 15, are held in Treasury and shown as a reduction in carrying value.

(n) Property and equipment

Tangible fixed assets include computer equipment, furniture and fittings stated at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost of tangible property and computer software on a straight-line basis over its expected useful economic life as follows:

Furniture and fittings	3 years
Computer equipment	2 to 4 years

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes where applicable in the Group. Revenue is reduced for estimated rebates and other similar allowances. The Group has five principal sources of revenue and related accounting policies are outlined below:

Interest on loans

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Fee income on syndicated and non-syndicated loans

In accordance with the guidance in IFRS 15 Revenue, the Group distinguishes between fees that are an integral part of the effective interest rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act. Commitment and arrangement fees earned for syndicated loans are recognised on origination of the loan as compensation for the service of syndication. This is a reflection of the commercial reality of the operations of the business to arrange and administer loans for other parties i.e. the execution of a significant act.

Consistent with the policy outlined above, commitment and arrangement fees earned on loans originated for the sole benefit of the Group are also recorded in revenue on completion of the service of analysing or originating the loan. Whilst this is not in accordance with the requirements of the effective interest rate method outlined in IFRS 9 Financial Instruments, this is not considered to have a material impact on the financial performance or financial position of the Group.

The Directors consider that the economic measurement of fee revenues that relate specifically to the completion of a loan (exit fees and warrants) cannot reliably be measured over the life of a loan and such fees are duly recognised when earned and they become unconditional. This is due to uncertainties and risk factors including credit risk, timing risk, liquidity risk, quantum uncertainty and conditions precedent. The Directors consider that this treatment best reflects the commercial operations of the Group as an administrator of loan arrangements.

Fee income earned by peer-to-peer subsidiary platforms

Fee income earned by subsidiaries whose principal business is to operate online lending platforms that arrange financing between co-funders and borrowers includes arrangement fees, trading transaction fees, repayment fees and other lender related fees.

Revenue earned from the arrangement of financing is classified as a transaction fee and is recognised immediately upon acceptance of the arrangement by borrowers. Other transaction fees, including revenue from co-funders in relation to the sale of their loan participations in platform secondary markets is also recognised immediately.

Loan repayment fees are charged on a straight line basis over the repayments of the borrower's financing arrangement.

(o) Revenue recognition (continued)

Advisory fees (continued)

Advisory fee income is invoiced and recognised on an accruals basis in accordance with the relevant investment advisory agreement.

(p) Share based payments

As explained in the Remuneration Report, the Company provides a discretionary bonus, part of which is satisfied through the issuance of the Company's own shares, to certain senior management. The cost of such bonuses is taken to the Consolidated Statement of Comprehensive Income with a corresponding credit to Shareholders' Equity.

The fair value of any share options granted is determined at the grant date and the expense is spread over the vesting period in accordance with IFRS 2.

(q) Taxation

Current tax, including corporation tax in relevant jurisdictions that the Group operates in, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits, and its results as stated in the financial statements, that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

(r) Trade and other receivables

Receivables are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or origination. They are subsequently measured at amortised cost.

(s) Trade and other payables

Payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest rate method.

(t) Treasury shares

Where the Company purchases its own Share Capital, the consideration paid, which includes any directly attributable costs, is recognised as a deduction from Share Premium.

When such shares are subsequently sold or reissued to the market, any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in Share Premium. Where the Company cancels treasury shares, no further action is required to the Share Premium account at the time of cancellation.

(u) Warrants

Warrants are accounted for as either equity or liabilities based upon the characteristics and provisions of each instrument and are recorded at fair value as of the date of issuance.

(v) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises initial outlay and, where applicable, additional costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling. Repossessed assets are accounted for under IAS 2: Inventories because the Group will either immediately seek to dispose of those assets which are readily marketable or pursue the original development plans to sell for those that are not readily marketable. Such assets are classed as "Other Assets" within current assets on the balance sheet.

(w) Adoption of new and revised Standards

Adoption of new Standards

IFRS 9 'Financial Instruments'

IFRS 9 is effective for reporting periods beginning on or after 1 January 2018 and has therefore been adopted for the first time in this set of Financial Statements. Details about accounting policy changes brought about by the adoption of this standard and their effects can be found at Note 21.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018 and has therefore been adopted for the first time in this set of Financial Statements. Details about accounting policy changes brought about by the adoption of this standard and their effects can be found at Note 21.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. These have been listed below. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRSs that are mandatorily effective for the current year (continued)

- Amendments to IFRS 1 *Amendments resulting from Annual Improvements 2014-2016 Cycle*
- Amendments to IFRS 2 *Amendments to clarify the classification and measurement of share-based payments transactions*
- Amendments to IFRS 4 *Amendments regarding the interactions of IFRS 4 and IFRS 9*
- Amendments to IFRS 7 *Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9*
- Amendments to IAS 40 *Amendments to clarify transfer of property to, or from, investment property*

IFRSs that are in issue but not yet effective

At the date of approval of these Consolidated Financial Statements, the following standard, which has not been applied in these Consolidated Financial Statements was in issue but not yet effective:

- *IFRS 16 'Leases'*

  IFRS 16 requires lessees to recognise assets and liabilities for all leases greater than 12 months in length unless the underlying asset has a low value. This standard replaces IAS 17, the current lease accounting standard, and is effective for reporting periods beginning on or after 1 January 2019.

  Whilst we have not adopted this standard in this set of financial statements we have outlined below how we plan on adopting this standard in the next financial year and the impact that it may have on the financial statements.

  All leases in the group are currently classed as operating in nature with a rental charge being posted to profit and loss in accordance with the requirements of IAS 17. No asset or liability is recognised on the balance sheet. IFRS 16 will now require us to recognise a "Right-of-use" asset for all leases where the length of lease is greater than 12 months and the underlying asset is greater in value than c.£3,000 (considered to be a "low value asset"). A corresponding liability will be recognised representing the discounted future lease payments until the end of the lease. The liability will determine the value of the "Right-of-use" asset. The group has decided to use the incremental borrowing rate (IBR) as a proxy for the discount rate implicit in the lease. The IBR is defined as the rate that the company would have to pay if it went out in to the market and brought a similar asset under a finance arrangement. The IBR is therefore company, asset and length of lease specific. Given it is not possible to go into the market and obtain an IBR for each right of use asset the IBR will be a critical accounting estimate.

  It is envisaged that an IBR somewhere in the range 5% to 10% will be used. This has been arrived at by reviewing current commercial property rates obtainable in the market adjusted for the particular circumstances of the company which holds the leases, and then comparing to funding that the Group has raised historically. It should be noted that the rate used (within this range) does not alter the indicative effects on the financials, which are detailed below, by material amounts.

(w) Adoption of new and revised Standards (continued)

IFRS 16 Indicative effects on the Financials

Using an IBR of between 5% to 10% it is envisaged that a "Right-of-use" asset of c.£890,000 will be recognised on the balance sheet on 1 January 2019 in respect of leases held at 31 December 2018, together with a corresponding liability for future payments to the end of these leases. It is estimated that in the first year of adoption current rental charges of c.£110,000 per annum will be replaced by a depreciation charge of c.£190,000 and an interest charge of c.£40,000 offset by rental income of c.£115,000, with the overall Statement of Comprehensive Income effect being relatively small. Note that there will be a proportion of rental charges remaining as we rent a number of offices on a month by month basis where there is no long-term lease in place and so the Group expects to apply the transitional rules for such leases.

Other IFRSs and amendments that are in issue but not yet effective which are not envisaged to have a material impact on the financial statements are*:*

- *IFRS 3 Amendments resulting from annual improvements 2015-2017 Cycle*
- *IFRS 3 Amendments to clarify the definition of a business*
- *IFRS 9 Amendments regarding prepayment features with negative compensation and modifications of financial liabilities*
- *IFRS 11 Amendments resulting from annual improvements 2015-2017 Cycle*
- *IFRS 17 Insurance Contracts*
- *IAS 1 Amendments regarding the definition of material*
- *IAS 8 Amendments regarding the definition of material*
- *IAS 12 Amendments resulting from annual improvements 2015-2017 Cycle*
- *IAS 19 Amendments regarding plan amendments, curtailments or settlements*
- *IAS 23 Amendments resulting from annual improvements 2015-2017 Cycle*
  IAS 28 Amendments regarding long-term interests in associates and joint ventures

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There is no change in applying accounting policies for critical accounting estimates and judgments from the prior year. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Fair value accounting for FinTech Ventures' investments

Some of the group's FinTech Ventures investments meet the definition of an associate. However, the Group has applied the exemption available under IAS 28.18 which states that when an investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, the entity may elect to measure investments in those associates at fair value through profit or loss in accordance with IAS 39 - Financial Instruments.

The Directors consider that the Group is of a nature similar to a venture capital organisation on the basis that FinTech Ventures' investments form part of a portfolio which is monitored and managed without distinguishing between investments that qualify as associate undertakings. Furthermore, the most appropriate point in time for exit from such investments is being actively monitored as part of the Group's investment strategy.

The Group therefore designates those investments in associates which qualify for this exemption as fair value through profit or loss. Refer to Note 20 for fair value techniques used. If the Group had not applied this exemption the investments would be accounted for using the equity method of accounting. This would have the impact of taking a share of each investment's profit or loss for the year and would also affect the carrying value of the investments.

The Directors consider that equity and loan stock share the same investment characteristics and risks and they are therefore treated as a single unit of account for valuation purposes and a single class for disclosure purposes.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Critical judgements in applying the group's accounting policies (continued)

Going Concern

Given the uncertainty over the timing and quantum of cash flows needed to repay the ZDPs Going Concern is considered to be a critical judgement in applying the Group's accounting policies. The Directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis. Should this not be the case the accounts would need to be prepared on a basis other than a going concern with all assets restated to their estimated realisable value where this differs from carrying value. For further details on Going concern see Note 2(a).

IFRS 10 Control Judgements

Judgement is sometimes required to determine whether after considering all relevant factors, the Group has control, joint control or significant influence over an entity or arrangement. Other companies may make different judgements regarding the same entity or arrangement. The Directors have assessed whether or not the Group has control over Sancus Loan Notes 2 Limited, Sancus Loan Notes 4 Limited and Sancus Loan Notes 5 Limited based on whether the Group has the practical ability to direct the relevant activities unilaterally. In making their judgement, the directors considered the rights associated with its investment in preference shares. After assessment, the directors concluded that the Group does not have the ability to affect returns through voting rights (the preference shares do not have voting rights) or other arrangements such as direct management of these entities (the Group does not have control over the investment manager). If the Directors had concluded that the ownership of preference shares was sufficient to give the Group control, these entities would instead have been consolidated with the results of the Group.

IFRS 9 Credit Risk

Credit risk and determining when a significant increase in credit risk has occurred are critical accounting judgements and are assessed at each reporting period end. Credit risk is used to calculate estimated credit losses (ECL). Further details on credit risk can be found in Note 20.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

As detailed in Note 11, the Directors will review the carrying value of goodwill and carry out an impairment review annually to assess whether goodwill is impaired. In doing so, the Directors have assessed the value in use of each cash generating unit through an internal discounted cash flow analysis, details of which are set out in Note 11. Given the nature of the Group's operations, the calculation of value in use is sensitive to the estimation of future cash flows and the discount rates applied, the impact of which is also disclosed in Note 11. Refer Notes 2(h) and (k) for accounting policies relating to the valuation and impairment of goodwill.

IFRS 9 ECL

Key areas of estimation and uncertainty are the probabilities of default (PD) and the probabilities of loss given default (PL) which are used along with the credit risk in the calculation of ECL. Further details on ECLs, PD and PL can be found in Note 20. Should the estimates of PD or PL prove to be different from what actually happens in the future, then the recoverability of loans could be higher or lower than the accounts currently suggest, although this should be mitigated by the levels of LTV which are, in the main, less than 70%.

Fair Value of the FinTech Ventures' investments

The Group invests in financial instruments which are not quoted in active markets and may receive such financial instruments as distributions on certain investments. Fair values are determined by using valuation techniques as detailed in Note 20. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty (continued)

Fair Value of the FinTech Ventures' investments (continued)

- Level 1 – Inputs that are quoted market prices (unadjusted) in active markets for identical instruments. A market is regarded as "active" if transactions of the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis. The Group measures financial instruments quoted in an active market at a bid price.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

- Level 3 – Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. If in the case of any investment the Directors at any time consider that the above basis of valuation is inappropriate or that the value determined in accordance with the foregoing principles is unfair, they are entitled to substitute what in their opinion, is a fair value. In this case, the fair value is estimated with care and in good faith by the Directors in consultation with the Executive Team with a view to establishing the probable realisation value for such shares as at close of business on the relevant valuation day.

Given the early stage nature of the investee companies, the valuations are sensitive to the cash flows assumed and discount rates applied and management have made a number of material judgements in concluding on the valuations. See Note 20 for further details. The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting year, although transactional data has become available in some cases, reducing the need for reliance on the discounted cash flow method. All of the FinTech Ventures investments are categorised as Level 3.

4. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the manner in which the Executive Team reports to the Board, which is regarded to be the Chief Operating Decision Maker (CODM) as defined under IFRS 8. The Executive Team is responsible for allocating resources and assessing performance of the Group, as well as making strategic investment decisions, subject to the oversight of the Board of Directors. The Executive Team is responsible for the entire Group and considers it to have two operating segments in addition to Group Treasury. The segments are as follows:

Sancus BMS

- Platforms with an established business model
- Amberton - fundraising for Sancus BMS
- Investments in the BMS UK and Irish loan funds (Irish investment disposed 14 September 2018)
- SSIF (sold in March 2017, however is included in prior year comparatives)

FinTech Ventures

- Eleven platform investments

Group Treasury

- Group Treasury - Primarily includes cash balances and related expenses to manage the Group's listed holding company

The accounting policies of each segment are the same as the accounting policies of the Group, therefore no differences arise between the segment report and the Group statements.

4. SEGMENTAL REPORTING (continued)

£'000	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2018	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2017
Revenue	**13,261**	**(40)**	**-**	**13,221**	**10,341**	**1,293**	**-**	**11,634**
Cost of sales	(3,983)	-	-	(3,983)	(2,448)	-	-	(2,448)
Gross profit	**9,278**	**(40)**	**-**	**9,238**	**7,893**	**1,293**	**-**	**9,186**
Operating expenses	(6,449)	(677)	(1,367)	(8,493)	(6,340)	(1,673)	(1,072)	(9,085)
Operating profit/(loss) before credit losses	**2,829**	**(717)**	**(1,367)**	**745**	**1,553**	**(380)**	**(1,072)**	**101**
Changes in expected credit losses	(1,247)	-	-	(1,247)	-	-	-	-
Incurred losses on financial assets	(1,763)	-	-	(1,763)	-	-	-	-
Operating (loss)/profit	**(181)**	**(717)**	**(1,367)**	**(2,265)**	**1,553**	**(380)**	**(1,072)**	**101**
SSIF loss on disposal	-	-	-	-	-	-	(953)	(953)
FinTech Ventures fair value movement	-	(19,634)	-	(19,634)	-	(11,919)	-	(11,919)
FinTech Ventures foreign exchange	-	928	-	928	-	(1,540)	-	(1,540)
Other net gains/(losses)	(121)	310	-	189	(400)	(453)	-	(853)
Impairment of goodwill	(2,139)	-	-	(2,139)	-	-	-	-
(Loss)/profit for the year before tax	**(2,441)**	**(19,113)**	**(1,367)**	**(22,921)**	**1,153**	**(14,292)**	**(2,025)**	**(15,164)**
Income tax expense	(243)	-	-	(243)	(20)	-	-	(20)
(Loss)/profit for the year after tax	**(2,684)**	**(19,113)**	**(1,367)**	**(23,164)**	**1,133**	**(14,292)**	**(2,025)**	**(15,184)**
Foreign exchange on consolidation	1	-	-	1	-	-	-	-
Total comprehensive (loss)/profit for the year	**(2,683)**	**(19,113)**	**(1,367)**	**(23,163)**	**1,133**	**(14,292)**	**(2,025)**	**(15,184)**
(Loss)/profit for the year after tax attributable to:								
Equity holders of the Company	(2,684)	(19,113)	(1,367)	(23,164)	1,153	(14,292)	(2,025)	(15,164)
Non-controlling interest	-	-	-	-	(20)	-	-	(20)
	(2,684)	**(19,113)**	**(1,367)**	**(23,164)**	**1,133**	**(14,292)**	**(2,025)**	**(15,184)**
Total comprehensive (loss)/profit attributable to:								
Equity holders of the Company	(2,683)	(19,113)	(1,367)	(23,163)	1,153	(14,292)	(2,025)	(15,164)
Non-controlling interest	-	-	-	-	(20)	-	-	(20)
	(2,683)	**(19,113)**	**(1,367)**	**(23,163)**	**1,133**	**(14,292)**	**(2,025)**	**(15,184)**

GLI Finance Limited
For the year ended 31 December 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SEGMENTAL REPORTING (Continued)

£'000	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2018	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2017
ASSETS								
Non-current assets								
Property and equipment	31	-	-	31	60	-	3	63
Goodwill	22,894	-	-	22,894	25,033	-	-	25,033
Other intangible assets	571	-	-	571	530	-	-	530
Sancus BMS loans	11,316	-	-	11,316	24,238	-	-	24,238
Sancus Loans Limited loans	3,600	-	-	3,600	-	-	-	-
Investment in Sancus Loan Notes	-	-	-	-	3,000	-	-	3,000
Total Sancus BMS loans and loan equivalents	14,916	-	-	14,916	27,238	-	-	27,238
FinTech Ventures investments	-	13,804	-	13,804	-	29,598	-	29,598
Other investments	327	-	-	327	542	-	-	542
Joint ventures and associates	2,855	-	-	2,855	2,266	-	-	2,266
Total Non-current assets	41,594	13,804	-	55,398	55,669	29,598	3	85,270
Current assets								
Loans through platforms	55	828	-	883	69	839	-	908
Other assets	4,404	-	-	4,404	-	-	-	-
Sancus BMS Loans	10,975	-	-	10,975	8,560	-	-	8,560
Sancus Loans Limited loans	22,039			22,039	-	-	-	-
Investment in Sancus Loan Notes	3,311	-	-	3,311	7,907	-	-	7,907
Loan equivalents	1,076	-	-	1,076	2,621	-	-	2,621
Total Sancus BMS loans and loan equivalents	37,401	-	-	37,401	19,088	-	-	19,088
Trade and other receivables	4,678	972	6	5,656	2,796	616	758	4,170
Cash and cash equivalents	3,856	1	2,006	5,863	926	-	2,090	3,016
Total Current assets	50,394	1,801	2,012	54,207	22,879	1,455	2,848	27,182
Total assets	**91,988**	**15,605**	**2,012**	**109,605**	**78,548**	**31,053**	**2,851**	**112,452**
LIABILITIES								
Non-current liabilities								
ZDP shares	-	-	-	-	24,714	-	-	24,714
Corporate bond	10,000	-	-	10,000	10,000	-	-	10,000
HIT facility	22,684	-		22,684	-	-	-	-
	32,684	-	-	32,684	34,714	-	-	34,714
Current liabilities								
Trade and other payables	1,723	7	905	2,635	2,324	2	609	2,935
ZDP shares	24,059	-	-	24,059	-	-	-	-
	25,782	7	905	26,694	2,324	2	609	2,935
Total liabilities	**58,466**	**7**	**905**	**59,378**	**37,038**	**2**	**609**	**37,649**
Net assets	**33,522**	**15,598**	**1,107**	**50,227**	**41,510**	**31,051**	**2,242**	**74,803**

Sancus BMS is treated as being funded by the debt facilities whilst FinTech Ventures is treated as being funded by equity. This allocation best matches the risk profile of each business unit with its capital structure, as well as recognising that interest costs are effectively serviced by interest and fee income from Sancus BMS.

5. REVENUE

	31 December 2018	31 December 2017
	£'000	**£'000**
Co-Funder fees	1,716	1,220
Earn out (exit) fees	1,159	1,062
Advisory fees	1,418	1,287
Transaction fees	3,872	2,782
Total revenue from contracts with customers	**8,165**	**6,351**
Interest on Loans	2,710	4,573
HIT Interest income	1,905	-
SMEF dividends	-	303
Sundry income	441	407
Total Revenue	**13,221**	**11,634**

The disaggregation of revenue reflects the different performance obligations in contracts with customers as described in the accounting policy Note 2(o) and the typical timing of payment for those relevant revenue streams.

6. COST OF SALES

	31 December 2018	31 December 2017
	£'000	**£'000**
Interest costs	1,834	2,178
HIT interest costs	1,597	-
Other costs of sale	552	270
Total costs of sale	**3,983**	**2,448**

7. OPERATING EXPENSES

	31 December 2018	30 December 2017
Other expenses:	**£'000**	**£'000**
Audit fees	228	122
Amortisation and depreciation	265	322
Corporate Insurance	61	90
Employment costs	5,783	5,781
Independent valuation fees	5	64
Investor relations expenses	60	96
Marketing expenses	91	169
NOMAD fees	93	96
Other office and administration costs	1,047	1,089
Legal & Professional	452	635
Administration & secretarial	135	233
Pension costs	233	175
Registrar fees	26	33
Sundry	14	180
	8,493	**9,085**

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2018 £'000	31 December 2017 £'000
At beginning of year	2,266	528
Additions	350	2,192
Share of profit of associate	479	3
Share of loss in joint venture	(240)	(457)
At end of year	2,855	2,266

The investment in joint venture relates to a 50% share in Amberton Asset Management Limited.

Details of material associates

	Principal Activity	Place of Incorporation	Proportion of ownership interest/voting rights held by the group 31 December 2018	31 December 2017
Sancus (Isle of Man) Holdings Limited	Holding Company for Sancus (IOM) Limited	Guernsey	29.3%	29.3%

The above associate is accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in Note 2. This investment will allow the Group to benefit from the growth of the Isle of Man business as it continues to execute its strategy.

Summarised financial information in respect of Sancus (Isle of Man) Holdings is set out below. The summarised financial information represents amounts in associates' financial statements prepared in accordance with IFRSs.

	31 December 2018 £'000	31 December 2017 £'000
Non-current assets	2	-
Current assets	13,891	11,935
Current liabilities	(739)	(388)
Non-current liabilities	(6,885)	(6,885)
Equity attributable to owners of the company	6,269	4,662
Revenue	597	630
Profit or loss from continuing operations	158	195

Reconciliation of the above summarised financial information to the carrying amount of the interest in Sancus (Isle of Man) Holdings Limited recognised in the consolidated financial statements:

	31 December 2018 £'000	31 December 2017 £'000
Net assets of associate	6,269	4,662
Proportion of the Group's ownership interest in the associate	1,837	1,366
Goodwill arising on acquisition	763	754
Carrying amount of the Group's interest in the associate	2,600	2,120

9. LOSS PER ORDINARY SHARE

Consolidated loss per Ordinary Share has been calculated by dividing the consolidated loss for the year after tax attributable to Ordinary Shareholders of £23,164,526 (31 December 2017: loss of £15,164,402) by the weighted average number of Ordinary Shares (excluding treasury shares) outstanding during the period of 305,911,597 (31 December 2017: 302,673,708). There was no dilutive effect for potential Ordinary Shares during the current or prior periods.

Note 14 describes the warrants in issue which are currently out of the money, and therefore have not been considered to have a dilutive effect on the calculation of Loss per Ordinary Share. Share options as noted in Note 22 are also out of the money and have therefore not been considered to have a dilutive effect on the calculation of Loss per Ordinary Share.

	31 December 2018	**31 December 2017**
Number of shares	312,065,699	312,065,699
Weighted average no. of shares in issue throughout the year	305,911,597	302,673,708
Loss per share	(7.57)p	(5.01)p

10. OTHER ASSETS

Other assets comprise of a number of repossessed properties and developments which were previously held as security against certain loans which have defaulted in the period. These assets are held at the lower of cost and net realisable.

	31 December 2018 £'000	**31 December 2017 £'000**
Properties held for sale	1,377	-
Development properties	3,027	-
Total Other Assets	4,404	-

Of the development properties it is possible that £1.3m of the £3.0m will not be sold in the next 12 months as extensive development is required.

11. GOODWILL

	31 December 2018 £'000	**31 December 2017 £'000**
Brought forward	25,033	25,033
Impairment of Sancus Finance goodwill	(2,139)	-
Carried forward	22,894	25,033
Goodwill comprises:		
Sancus Jersey	14,255	14,255
Sancus Gibraltar	8,639	8,639
Sancus Finance	-	2,139
	22,894	25,033

Impairment tests

The carrying amount of the goodwill arising on the acquisition of certain subsidiaries is assessed by the Board for impairment on an annual basis or more frequently if there has been an event which suggests that there may have been an impairment.

11. GOODWILL (continued)

The value in use of Sancus Jersey was based on an internal Discounted Cash Flow ("DCF") valuation analysis using cash flow forecasts for the years 2019 to 2023. The starting point for the cash flows was the 2019 budget which was produced by Sancus Jersey management and ratified by its board. Management's revenue forecast applied a compound annual growth rate (CAGR) to revenue of 8%. A cost of equity discount rate of 13.5% (2017:13.5%), which is reflective of Sancus's cost of equity, was employed in the valuation model. The resultant valuation indicated that no impairment of goodwill was required, with significant headroom. The value in use of Sancus Gibraltar was also determined on a similar DCF basis starting from the 2019 budget, using a CAGR of 7% and a cost of equity discount rate of 14.0% (2017:14.0%). The resultant valuation indicated that no impairment of goodwill was required, again with significant headroom.

At 30 June 2018 the recoverable amount of Sancus Finance was assessed by the Board using DCF methodology as described above. As a result of this assessment it was deemed appropriate to write down the Sancus Finance goodwill and subsequent to year-end the Group has decided to cease its supply chain finance operations (Note 28), which supports the impairment loss conclusions.

Goodwill valuation sensitivities

When the discounted cash flow valuation methodology is utilised as the primary goodwill impairment test, the variables which influence the results most significantly are the discount rates applied to the future cash flows and the revenue forecasts.

The table below shows the impact on the Consolidated Statement of Comprehensive Income of stress testing the period end goodwill valuation with a decrease in revenues of 10% and an increase in cost of equity discount rate of 3%. These potential changes in key assumptions fall within historic variations experienced by the business (taking other factors into account) and are therefore deemed reasonable.

Sensitivity Applied	**Reduction in headroom implied by sensitivity**		
	Sancus Jersey £'000	**Sancus Gibraltar £'000**	**Total £'000**
10% decrease in revenue per annum	5,304	3,361	8,665
3% increase in cost of Equity discount rate	6,386	4,458	10,844

Neither a 10% decrease in revenue nor a 3% increase in the cost of Equity discount rate implies a reduction of Goodwill in Jersey or Gibraltar.

12. INTANGIBLE ASSETS

Cost	**£'000**
At 1 January 2018	1,312
Additions from internal development	264
At 31 December 2018	**1,576**
Amortisation	**£'000**
At 1 January 2018	782
Charge for the year	223
At 31 December 2018	**1,005**
Net book value 31 December 2018	**571**
Net book value 1 January 2018	530

Intangible assets comprise capitalised contractors' costs and other costs related to core systems development. No impairment provision has been recorded. The amortisation charge has been recorded in Operating expenses.

13. TRADE AND OTHER RECEIVABLES

	31 December 2018	31 December 2017
	£'000	**£'000**
Dividend income receivable	68	68
Loan fees and similar receivable	1,359	930
Loan interest receivable	3,646	1,973
Preference share dividends receivable	-	607
Receivable from associated companies	51	31
Other trade receivables and prepaid expenses	532	561
	5,656	4,170

14. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE

GLI Finance Limited has the power under its articles of association to issue an unlimited number of Ordinary Shares of no par value.

No additional Ordinary shares were issued during the year (2017: 2,767,586 shares for £615,239 relating to the 2016 fourth quarter scrip dividend).

Share Capital	**31 December 2018 Shares in issue**	**31 December 2017 Shares in issue**
Ordinary Shares – nil par value		
Balance at start of year	312,065,699	309,298,113
Issued during the year	-	2,767,586
Balance at end of the year	312,065,699	312,065,699

Share Premium	**31 December 2018 £'000**	**31 December 2017 £'000**
Ordinary Shares – nil par value		
Balance at start of year	112,557	111,942
Issued during the year	-	615
Balance at end of the year	112,557	112,557

Ordinary shareholders have the right to attend and vote at Annual General Meetings and the right to any dividends or other distributions which the company may make in relation to that class of share.

Treasury Shares

As at 31 December 2018 and 31 December 2017 a total of 6,154,102 Ordinary Shares, with an aggregate value of £1,161,975 were held by a Subsidiary, Sancus BMS Group Limited.

	31 December 2018	31 December 2017
	£'000	**£'000**
Balance at start of the year	1,162	1,734
GLI shares transferred to key members of management	-	(572)
Balance at end of year	1,162	1,162

14. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE (continued)

Treasury Shares (continued)

Warrants in Issue

On 25 February 2016, Shareholders approved special resolutions authorising the issue of warrants to Golf Investments Limited which confer the warrant holder the right to subscribe for up to 32,000,000 new Ordinary Shares in the capital of the Company at the following subscription prices:

10,000,000 Ordinary Shares at 40 pence per Ordinary Share;
10,000,000 Ordinary Shares at 45 pence per Ordinary Share; and,
12,000,000 Ordinary Shares at 55 pence per Ordinary Share.

These warrants expire on 25 February 2020.

On 16 September 2016, Shareholders approved a special resolution authorising the issue of warrants to Golf Investments Limited which confer the warrant holder the right to subscribe for up to 10,000,000 shares at 37 pence per Ordinary Share, exercisable up to 9 August 2020.

As at 31 December 2018, the above warrants were in issue but not yet exercised. On issue of these warrants, no provision has been made for a fair value adjustment, as following the Board's assessment of the fair value it was not deemed to be materially different to the current carrying value of £Nil.

15. LIABILITIES

	31 December 2018	31 December 2017
Non-current liabilities	**£'000**	**£'000**
ZDP shares (1)	-	24,714
Corporate Bond (2)	10,000	10,000
HIT Facility (3)	22,684	-
	32,684	34,714

	31 December 2018	31 December 2017
Current liabilities	**£'000**	**£'000**
ZDP shares (1)	24,059	-
Accounts payable	278	319
Accruals and other payables	1,679	1,174
Taxation	454	326
Deferred income	67	166
Payable to related party	157	950
	26,694	2,935

15. LIABILITIES (continued)

	31 December 2018	31 December 2017
Interest costs on debt facilities	**£'000**	**£'000**
ZDP shares (1)	1,119	1,278
Corporate Bond (2)	700	648
Syndicated Loan	-	220
HIT Facility (3)	1,597	-
	3,416	2,146

(1) ZDP shares

The ZDP Shares have a maturity date of 5 December 2019 with a final capital entitlement of £1.30696 per ZDP Share.

Refer to the Company's Memorandum and Articles of Incorporation for full detail of the rights attached to the ZDP Shares. This document can be accessed via the Company's website www.glifinance.com.

The ZDP shares bear interest at an average rate of 5.5% (31 December 2017: 5.5%).

In accordance with article 7.5.5 of the Company's Memorandum and Articles of Incorporation, the Company may not incur more than £30m of long term debt without the prior approval from the ZDP shareholders. The Memorandum and Articles also specify that two debt cover tests must be met in relation to the ZDPs.

At 31 December 2018 the Company was in compliance with these covenants as Cover Test A was 2.78 (minimum of 1.7) and Cover Test B was 3.48 (minimum of 3.25).

At 31 December 2018 senior debt borrowing capacity amounted to £20m. The HIT facility does not impact on this capacity as it is non-recourse to GLI.

During the course of 2018 the Company has been acquiring ZDPs and holding them in Treasury. At 31 December 2018 the Company held 1,544,441 shares (31 December 2017: Nil) with an aggregate value of £1,930,557 (31 December 2017: £Nil) under the 14.99% limit as approved at the 2018 AGM.

(2) Corporate Bond

On 30 June 2016 GLI Finance issued £10m corporate bonds as part of the acquisition of Sancus Gibraltar. The bond maturity date is 30 June 2021 and they bear interest at 7% (2017: 7%).

(3) HIT Facility

On 29 January 2018, GLI Finance signed a new funding facility with Honeycomb Investment Trust plc (HIT). The funding line has a term of 3 years and comprises a £45m accordion and revolving credit facility. The facility bears interest at 7.25%.

The HIT facility has portfolio performance covenants including that actual loss rates are not to exceed 4% in any twelve month period and underperforming loans are not to exceed 10% of the portfolio.

Sancus BMS Group has a £5m first loss position on the HIT facility. GLI has also provided HIT with a guarantee, capped at £2m that will continue to ensure the orderly wind down of the loan book, in the event of the insolvency of Sancus BMS Group, given its position as facility and security agent.

16. TAXATION

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £1,200 (31 December 2017: £1,200) is payable to the States of Guernsey in respect of this exemption.

Reconciliation of tax charge

	31 December 2018 £'000	31 December 2017 £'000
Accounting loss before tax	(22,921)	(15,164)
Accounting profit before tax relating to companies subject to taxation	2,463	685
UK Corporation Tax at 19% (2017: 20%)	-	(118)
Gibraltar Corporation Tax at 10% (2017: 10%)	124	138
Jersey Corporation Tax at 10% (2017: 0%)	124	-
Adjustment in respect of prior years (Gibraltar)	(5)	-
Tax expense	243	20

Certain of the Group's subsidiaries have losses available for carry forward to offset against future trading profit.

17. NOTES TO THE CASH FLOW STATEMENT

Cash generated from operations (excluding loan movements)

	31 December 2018 £'000	31 December 2017 £'000
Loss for the year	(23,164)	(15,184)
Adjustments for:		
Net losses on FinTech Ventures	18,661	13,459
Net loss on sale of SSIF	-	953
Other net (gains)/losses	(664)	399
ZDP finance costs – Non-cash	1,119	1,278
Changes in expected credit losses	1,247	-
Impairment of financial assets	1,565	-
Amortisation/depreciation of fixed assets	265	322
Amortisation of debt issue costs	93	-
Other non-cash	-	268
Goodwill write off	2,139	-
Changes in working capital:		
Trade and other receivables	(1,794)	(1,533)
Trade and other payables	606	(2,479)
Cash inflow/(outflow) from operations (excluding loan movements)	73	(2,517)

17. NOTES TO THE CASH FLOW STATEMENT (Continued)

Changes in liabilities arising from financing activities

The tables below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	1 January 2018 £'000	Financing cash flows * £'000	Amortisation of debt issue costs Non-cash £'000	Interest Accruals Non-cash £'000	31 December 2018 £'000
ZDP Shares	24,714	(1,774)	-	1,119	24,059
Corporate Bond	10,000	-	-	-	10,000
HIT Facility	-	22,591	93	-	22,684
Total liabilities from financing activities	**34,714**	**20,817**	**93**	**1,119**	**56,743**

	1 January 2017 £'000	Financing cash flows * £'000	Amortisation of debt issue costs Non-cash £'000	Interest Accruals Non-cash £'000	31 December 2017 £'000
ZDP Shares	23,436	-	-	1,278	24,714
Corporate Bond	8,500	1,500	-	-	10,000
Syndicated Loan	11,920	(11,920)	-	-	-
Total liabilities from financing activities	**43,856**	**(10,420)**	**-**	**1,278**	**34,714**

* These amounts can be found under financing cash flows in the cash flow statement.

Interest on the Corporate Bond and HIT Facility is accrued and paid in full within the year. Both are charged to operating cash flows in the cash flow statement.

18. CONSOLIDATED SUBSIDIARIES

The Directors consider the following entities as wholly and partly owned subsidiaries of the Group. Their results and financial positions are included within its consolidated results.

Subsidiary entity	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
Sancus BMS Group Limited	27 December 2013	Guernsey	Directly held -Equity Shares	100%
Sancus BMS Holdings Limited	5 November 2012	Guernsey	Indirectly held - Equity Shares	100%
BMS Finance AB Limited	24 November 2006	United Kingdom	Indirectly held - Equity Shares	100%
Sancus Services Limited	21 October 2014	United Kingdom	Indirectly held - Equity Shares	100%
Sancus (Jersey) Limited	1 July 2013	Jersey	Indirectly held - Equity Shares	100%
Sancus (Guernsey) Limited	18 June 2014	Guernsey	Indirectly held - Equity Shares	100%
Sancus (Gibraltar) Limited	10 March 2015	Gibraltar	Indirectly held - Equity Shares	100%
Sancus BMS (Ireland) Limited	10 April 2017	Ireland	Indirectly held - Equity Shares	100%
Sancus Funding Limited	17 February 2011	United Kingdom	Indirectly held - Equity Shares	100%
Sancus Finance Limited	7 January 2011	United Kingdom	Indirectly held - Equity Shares	100%
FinTech Ventures Limited	9 December 2015	Guernsey	Directly held - Equity Shares	100%
Sancus Properties Limited	21 August 2018	Guernsey	Indirectly held - Equity shares	100%

19. FINTECH VENTURES AND OTHER INVESTMENTS

The Directors consider the following entities as associated undertakings of the Group as at 31 December 2018.

Name of Investment:	Nature of holding	Country of incorporation	Percentage holding	Measurement
FinTech Ventures:				
LiftForward Inc	Indirectly held - Equity	United States of America	18.40%	Fair Value
Finexkap	Indirectly held - Equity	France	15.54%	Fair Value
Ovamba Solutions Inc	Directly held - Equity	United States of America	20.31%	Fair Value
The Credit Junction Holdings	Indirectly held - Equity	United States of America	6.71%	Fair Value
Funding Options Limited	Indirectly held - Equity and Preference Shares	United Kingdom	22.78%	Fair Value
TradeRiver Finance Limited	Directly held - Equity and Preference Shares	United Kingdom	46.70%	Fair Value
TradeRiver USA Inc	Directly held - Equity and Preference Shares	United States of America	30.25%	Fair Value
Open Energy Group Inc	Directly held - Equity	United States of America	23.08%	Fair Value
MytripleA	Directly held - Equity	Spain	15.00%	Fair Value
TORCA (formerly UK Bond Network Limited)	Directly held - Equity	United Kingdom	8.18%	Fair Value
Finpoint Limited	Directly held - Equity	United Kingdom	21.12%	Fair Value
Other Investments:				
BMS Finance (UK) Sarl	Indirectly held - Equity	Luxembourg	25.25%	Fair Value

The percentage holding in the above table are on a fully diluted basis, assuming any warrants and management options all vest.

20. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Sancus BMS loans and loan equivalents	31 December 2018 £'000	31 December 2017 £'000
Non-current		
Sancus BMS loans	11,316	24,238
Investments in Sancus Loan Notes	-	3,000
Sancus Loans Limited loans	3,600	-
Total non-current Sancus BMS loans and loan equivalents	**14,916**	**27,238**
Current		
Sancus BMS loans	10,975	8,560
Investments in Sancus Loan Notes	3,311	7,907
Loan equivalents	1,076	2,621
Sancus Loans Limited loans	22,039	-
Total current Sancus BMS loans and loan equivalents	**37,401**	**19,088**
Total Sancus BMS loans and loan equivalents	**52,317**	**46,326**

Fair Value Estimation

The financial assets and liabilities measured at fair value in the Consolidated Statement of Financial Position are grouped into the fair value hierarchy as follows:

Assets	31 December 2018 Level 3 £'000	31 December 2017 Level 3 £'000
FinTech Ventures investments	13,804	29,598
Investments in Sancus Loan Notes	3,311	10,907
Other investments at Fair Value	3,182	2,808
Total assets at Fair Value	20,297	43,313

In relation to the Level 3 valuation methodology for the FinTech Ventures investments the Board assesses the fair value based on either the value at the last capital transaction or valuation techniques, performed internally or by an independent third-party expert. Factors considered in these valuation analyses included discounted cash flows and comparable company and comparable transaction analysis. Key unobservable inputs used in the discounted cash flows include costs of equity and illiquidity discount rates. Other factors included revenue and costs growth rates, interest margins, bad debt expense and tax rates. These are consistent with the inputs described in the 2017 Annual Report and adjusted where necessary. The Board considers all the information presented to it, including indicative bids, internal analysis, and independent valuations, in order to reach, in good faith, their value determination.

FinTech Ventures investments

31 December 2018	Equity £	Loans £	Total £
Opening fair value	26,470	3,128	29,598
New investments/loans advanced	200	2,419	2,619
Converted from accrued interest	293	-	293
Converted to Equity	2,071	(2,071)	-
Unrealised gains/(losses) recognised in profit and loss	(18,221)	(1,413)	(19,634)
Foreign exchange gain	795	133	928
Closing fair value	11,608	2,196	13,804

20. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (Continued)

FinTech Ventures investments (continued)

31 December 2017	**Equity**	**Loans**	**Total**
	£	**£**	**£**
Opening fair value	34,699	1,405	36,104
New investments/loans advanced	1,455	5,080	6,535
Reclassification of loan	-	418	418
Unrealised gains/(losses) recognised in profit and loss	(8,322)	(3,597)	(11,919)
Foreign exchange loss	(1,362)	(178)	(1,540)
Closing fair value	26,470	3,128	29,598

Assets at Amortised Cost

	31 December 2018	**31 December 2017**
	£'000	**£'000**
Sancus BMS loans and loan equivalents	49,006	35,419
Loans through platforms	883	908
Trade and other receivables	5,656	4,170
Cash and cash equivalents	5,863	3,016
Total assets at amortised cost	61,408	43,513

Liabilities at Amortised Cost

	31 December 2018	**31 December 2017**
	£'000	**£'000**
ZDP Shares	24,059	24,714
Corporate Bond	10,000	10,000
HIT Facility	22,684	-
Trade and other payables	2,635	2,935
Total liabilities at amortised cost	59,378	37,649

Refer to Note 15 for further information on liabilities.

Risk Management

The Group is exposed to financial risk through its investment in a range of financial instruments, ie. in the equity and debt of investee companies and through the use of debt instruments to fund its investment in loans. Such risks are categorised as capital risk, liquidity risk, investment risk, credit risk, and market risk (market price risk, interest rate risk and foreign currency risk).

Comments supplementary to those on risk management in the Corporate Governance section of this report are included below.

(1) Capital Risk Management

The Group's capital comprises ordinary shares as well as a number of debt instruments. Its objective when managing this capital is to enable the Group to continue as a going concern in order to provide a consistent appropriate risk-adjusted return to shareholders, and to support the continued development of its investment activities. Details of the Group's equity is disclosed in Note 14 and of its debt in Note 15.

20. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (Continued)

The Group and its subsidiaries (with the exception of Sancus Funding Limited, which is regulated by the FCA) are not subject to regulatory or industry specific requirements to hold a minimum level of capital, other than the legal requirements for Guernsey incorporated entities. The Group considers the amount and composition of its capital is currently in proportion to its risk profile.

The Group monitors the ratio of debt (loans payable, bonds and ZDP Shares) to other capital which, based upon shareholder approval, is limited to 5 to 1 (or 500%). At year-end this ratio increased to 113% (31 December 2017: 46%) due to the HIT facility. The HIT facility is non-recourse to GLI. Excluding HIT, the ratio at year-end was 68%.

(2) Liquidity risk

Liquidity risk is the risk that arises when there is a mismatch in the maturity of assets and liabilities, which results in the risk that liabilities may not be settled at contractual maturity. The Group's investments are generally more illiquid than publicly traded securities.

The Group Treasury Committee meets twice monthly to manage the liquidity position of the Group. Where necessary contingency plans are made to realise assets which are reasonably liquid in the short term.

The following table analyses the Group's financial assets and liabilities into relevant maturity groupings based on the period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows, assuming interest rates in effect at the year-end.

	Current	Non-current
31 December 2018	**Within 12 months £'000**	**1 to 5 years £'000**
Assets		
Sancus BMS loans and loan equivalents	34,090	14,916
Sancus Loan Notes	3,311	-
FinTech Ventures investments	805	12,999
Other investments at fair value	-	327
Joint ventures and associates	-	2,855
Loans through Platforms	883	-
Trade and other receivables	5,656	-
Cash and cash equivalents	5,863	-
Total assets	50,608	31,097
Liabilities		
ZDP Shares	24,059	-
Corporate Bond	-	10,000
Sancus Loans Limited	-	22,684
Trade and other payable	2,635	-
Total liabilities	26,694	32,684
Net Liquidity	23,914	(1,587)

(3) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates and that mismatches in the interest rates applying to assets and liabilities will impact on the Group's earnings.

The Group's cash balances, debt instruments and loan notes are exposed to interest rate risk.

The Group did not enter into any interest rate risk hedging transactions during the current or prior years.

20. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (Continued)

(3) Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risk:

31 December 2018	Floating rate Financial Instruments £'000	Fixed Rate Financial Instruments £'000	Total £'000
Assets			
Sancus BMS Loans and loan equivalents	9,948	39,058	49,006
Financial assets at fair value through profit and loss	-	2,196	2,196
Loans through Platforms	-	883	883
Cash and cash equivalents	5,863	-	5,863
Total assets	15,811	42,137	57,948
Liabilities			
ZDP shares	-	24,059	24,059
Corporate Bond	-	10,000	10,000
Sancus Loans Limited	-	22,684	22,684
Total liabilities	-	56,743	56,743
Total interest sensitivity gap	15,811	(14,606)	1,205
31 December 2017			
Assets			
Sancus BMS Loans and loan equivalents	21,427	24,899	46,326
Financial assets at fair value through profit and loss	-	3,128	3,128
Loans through Platforms	-	908	908
Cash and cash equivalents	3,016	-	3,016
Total assets	24,443	28,935	53,378
Liabilities			
ZDP Shares	-	24,714	24,714
Corporate Bond	-	10,000	10,000
Total liabilities	-	34,714	34,714
Total interest sensitivity gap	24,443	(5,779)	18,664

Interest rate sensitivities

The floating rate financial instruments (excluding cash) comprise of an investment in the UK Sarl (2017: UK and Irish Sarls). The investment in the Irish Sarl was sold to Beach Point Capital on 14 September 2018 for proceeds of £6.4m. These investments attract a fixed coupon and a variable coupon. The variable coupon is dependent on the performance of the Sarl as opposed to general interest rates. As a result there is no exposure to interest rate movements (2017: Nil exposure).

The GLI Treasury Committee reviews interest rate risk on an ongoing basis, and the exposure is reported quarterly to the Board and/or Audit and Risk Committee.

(4) Investment risk

Investment risk is defined as the risk that an investment's actual return will be different to that expected. Investment risk primarily arises from the Group’s exposure to its FinTech Ventures portfolio. This risk in turn is driven by the underlying risks taken by the platforms themselves – their own strategic, liquidity, credit and operational risks.

20. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (Continued)

(4) Investment risk (continued)

The Group's framework for the management of this risk includes the following:

- Seats on the boards of most of the platforms, which allow input into strategy and monitoring of progress;
- pre-emptive rights on participation in capital raises, or the support for capital raises, to protect against dilution;
- regular monitoring of the financial results of platforms;
- bi-annual reviews of the valuations of platforms, which provide an opportunity to test the success of platforms' strategies; and
- quarterly reporting to the Board on these matters.

The methodology for the valuation of such investments is noted above.

Investment valuation sensitivities

The following table gives information about how the fair values of financial assets categorised as level 3 in the fair value hierarchy are determined by the Company:

Valuation technique and key inputs	Fair Value £'000	Fair Value £'000	Reason for any changes in valuation techniques from prior years	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	At 31 December 2018	At 31 December 2017			
Market comparable transaction based on recent fundraising activity, adjusted for any relevant risk	12,636	15,346	Equity raises completing Q4 2017/ Q1 2018	Transaction price negatively adjusted by a range of 0%-50% for completion risk, nature of fundraising and other risks	A smaller adjustment for these factors would increase the fair value
Discounted cash flow forecasts	1,167	11,961	There has been no change in valuation techniques. Recent market comparable transaction data became available (see above).	Cash flows are discounted by a range of 25.1% to 27.1% for cost of equity and 15% for illiquidity of the investment. Significant internal sensitivities are also applied to the forecasts, creating high and low cases used in the weighted average output	A smaller adjustment for these factors would increase the fair value - see sensitivity analysis noted below
Fair value based on cost and adjusted for FX movement and any new investment (WC loan, convertible note etc)	-	2,291	None	None	None
Investment in redeemable preference shares of the loan notes is valued at fair value	3,311	10,907	None	Fair value which closely approximates the net asset value of the Loan Note Special purpose vehicles	None
Total	**17,114**	**40,505**			

When the discounted cash flow ("DCF") valuation methodology is utilised, the variables which influence the resultant valuations most significantly are the discount rates applied to the future cash flows, the revenue forecasts and the illiquidity discounts.

20. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (Continued)

(4) Investment risk (continued)

The tables below show the impact of stressing year-end valuations by the sensitivities which the Board believe to be reasonably foreseeable:

For DCF valuations:
Increasing and decreasing revenues by 20%
Increasing and decreasing discount rates by 5% (discount rates in valuation model average 25.1% to 27.1%)
Increasing and decreasing illiquidity discounts by 10% (discount applied in valuation model is 15%)

	Consolidated Statement of Comprehensive Income
	31 December 2018
	£'000
20% pa increase in revenue	100
20% pa decrease in revenue	(100)
5% increase in discount rate	(88)
5% decrease in discount rate	137
10% increase in illiquidity discount	(59)
10% decrease in illiquidity discount	59

The DCF methodology has been used on different investments and a different number of investments this year compared to the prior year. As a result, no prior year comparative has been given as it would not provide a meaningful comparison.

For market comparable transactions:
Increasing and decreasing discount by 10% and 20%

	Consolidated Statement of Comprehensive Income
	31 December 2018
	£'000
10% increase in discount	(503)
10% decrease in discount	503
20% increase in discount	(1,007)
20% decrease in discount	1,007

(5) Credit risk

Credit risk is defined as the risk that a borrower/debtor may fail to make required repayments within the contracted time scale. The Group invests in senior debt, senior subordinated debt, junior subordinated debt and secured loans. Credit risk is taken in direct lending to third party borrowers, investing in loan funds, lending to associated platforms and loans arranged by associated platforms.

The Group mitigates credit risk by only entering into agreements related to loan instruments in which there is sufficient security held against the loans or where the operating strength of the investee companies is considered sufficient to support the loan amounts outstanding.

Credit risk is determined on initial recognition of each loan and re-assessed at each balance sheet date. The risk assessment is undertaken by the Executive Team at the time of the agreements, and the Executive Team continues to evaluate the loan instruments in the context of these agreements. Credit risk is categorized into Stage 1, Stage 2 and Stage 3 with Stage 1 being to recognize 12 month Expected Credit Losses (ECL), Stage 2 being to recognise Lifetime ECL not credit impaired and Stage 3 being to recognise Lifetime ECL credit impaired.

(5) Credit risk (continued)

Credit risk is initially evaluated using the LTV and the circumstances of the individual borrower. For the majority of loans security takes the form of real estate. As at 31 December 2018 90% of loans had a LTV less than 70%. There has been no significant change in the quality of this security over the prior year. When determining credit risk macro-economic factors such as GDP, unemployment rates and other relevant factors are also taken into account. A loan is considered to be in default when there is a failure to meet the legal obligation of the loan agreement. Having regards to the principles of IFRS 9 this would also include provisions against loans that are considered by management as unlikely to pay their obligations in full without realisation of collateral. Once identified as being in default a re-assessment of the credit risk of that loan will be undertaken using the factors as noted above. A decision will then be made as to whether to credit impair that asset. A credit impairment will move an asset from stage 1 to stage 2 or from stage 2 to stage 3 with appropriate provision for ECL or write-off being made.

In some instances borrowers will request loan modifications, extensions or renegotiation of terms. Any such event will trigger a reassessment of the credit risk of that loan where the reasons for the modification, extension or renegotiation will be carefully assessed and may result in that asset being credit impaired.

The entities in the Sancus BMS Group operate Credit Committees which are responsible for evaluating and deciding upon loan proposals, as well as monitoring the recoverability of loans, and taking action on any doubtful accounts. All lending undertaken by Sancus BMS is secured. The credit committee reports to the Sancus BMS Board on a quarterly basis.

Provision for ECL

A probability of default is assigned to each loan. This probability of default is arrived at by reference to historical data and the ongoing status of each loan which is reviewed on a regular basis. The loss given default is deemed to be nil where LTV is equal to or less than 65%, as it is assumed that the asset can be sold and full recovery made.

Provision for ECL is made using the credit risk, the probability of default (PD) and the loss given default (PL) all of which are underpinned by the Loan to Value (LTV), historical position, forward looking considerations and on occasion, subsequent events and the subjective judgement of the Board. Preliminary calculations for ECL are performed on a loan by loan basis using the simple formula Outstanding Loan Value (exposure at default) x PD x PL and are then amended as necessary according to the more subjective measures as noted above.

To reflect the time value of money ECL is discounted back to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

The following tables provide information on amounts reserved for ECL on loans and loan equivalents as at 31 December 2018 based on the model adopted by management.

Sancus BMS loans and loan equivalents at 31 December 2018	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Closing loans at 31 December 2017	39,688	5,638	1,000	46,326
Adjustment on adoption of IFRS 9	-	(1,350)	-	(1,350)
Restated at 1 January 2018	39,688	4,288	1,000	44,976
New Loans	36,979	-	-	36,979
Loans Repaid	(23,459)	(3,169)	-	(26,628)
Transfers from Stage 1 to Stage 2	(5,663)	5,663	-	-
Transfers from Stage 1 to Stage 3	(5,207)	-	5,207	-
Transfers from Stage 2 to Stage 1	1,264	(1,264)	-	-
Transfers from Stage 3 to Stage 1	1,000	-	(1,000)	-
Loans written off	-	(1,763)	-	(1,763)
Movement in ECL	-	(306)	(941)	(1,247)
Closing loans at 31 December 2018	44,602	3,449	4,266	52,317

(5) Credit risk (continued)

Provision for ECL (continued)

Loss allowance at 31 December 2018	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Closing loss allowance at 31 December 2017 (IAS 39)	-	-	-	-
Adjustment on adoption of IFRS 9	-	1,350	-	1,350
Opening loss allowance at 1 January 2018 (IFRS 9)	-	1,350	-	1,350
Individual financial assets transferred to Stage 2	-	1,581	-	1,581
Individual financial assets transferred to Stage 3	-	-	941	941
Write Offs	-	(1,085)	-	(1,085)
Provision no longer required (loans repaid)	-	(190)	-	(190)
Closing loss allowance at 31 December 2018	**-**	**1,656**	**941**	**2,597**

Assets transferred to Stage 3 relate to a loan where the borrower has gone into administration.
Assets transferred to Stage 2 relate primarily to one loan which is now in default.
Loans written off relate to loans where the Group has taken possession of assets held as security.

(6) Market price risk

The Group has no exposure to market price risk of financial assets valued on a Level 1 basis as disclosed earlier in this note.

(7) Foreign exchange risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has made investments in currencies other than Sterling and is therefore exposed to this risk.

The extent of exposure is set out in the table below.

31 December 2018

Balance sheet exposure (000)	**Assets**	**Liabilities**	**Net**	**In £'000**	**Rates applied**	**% of Group total assets**
EUR	1,723	-	1,723	1,553	1.1094	1.57%
USD	7,208	-	7,208	5,657	1.2743	6.58%

The exchange rates used by the Group to translate foreign currency balances are as follows:

Currency	**31 December 2018**	**30 June 2018**	**31 December 2017**	**30 June 2017**	**31 December 2016**
EUR	1.1094	1.1296	1.1258	1.1402	1.1731
USD	1.2743	1.3206	1.3508	1.3027	1.2340

Foreign exchange risk sensitivities

The sensitivity analysis below stresses the Group's outstanding foreign currency denominated financial assets and liabilities by a 15% increase/decrease in Sterling.

	Consolidated Statement of Comprehensive Income	
	31 December 2018	**31 December 2017**
	£'000	**£'000**
15% decrease in foreign exchange rates	1,272	4,180
15% increase in foreign exchange rates	(940)	(3,090)

(7) Foreign exchange risk (continued)

The Treasury Committee Team monitors the Group's currency position on a regular basis, and the Board of Directors reviews it on a quarterly basis. Although this risk may be hedged, the current approach is not to hedge. No hedging instruments were used during either 2018 or 2017.

21. CHANGES IN ACCOUNTING POLICY

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018. As such the Group has adopted IFRS 9 for the first time in this set of Financial Statements, with preliminary reporting included within the June 2018 Interim report.

Key requirements of IFRS 9

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of those financial assets.

There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income and (iii) fair value through profit and loss. Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit and loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income.

IFRS 9 also introduces a new expected credit loss impairment model, as opposed to the incurred credit loss model implemented under IAS 39 in previous years. This requires entities to account for expected credit losses at initial recognition and changes to expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

Finally, under IFRS 9 greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Enhanced disclosure requirements about an entities risk management activities have also been introduced.

Impact of IFRS 9 – Classification and measurement

Sancus BMS loans, HIT loans, BMS fund investments, loan equivalents and loans through platforms are held solely for the collection of contractual cash flows, being interest, fees and payment of principal. These assets continue to be held at amortised cost on adoption of IFRS 9, and hence there is no change in classification or measurement of these assets.

FinTech Ventures investments relate to equity, preference shares and some working capital loans. Whilst some of these investments do attract interest the assets are held primarily to assist the development of the entities involved. These investments continue to be held at fair value with charges recognised in profit and loss on adoption of IFRS 9, and hence there is no change in classification or measurement of these assets.

Trade payables, financial liabilities and trade receivables are held solely for the collection and payment of contractual cash flows, being payments of principal and interest where applicable. These assets continue to be held at amortised cost on adoption of IFRS 9, and hence there is no change in classification or measurement of these assets and liabilities.

Impact of IFRS 9 – Impairment

Sancus BMS loans and loan equivalents have been assessed for credit risk based on information available at initial recognition, predominantly (but not solely) using Loan to Value (LTV). For each category of Credit risk loans have been categorized into Stage 1, Stage 2 and Stage 3 with Stage 1 being to recognise 12 month Expected Credit Losses (ECL), Stage 2 being to recognise Lifetime ECL not credit impaired and Stage 3 being to recognise Lifetime ECL credit impaired. The judgement used for a significant increase in credit risk includes for example moving up through the LTV brackets and 30 days past due.

21. CHANGES IN ACCOUNTING POLICY (continued)

IFRS 9 'Financial Instruments' (continued)

Impact of IFRS 9 – Impairment (continued)

A loan is considered to be in default when there is a failure to meet the legal obligation of the loan agreement. This would include provisions against loans that are considered by management as unlikely to pay their obligations in full without realisation of collateral. Provision for ECL has been calculated using the credit risk, the probability of default and the probability of loss given default, all underpinned by the LTV, historical position, forward looking considerations and on occasion subsequent events, and the subjective judgement of the Board. For first time adoption Credit risk and provision for ECL has been assessed at 31 December 2018 and 31 December 2017. Going forward credit risk and provision for ECL will be assessed at initial recognition and re-assessed at each reporting period-end. Given the nature of the loans (in most cases short term bridging loans), ECL assumes the life of the loan is consistent with contractual terms.

With respect to the loans to the UK SARL there is no direct exposure to individual loans. As a result these two loans have been assessed for credit risk based upon the Net Asset Value (NAV) of the SARLs, and their ability to repay the loans. Should the NAV of the SARLs fall materially then the loans will have been deemed to have fallen into Stage 2, with a further significant drop in NAV pushing the loans into Stage 3. Provision for ECL has been made according to the credit risk and the deemed ability of the SARL to repay the loan. Credit risk and ECL has been assessed at 31 December 2018 and 31 December 2017 and going forward will be re-assessed at each reporting period-end.

For trade and other receivables, the Group has applied the simplified approach to recognise lifetime expected credit losses.

The Group has elected to apply the exemption in IFRS 9 relating to transition for classification and measurement, and impairment. Accordingly the comparative period has not been restated. As a consequence:

- Any adjustments to carrying amounts of financial assets and liabilities are recognised at the beginning of the current reporting period, with the difference recorded in opening retained earnings;
- Provisions for impairment have not been restated in the comparative period; and
- Financial assets are not restated in the balance sheet for the comparative period, and hence a third balance sheet as at December 2016 is not presented.

Had prior year balances been restated Sancus BMS loans and loan equivalents would have been £1,350,000 lower than stated in the 2017 annual financial statements as follows:

	£'000
Sancus BMS loans and loan equivalents as at 31 December 2017 under IAS 39	46,326
Amounts restated through retained earnings on adoption of IFRS 9	(1,350)
Restated Sancus BMS loans and loan equivalents as at 31 December 2017 under IFRS 9	44,976

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more favourable, relevant disclosures. The standard provides a single, principles based five step model to be applied to all contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, and hence has been adopted for the first time in this set of financial statements. There has been no impact on timing of recognition or gross up for principal/agents considerations on the adoption of IFRS 15. The only affect is a minor presentational change which distinguishes revenue streams between those that represent streams from contracts with customers and other streams which are out of the scope of IFRS 15.

22. SHARE-BASED PAYMENTS

On 26 September 2017, the Company granted a total of 10,000,000 options over ordinary shares of no par value to certain directors of the Company. The Options will vest in three equal tranches on the first, second and third anniversaries of the Grant with exercise prices of 25p, 30p and 35p respectively. The options are not subject to performance conditions.

The expense recognised for these share-based payments during the year to December 2018 is £44,409 (2017: £8,475).

22. SHARE-BASED PAYMENTS (continued)

Details of the share options outstanding during the year are as follows:

	31 December 2018		31 December 2017	
	Number of share options	**Weighted average exercise price**	**Number of share options**	**Weighted average exercise price**
Outstanding at the beginning of the year	10,000,000	30p	-	-
Granted during the year	-	-	10,000,000	30p
Outstanding at the end of the year	10,000,000	30p	10,000,000	30p
Exercisable at the end of the year	3,333,333	25p	-	-

The estimated fair values of the options granted were 0.99p, 1.06p and 0.84p for the first, second and third tranches respectively. The weighted average fair value of the options not yet exercised is 0.96p. These fair values were calculated using The Black-Scholes pricing model. The inputs to the model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Weighted average exercise price	25p	30p	35p
Expected volatility	45%	40%	34%
Expected contracted life	2 years	3.5 years	5 years
Risk free rate	0.45%	0.50%	0.76%

The expected volatility was determined by reference to the share price volatilities of the company itself, over the life of the options.

23. RELATED PARTY TRANSACTIONS

Transactions with the Directors/Executive Team

Non-executive Directors

As at 31 December 2018, the non-executive Directors' annualised fees, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

	31 December 2018 £	31 December 2017 £
Patrick Firth (Chairman)	50,000	50,000
John Whittle	42,500	42,500

There was no increase in the Directors' base fees during the year ended 31 December 2018. Total Directors' fees charged to the Company for the year ended 31 December 2018 were £92,500 (31 December 2017: £92,500) with £Nil (31 December 2017: £Nil) remaining unpaid at the year-end.

Executive Team

The Executive team consists of Andrew Whelan, Russell Harte (ceased employment on 1 July 2017), Emma Stubbs, Aaron Le Cornu (commenced employment 1 May 2017), and Dan Walker (commenced employment 2 January 2018).

23. RELATED PARTY TRANSACTIONS (continued)

The Executive Team members' remuneration from the Company, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, was as detailed in the table below:

	31 December 2018 £'000	31 December 2017 £'000
Aggregate remuneration in respect of qualifying service – fixed salary	706	565
Aggregate amounts contributed to Money Purchase pension schemes	95	79
Aggregate bonus paid (shares and cash)	785	550

See remuneration report for further details. All amounts have been charged to Operating Expenses.

At the Company's annual general meeting ("AGM") held on 10 May 2017 shareholders approved terms for a revised long-term incentive scheme, pursuant to which members of the Executive Team will be entitled to receive options to subscribe for new Ordinary Shares in the capital of the Company ("Share Options") at strike prices of 25p, 30p and 35p and will vest on the first, second and third anniversaries of the respective grant (the "New Scheme"). The New Scheme took effect from the date of the AGM and replaces the previous Executive Bonus Scheme.

Directors' and Persons Discharging Managerial Responsibilities ("PDMR") shareholdings in the Company

The Directors and PDMRs had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2018		31 December 2017	
	No. of Ordinary Shares Held	% of Ordinary Shares	No. of Ordinary Shares Held	% of Ordinary Shares
Patrick Firth *(Chairman)*	278,669	0.09	278,669	0.09
John Whittle	104,550	0.03	104,550	0.03
Andrew Whelan	8,051,912	2.58	8,051,912	2.58
Emma Stubbs	1,005,485	0.32	1,005,485	0.32
Aaron Le Cornu	1,005,485	0.45	445,790	0.15
Dan Walker	-	-	-	-

During the year no directors received dividends on their Ordinary Share holdings in the Company (2017: Mr Firth £1,694, Mr Whittle £Nil, Mr Whelan £43,506 and Mrs Stubbs £2,022).

See Note 28 for details of the Directors' interests in the Ordinary Shares of the Company as at the date of this report.

As at 31 December 2018, there were 10,000,000 unexercised share options for Ordinary Shares of the Company (31 December 2017: 10,000,000 Ordinary Shares) (Note 22).

During the year Mr Whelan received £56,000 in relation to the coupon on his holding of £800,000 GLI Bonds.

Transactions with connected entities

The following significant transactions with connected entities took place during the year:

	31 December 2018		31 December 2017	
	Balance £'000	Interest accrued in the year £'000	Balance £'000	Interest accrued in the year £'000
Platform loans & corresponding interest				
GLIF and investments in FinTech Ventures	2,199	413	3,128	668
Platform preference shares & corresponding interest				
GLIF and investments in FinTech Ventures	-	(496)	1,916	739

23. RELATED PARTY TRANSACTIONS (continued)

	31 December 2018 £'000	31 December 2017 £'000
(Payable)/receivable to/from related parties		
Sancus (IOM) Holdings Limited	2	(948)
Sancus (IOM) Limited	43	24
Amberton Asset Management Limited	(151)	-
Office and staff costs recharges		
Amberton Asset Management Limited	39	47

There is no ultimate controlling party of the Company.

All platform loans and preference shares bear interest at a commercial rate.

24. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

Lease payments under operating leases (net of sub rentals) recognised as an expense in the year amounted to £197,000 (2017: £197,000).

As at 31 December 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31 December 2018 £'000	31 December 2017 £'000
Within one year	223	328
In the second to fifth years inclusive	677	883
After five years	107	107
	1,007	1,318

All lease commitments relate to office space.

The Group as Lessor

At 31 December 2018 the group had contracted with tenants for the following future minimum lease payments:

	31 December 2018 £'000	31 December 2017 £'000
Within one year	110	110
Between two and five years	440	440
Over 5 years	73	183
	623	733

25. CONTINGENT LIABILITIES

The sub tenant responsible for the lease payments noted in Note 24 “The Group as Lessor” has given notice to terminate their lease from the end of February 2019. Should another tenant not be found in time then the Group will be responsible for the lease payments noted in Note 24 until such a time as another tenant can be found.

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26. GUARANTEES

The Group undertakes a number of Guarantees and first loss positions which are not deemed to be contingent liabilities under IAS 37 as there is no present obligation for these guarantees and it is considered unlikely that these liabilities will crystallise.

HIT Facility

Sancus BMS Group has invested £5m of its own capital in Sancus Loans Limited which sits in a £5m first loss position as part of the HIT facility. GLI has also provided HIT with a guarantee, capped at £2m that it will continue to ensure the orderly wind down of the HIT related loan book, in the event of the insolvency of Sancus BMS Group, given its position as facility and security agent.

Sancus Loan Notes

Sancus BMS typically provides first loss positions as part of the Loan Note structures. At 31 December 2018, Sancus BMS had invested its own capital in SLN2 which sat in a £3m first loss position. This was repaid in February 2019 and so has now dropped away. SLN3 was also repaid during the year and its 20% first loss position has ceased.

This leaves SLN4 where Sancus BMS has no capital invested but has a 20% first loss position. As all the loans within the SLNs are asset backed with loan to values typically below 65%, the probability of these first loss positions being called upon is considered low, but the positions have been included within the calculations for IFRS 9 provisioning.

SLN5 was launched during 2018 and again Sancus BMS has no capital invested but has a 10% first loss position. This loan note is currently at £16.7m and has a limit of up to £50m.

Sancus Finance

Sancus Finance provides a 10% first loss position on certain working capital transactions and its obligations are supported by a Group Guarantee of up to £2m. With the announcement in February 2019 that this operation is closing, going forward this guarantee will cease.

For IFRS 9 purposes in calculating our capital at risk provision ratio of 4.5%, we have included the Sancus on balance sheet loans, plus the full amount of those loans which include the first loss risk position we have with HIT and the Loan Notes.

27. PERFORMANCE MEASURES

We have identified the below performance measures which for Sancus BMS we will report on going forward as we believe improving these will maximize shareholder value.

Return on Tangible Assets (“ROTA”)

This is operating profit (including credit losses) divided by total assets less goodwill.

Cost Income Ratio

This is total operating expenses divided by total revenue.

28. POST YEAR END EVENTS

Directors and PDMR Interests

At the date of these financial statements the Directors and PDMRs had the following beneficial interests in the Ordinary Shares of the Company:

	No. of Ordinary Shares Held	% of Ordinary Shares
Patrick Firth *(Chairman)*	278,669	0.09
John Whittle	104,550	0.03
Andrew Whelan	9,553,734	3.06
Emma Stubbs	1,380,940	0.44
Aaron Le Cornu	1,405,790	0.45
Dan Walker	911,300	0.29

Closure of the supply chain finance offering in the UK

On 8 February 2019, it was announced that Sancus Finance Limited, a subsidiary of the Group which operates its supply chain finance offering in the UK, remained loss making and while its performance improved in 2018, it was behind management's expectations with an operating loss of £1.0 million. The Group believes the market for supply chain finance has changed significantly, with credit insurers reducing appetite to write cover and increasing premiums markedly. In light of this, and recognising the difficult market conditions facing supply chain finance more generally, the Group took the decision to close its supply chain finance offering.

Adjusting post balance sheet events

On 8 February 2019, it was announced that the Group had an exposure to a supply chain finance borrower which had recently gone into administration. In light of the latest discussions with the administrator, the Group has fully provided for this exposure in the financial statements to 31 December 2018 by recognizing a £0.9m provision under IFRS 9 in respect of Expected Credit Losses and a £0.2m charge to cost of sales in relation to the first loss on the credit insurance policy.

Notice of Group acquiring own ZDP shares

Post year-end the Group announced that it had been acquiring back ZDPs in the market. In total post year-end 1.6m shares were acquired at a total price of £1.9m.

Notice of EGM to acquire up to a further 14.99% of issued ZDP Shares

On the 8 March 2019, the Company published a circular including a notice of an extraordinary general meeting to seek authority from the Company's shareholders to renew the authority previously granted at the 2018 annual general meeting authorising the Company to make market acquisitions of redeemable ZDPs in the capital of the Company.

Change of Registered Office

On the 15 March 2019, the Company announced that, effective from that date, it had changed its registered office and business address to Block C, Hirzel Court, Hirzel Street, St Peter Port, Guernsey, GY1 2NL.

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Non-executive	Patrick Anthony Seymour Firth (Chairman) John Richard Whittle
Executive	Andrew Noel Whelan Emma Stubbs

The address of the Directors is the company's registered office

Executive Team

Chief Executive Officer	Andrew Noel Whelan
Chief Financial Officer	Emma Stubbs
Chief Operating Officer	Aaron Le Cornu
UK Managing Director	Daniel Walker (joined 2 January 2018)

Registered Office	Block C, Hirzel Court Hirzel Street St Peter Port Guernsey, GY1 2NL Channel Islands
Nominated Advisor and Broker	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London, EC2Y 9LY United Kingdom
Company Secretary	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR Channel Islands
Legal Advisors, Channel Islands	Carey Olsen PO Box 98 Carey House Les Banques St Peter Port Guernsey, GY1 4BZ Channel Islands

OFFICERS AND PROFESSIONAL ADVISERS (continued)

Legal Advisors, UK	Stephenson Harwood 1 Finsbury Circus London, EC2M 7SH United Kingdom
Legal Advisors, USA	Pepper Hamilton LLP 3000 Two Logon Square Eighteenth and Arch Streets Philadelphia, PA 19103-2799 United States
Bankers	Barclays International 1st Floor, 39041 Broad Street St Helier Jersey, JE4 8NE Channel Islands
Auditors	Deloitte LLP PO Box 137, Regency Court Glategny Esplanade St Peter Port Guernsey, GY1 3HW Channel Islands
Registrar	Link Market Services Limited The Registry, 34 Beckenham Road Beckenham Kent, BR3 4TU United Kingdom
Public Relations	Instinctif Partners Limited 65 Gresham Street London, EC2V 7NQ United Kingdom