GLI Finance Limited

ANNUAL REPORT 2016

IN SHAPE FOR THE FUTURE

FOLLOWING OUR RECENT STRATEGIC REVIEW WE HAVE IMPLEMENTED A CLEAR STRUCTURE DESIGNED TO DRIVE EFFICIENCIES, FOCUS ON CLIENT NEEDS AND DELIVER VALUE FOR STAKEHOLDERS.

In shape for the future

Contents

Our investment proposition

What is alternative finance

Alternative finance providers act as intermediaries between borrowers and lenders, 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.

Why does it matter

Around the world, small and medium enterprises (SMEs) 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. Marketplace lending helps SMEs grow, contributes to economies and improves employment levels.

The alternative finance sector has grown rapidly to date, and is continuing to grow – as evidenced by the growth of GLI Finance's own portfolio.

In the UK during 2016 total loan origination by alternative finance companies grew 36% to GBP3.9bn which followed a 76% year on year growth in 2015, a compound growth rate of 44% over the last three years. (Source: AltFiData)

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 Company's debt instruments, being zero-dividend preference ('ZDP') shares are listed on the Main Market of the London Stock Exchange (ticker GLIZ), and the GLI Corporate Bond is listed on the Cayman Exchange.

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

The Group has two business units, Sancus BMS (offices in six locations) and FinTech Ventures, which has investments in 11 platforms on three continents. It has 66 employees in the companies it owns and operates.

What we are

GLI is an AIM listed innovative alternative finance business, which owns a niche SME lender, Sancus BMS that operates in six jurisdictions – UK, Ireland, Jersey, Guernsey, Gibraltar and the Isle of Man, and a portfolio of emerging FinTech SME-focussed lending platforms that are located on three continents.

15
platforms

GBP151m
Sancus BMS Loan Book

GBP141m
FinTech Ventures' Aggregate of Platform Loan Books

The year in review

- Strategic review undertaken, covering investments, corporate structure, capital base, costs, governance processes and accounting policies, with the focus on improving profitability across the Group whilst focussing on cost containment.
- The Group's business structure has been simplified into two pillars (or business units) – Sancus BMS and FinTech Ventures, to improve operational focus, performance management and financial reporting.
- Sancus BMS was created in June 2016, and has been rebranded to support cross selling opportunities to maximise the potential of its diverse markets and product set.
- Sancus BMS's loan book grew to GBP151m versus GBP114m at 31 December 2015, with a default rate of less than 0.5% (no change from prior year).
- The annualised cost saving target of GBP1m was achieved.
- The Group operating loss for the year (before exceptional costs) was GBP1.0m, versus an operating loss of GBP2.6m on a proforma basis in the prior year. The 2016 consolidated loss was GBP16.5m. Refer to page 21 for further details.
- Sancus BMS met their profit target of GBP2.5m for the year. Refer page 28 for further comment.
- After writing down the goodwill in Sancus Finance by GBP3.4m, accounting for its operating loss of GBP1.3m and the fair value loss on the SME Fund of GBP2.7m, the Pillar One consolidated loss for the year totalled GBP4.9m.
- FinTech Ventures' 11 platforms have grown their aggregate loan books by 94% over the year.
- The second half of the year saw relatively minor fair value adjustments in FinTech Ventures, with the significant write offs being made in the first half. Fair value losses for the year totalled GBP7.4m. This, together with the goodwill write off (GBP0.7m) and operating loss (GBP0.6m) of Funding Knight resulted in a consolidated loss of GBP9.9m for 2016.
- A new dividend policy was introduced to better balance shareholder distributions with cash generated by the Group.

Post period-end

- The sale of 100% of the Group's holding in The SME Loan Fund plc ('SMEF') was announced on 8 March 2017, raising GBP22.7m in cash. Part of the funds were used to repay the syndicated loan of GBP14.86m and GBP5.3m used to acquire certain performing loans which were not consistent with SMEF's proposed future investment strategy.

"OUR CORE TRADING BUSINESS SANCUS BMS HAS GROWN ITS LOAN BOOK BY 33% OVER THE YEAR."

33%
Sancus BMS loan book growth (proforma) in the year

94%
FinTech Ventures' aggregate platform loan book growth

GBP1.0m
Recurring cost reduction

<0.5%
Sancus BMS loan default rate for the year

GBP2.5m
Aggregate Sancus and BMS profit target achieved

GBP36.1m
FinTech Ventures' investment portfolio

Strong progress on strategy and structure

Patrick Firth Non-Executive Chairman

"2016 was a year of significant change, some tough decisions, and a lot of hard work to improve the positioning of the Group for the future. This having been achieved I am increasingly excited about the Group's prospects and confident in our ability to execute accordingly."

Overview

I am pleased to present the results of the Group for the year ended 31 December 2016.

As a result of the strategic review announced in January 2016, we have made significant progress in transforming the shape of the Group over the past 12 months. In the first half, this included the introduction of the Pillar structure, a robust review of platform valuations and the raising of additional capital. During the second half, we have created the Sancus BMS Group, following the acquisitions of Sancus Gibraltar and the outstanding shares in GLIF BMS Holdings (the BMS Finance holding vehicle) in June 2016 and seen its continued growth. We are also seeing positive performance coming from our financial technology, or 'FinTech' Portfolio.

However this progress has come at the cost of disappointing financial results for the year, primarily flowing from a number of our early stage investments not fulfilling their initial promise. In spite of this, I believe a firm foundation has been set for the future.

Strategic developments

Since 2014 the Group's strategy has been to take advantage of the expected long term growth of the alternative finance sector by investing in nascent lending businesses perceived to be beneficiaries of the disintermediation of lending to SMEs by banks. As a result, the Group's balance sheet was transformed from investments in relatively liquid, income producing assets into a portfolio of early-stage 'capital hungry' lending businesses.

The strategic review was designed to address the resultant change in the risk profile of our assets together with a very different set of liquidity requirements. A new operating model to support the strategy, as explained in the first half, has been implemented. The strategic review is now complete and targets for the next three years have been set.

The final decision flowing from this review has been further to simplify the structure of the Group into two operating Pillars, which we now refer to as Sancus BMS (Pillar One) and FinTech Ventures (Pillar Two). The two businesses have distinct end-to-end value chains and their own allocated capital structures, designed to suit the liquidity and risk profiles of each.

Key to the Group's growth is the raising of liquidity to fund lending opportunities. Management have put in place a range of strategies to address this, and the engagement with Amberton Asset Management Limited ('Amberton') in this programme was a positive development.

The issue in August 2016 of 23m new ordinary shares at 31p (raising GBP7.1m) was another step in improving the Group's balance sheet and to provide funding for future growth of our operations.

SMEF

As announced on the 8 March 2017, the Group sold its total holding in SMEF at 90 pence per share (a discount of 3.2% to SMEF's closing share price of 93p on 20 February 2017), realising GBP22.7m in cash. The funds raised have been used to repay the Syndicated Loan of GBP14.8m which was due 15 March 2017, purchase GBP5.3m of performing loans from SMEF and increase the capital base of Sancus BMS.

The adoption of our new accounting policy for platform valuations improves the clarity of our Group results and brings them in line with how we view the Group's performance.

Change in accounting policy

In our Interim report we discussed the view of the Board that the Group's results are best presented by disclosing the consolidated earnings of Sancus BMS and the fair value of the FinTech Ventures' platform portfolio Proforma figures were disclosed on this basis.

I'm pleased to say that we have adopted a new accounting policy to enable us to state the platform portfolio at fair value, so bringing the Group's consolidated statutory accounts in line with how we view and manage the Group's performance. Refer Note 2(b) for further detail.

This change has meant that we have been able further to simplify our disclosures by taking advantage of the exemption in the Companies (Guernsey) Law, 2008, of the requirement to disclose Company-only financial information.

As stated previously, we are reporting the results of the Group as a Trading Business and have moved away from fund reporting and NAV updates. Instead we will be providing trading updates with an earnings focus on a bi-annual basis in future.

Financial results

The key features of our financial results this year have been:

- continued growth in the profitability of Sancus and BMS (key components of Sancus BMS);
- the consolidation, for the first time, of the operating losses of Sancus Finance and Funding Knight;
- impairment to the goodwill of two subsidiaries (Sancus Finance and Funding Knight) and to the value of FinTech Ventures' portfolio; and,
- incurring restructure costs of GBP1.9m

The consolidated loss for the year of GBP16.5m primarily reflected the Sancus Finance and Funding Knight operating losses and goodwill write downs, as well the FinTech Ventures' fair value reductions. This has been a very difficult year for the Group, but one from which our two businesses have emerged more focused, and with a more predictable, more positive outlook.

Dividends

The Company has stated that it will pay the quarterly dividends totalling 2.5p in respect of the 2016 financial year. The fourth payment of 0.625p will be made on 21 April 2017.

The Trading Update published on 13 March 2017 described the rationale for introducing a revised dividend policy. This 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. Any dividend will be set at a rate that is affordable.

GLI is committed to providing a stable progressive platform for future growth.

Where deemed appropriate and subject to the criteria outlined above, any dividend payments will be made half yearly, (September (interim dividend) and March (final dividend)), with a weighting in payment of approximately one third/two thirds respectively between periods.

Governance and board changes

Effective governance processes both at subsidiary and holding company level continue to be a priority for your Board. This is critical to ensuring that only well-considered risks are taken, and expected returns emerge as planned. At Group level a more strategic approach to the assessment, reporting and management of risk has been implemented. Within the subsidiaries themselves, the management of credit and information technology risks are a priority, and the GLI team works with the boards of subsidiaries to ensure the effective management of these risks.

I would like to thank both Fred Forni and James Carthew, two of my fellow long standing Board Directors for their support over the years. James and Fred have resigned from the Board with effect from 23 September 2016. Fred had been on the Board over 10 years and was one of the longest serving Board members. James decided to step down due to other business commitments and John Whittle, previously James's alternate, succeeded James on the Board and assumed the role of Audit and Risk Committee Chairman on 23 September 2016.

We continue to monitor the composition of the Board and are planning to appoint an additional non-executive director this year.

Somerston Group has the right to nominate a candidate for appointment to the Board and it is expected they will consider doing so during 2017.

The Board and I wish to thank Andy Whelan and his team for their excellent work and diligence in taking the Group forward through a challenging period.

Outlook

The global financial markets may be more volatile than in 2016, fuelled by a changing political landscape, including the impending exit of the UK from the European Union, but this is unlikely to have more than a marginal impact on the growth of loan books across the Group.

Sancus BMS is expected to continue growing its profitability, and is focussed on adding to its funding base. I look forward to an improved performance from Sancus Finance.

Following a year during which the promise of some of the FinTech Ventures' platforms began to show, and others failed to meet the expectations set at the time of investment, we are more optimistic for the year ahead. The focus in 2017 and beyond will very much be on supporting platforms through strategic input, introductions to external funders and limited provision of finance. We expect to see a growth trajectory for the majority of our platforms during 2017, though anticipate that those platforms that fail to reach break-even within the next 12 months will find future funding increasingly challenging. We are optimistic that some platforms may reach realisable valuations during the year and the Group will seek to take advantage of this.

2016 was a year of significant change, some tough decisions, and a lot of hard work to improve the positioning of the Group for the future. This having been achieved I am increasingly excited about the Group's prospects and confident in our ability to execute accordingly.

In conclusion, I am very grateful to all our Shareholders who have maintained confidence in the Group during the challenges faced in our last financial year.

Patrick Firth
Non-Executive Chairman

26 March 2017

Creating clarity and momentum

Andrew Whelan Chief Executive Officer

"2016 was a challenging transitional year for the company, but we have completed the strategic review I initiated in January 2016."

Overview

2016 was a year when we addressed the challenges facing the business, implemented a much improved structure, drove revenues while seeking efficiencies, and completed the full strategic review which the Board approved and I initiated in January 2016. 2017 is a year when we should see the benefits of the actions we have taken.

An outcome of the strategic review was to change the structure of the Group into two distinct end-to-end businesses, a refinement to the structure and investment proposition outlined at the half-year. The Group now comprises one operating business in Sancus BMS and an investment business, which we refer to as FinTech Ventures.

Although we have achieved incredible progress in 2016, as highlighted in the transactions and progress chart on pages 53 to 54, the financial impact of implementing the new strategy has resulted in a significant consolidated loss of GBP16.5m this year. The reasons for these losses are explained in the Financial Review and in the accounts that follow. However, in summary, Sancus BMS performed profitably, partly offset by Sancus Finance and Funding Knight operating losses, goodwill and some platform investments had to be written down, a fall in the market price of SMEF led to a negative fair value adjustment and we incurred some restructuring costs. Details of this are explained in the Financial Review. Some of the platform write-downs have the potential for recovery, but it was important for me to take a conservative approach to ensure that the Group's foundations for future growth are solid.

Rather than spending time looking backwards, I have focussed my report on what lies ahead. 2017 will be the seminal year for the business as the majority of our platforms will be going through capital raises, the outcome of which will provide us with further clarity as to the speed of their future performance which will obviously impact our carrying value.

As mentioned above, during the year, we undertook a thorough review of the valuations of our platforms, reset our dividend policy, and have entered 2017 in much better shape. There is more work to do, and we are focussing on improving the performance of Sancus Finance (previously Platform Black) and Funding Knight, as well as supporting our platforms. There is a strong sense of momentum in the business and staff are excited to meet the targets we have set and the challenges that we will inevitably face.

We have also made good progress on meeting the specific goals which I set at the start of the year, further details of which are described below.

Our Revised Investment Proposition

This annual report marks the final stage of GLI's transformation from an 'investment trust', the performance of which was measured on changes in the fair value of its net asset value per share, to a Group comprising two distinct businesses; an alternative niche finance lender (Sancus BMS); and an investor in a series of FinTech lending businesses (FinTech Ventures).

Key shareholder value creation metrics for Sancus BMS are consolidated operating profits, return on equity and return on gross assets. These are presented in Table 3 in the Financial Review. Relatively smooth cash earnings are expected from this business and will be the future source of sustainable Group dividends.

2017 is a seminal year for the business and our focus is all about execution of the strategic plan.

Performance metrics for FinTech Ventures are return on investment and increases in net asset value per share, both presented in Table 11 in the Financial Review. Cash profits which may arise on the sale of platforms could be a source of 'lumpy' dividend payments in terms of the new dividend policy.

We have taken the following steps to complete the implementation of our value proposition:

- simplified the Group structure into two business units or pillars, as described below;
- moved away from disclosing Company only financial statements, to focus on delivering an understanding of the performance of the two business pillars;
- significantly improved reporting on the two businesses by:
  - creating balance sheets for each;
  - changing our accounting policy applicable to FinTech Ventures' platforms so as to reflect the Board's approach to managing these assets on a fair value basis; and,
  - presenting extensive financial information analysing the performance of each business.

The Group Structure

In our half year report we described in detail the 3 Pillar structure. As the year has progressed, Pillar 1 (comprising the operations of Sancus, BMS Finance and Sancus Finance) made increasing use of Amberton as a vehicle through which to raise additional funding and in effect providing a route to securitising Sancus' loan book. The more effective use of Amberton has led to it being included in Pillar 1. This Pillar is now referred to by its business name of Sancus BMS. On Page 38 I am pleased to introduce you to the experienced and capable team who run Sancus BMS.

Sancus BMS

Discussions and analysis concerning the balance sheet gearing of Sancus BMS demonstrated that its risk and liquidity profile made it logical to allocate the Group's debt to this Pillar. Finally, since this balance sheet was already carrying the majority of the Group's direct lending to SMEs, it was decided to include the Group's investment in the SMEF (which invests in SME loans) in this sub-group. The post year end sale of SMEF is discussed below.

FinTech Ventures

Pillar 2 includes the Group's venture investment portfolios in SME-focussed FinTech lending platforms, and is unchanged from half year, save for the fact that we consider it appropriate to fund these investments by allocating equity to the pillar. The change in accounting policy means that we now carry these investments at fair value in our consolidated balance sheet – consistent with other venture capital investment businesses.

The Group Head Office, although under pressure to deliver cost savings, has been core to implementing this restructure. In critically considering this cost base, savings have been realised, non-recurring costs identified and an activity-based allocation of costs to Sancus BMS and FinTech Ventures made. Central costs as disclosed relate to the expense of running the listed holding company structures and governance committees. Management costs of running Sancus BMS and FinTech Ventures are carried in these income statements. In order to further improve financial management controls, the Head Office team is in the process of insourcing the Group accounting function from our Administrators. This will provide the Executive with greater clarity and more frequent updates on the accounting data, with no additional cost burden.

This reorganisation has been fundamental to enabling the Board to take a longer term strategic view of the future.

Post year end sale of shares in the SME Fund

As announced on 8 March 2017, the Group has sold its investment in the SME Fund for GBP22.7m. The proceeds of the sale will be used to purchase certain performing loans which will fall outside of the Fund's mandate going forward, totalling GBP5.3m, and to repay the Syndicated Loan of GBP14.8m in full. This has freed up additional loan funding for Sancus.

The loans acquired are loans to platforms (which is consistent with our previous stated strategy of GLI only lending to platforms and SMEF lending through platforms) and therefore will be included in Pillar 2. Amberton are under contract with GLI to continue managing these loans on our behalf.

As part of this transaction, Amberton ceased to be SMEF's investment manager and has been appointed by SMEF's new investment manager, SQN Capital Manager LLC, as its sub-investment advisor in relation to SMEF's existing portfolio of loans with effect from 1 April 2017. The financial impact on Amberton in the short term is minimal and there is a stated focus on increasing its AUM in the future. SQN have a strong track record of asset raising and as the fund grows in size, there is further potential for Sancus BMS and the Pillar 2 platforms to benefit from additional funding from SMEF.

Sancus Finance and Funding Knight

Seeing opportunity to expand lending operations within the UK, the Group invested in both platforms during the year. Both businesses effectively operate online through their own platforms, and this was considered a positive capability to add to our operations.

We have intensively reviewed these businesses and it is now apparent that significant improvements need to be made to the competitiveness of their offerings in order for them to live up to expectations. I have appointed John Davey as Executive Director to oversee this work. John has extensive financial experience and was my co-founder of the Sancus entities.

Our focus has been on Sancus Finance to ensure its products are profitable, an improved loan origination strategy is in place, a more streamlined funder offering and related enhancements to online capabilities are developed, all supported by the adoption of the Sancus brand.

Sancus Finance's revenues have increased within the fourth quarter, demonstrating that our focus is beginning to deliver results.

Costs at Funding Knight have been reduced, as they have combined their office location with that of Sancus Finance, and begun to share sales, marketing and IT resources. Going forward, this business's valuable FCA interim licence will support our intention to expand the Sancus secured lending solution into the UK market. We recognise that this is a competitive market, but our view is that we will be able to compete because of our capital base which allows us to underwrite loans as well as the ability to syndicate the loans via our co-funder client base.

Management teams have set themselves aggressive targets for 2017 and we remain positive that improved results will be achieved.

2016 financial performance

As I commented on in the introduction, 2016 was a year of change. We made some difficult decisions around the carrying value of our platform investments, and following a thorough, robust exercise we took substantial write downs. Overall the Group reported a loss for the year of GBP16.5m.

The Group consolidated ordinary shareholders' equity (i.e. NAV) amounted to GBP90.7m. On a fair value basis, the Company's unaudited NAV totalled GBP105.9m, with the difference being explained by BMS's fair value of GBP13.8m in the Company, which, after IFRS consolidation adjustments, is shown at GBP0.7m in the Group balance sheet.

The goodwill write downs in Sancus Finance and Funding Knight of GBP4.1m were necessary to recognise the working capital already expended and which will be required before these businesses become profitable.

Following the write downs in the carrying value of the FinTech Ventures' platforms we will continue to adopt a prudent approach to valuations. Conservative valuation metrics (costs of equity and illiquidity discounts) have been applied, however it remains important for our valuations that platforms meet their revenue targets going forward. Given our board position on these investments I am confident the respective management teams are applying themselves to this task.

This result disguises some good performances. Sancus BMS, in our new structure, returned a creditable GBP3.5m before accounting for the Group's share of the loss of Sancus Finance (consolidated for the first time) of GBP1.3m.

We have focussed on costs and improving synergies across the Group resulting in sustainable cost savings of GBP1.0m.

Sancus BMS

The creation of Sancus BMS in the year was a significant achievement, through the acquisition of Sancus Gibraltar and the outstanding shares in GLIF BMS Holdings to form a profitable alternative finance operating Group. We also acquired an additional 40.48% stake in Sancus Finance taking our holding to 83.93%. Post year end we acquired a further 14.0% in Sancus IOM Holdings (for GBP1.1m) bringing the Group's stake to 21.0%.

We have delivered strong loan origination from both the Sancus Jersey and Gibraltar business units, although Sancus Guernsey has not had the benefit of an active property sector in their home market. Sancus Isle of Man is showing good growth. The BMS Finance team has done great work in deploying the committed funding from the British Business Bank and the Ireland Strategic Investment Fund (ISIF) into growing their two loan funds.

The launch of the Sancus Loan Note 1 in November 2016 as a funding vehicle, primarily for Sancus deals, but also for Sancus Finance, was a positive development in diversifying the funding of our lending businesses. These loan Notes allow investors to participate in a pool of secured loans through a regulated fund structure, while relying on the credit skills of Amberton Asset Management to manage the fund's investments. We plan to roll out further loan Notes in 2017, which will allow further expansion of the managed loan book.

In conjunction with the name change of Platform Black to Sancus Finance, we launched a new website for Sancus BMS (www.sancus.com) to take further advantage of the cross selling opportunities this structure creates. This website and our underlying loan management platform will be further enhanced during 2017 into an interactive borrower and funder platform covering all Sancus products.

FinTech Ventures

The intense scrutiny of all platforms, and a revaluation of our major investments at year end, has resulted in a net valuation write down of GBP7.4m for the year, of which GBP7.5m was announced in the first year.

We believe that we have been prudent, but realistic, in our approach to fair valuing the FinTech Ventures' investments.

We now include 11 platform investments in our portfolio, together with our wholly owned subsidiary, Funding Knight. Two of the platform valuations in the portfolio have been fully written down.

In spite of the write downs, the 11 remaining platforms delivered a number of noteworthy achievements during the year:

- nine platforms have successfully raised either working capital and/or loan funding from third parties, fuelling their growth, but also confirming ongoing support from third parties;
- monthly breakeven profitability has been reached by two platforms, others progressed towards this milestone;
- aggregate loan books have increased by 94% for the year to GBP141m;
- operating models, including technology, are generally well established and operating effectively;
- credit teams are proving effective in limiting default levels; and,
- management teams remain positive about the future success of their respective businesses and are focussed on achieving their financial targets.

New Dividend Policy

The Group's dividend policy recognises the reality that approximately 50% of the Group's total assets do not generate operating cash flows. Cash returns, and therefore the capability to pay dividends, from these assets will only be seen on sale.

The Board recognises the importance to shareholders of receiving dividends but equally it recognises the opportunities for internal investment which will be foregone and the liquidity risks which will be assumed by committing to any level of dividend which is not covered by cash income. Our new dividend policy seeks to achieve a balance between short term shareholder returns and taking advantage of further investing in longer term opportunities within a prudent risk framework.

Achievement of our 2016 objectives

We made excellent progress over the 12 months in achieving the objectives that I laid out at the beginning of the year (see table on page 9).

Strategy going forward

The Group's strategy is described in the following section. Our key priority remains growing the level of on and off balance sheet funding the Group currently enjoys. Our base of sustainable funding needs to be both expanded and its duration extended if the Group is to fully achieve its Vision. I believe we will make progress on this critical objective over the next 12 months and have aligned appropriate human resources behind this initiative.

We believe that we have been conservative, but realistic, in our approach to fair valuing FinTech Ventures' investments.

2016 Objectives	Achievements
Clarify the Group's strategic objective	> The Group's structure and strategy have been simplified and clarified.
Reduce complexity	> The Three pillar structure has been further simplified into two operating pillars/businesses, further streamlining the Group.
Reduce conflicts of interest	> GLI no longer actively lends through platforms, removing the conflict with the SMEF. > Amberton Asset Management has its own Board, is regulated by the Guernsey Financial Services Commission and operates independently of GLI. > The purchase by GLI of the interests of key members of the Executive Team in Sancus entities has reduced the conflicts in this pillar (the latest transaction was announced on 6 February 2017).
Simplify the balance sheet and lower the cost of debt	> The Group's weighted average cost of debt was reduced from 8.4% at 31 December 2015 to 7.5% at 31 December 2016. After the repayment of the Syndicated Loan in March 2017, the rate reduced further to 5.9%, on a weighted average for 2017. > Inter-company loan structures between GLI and Sancus have been simplified. The post year end repayment of the Syndicated Loan means that Sancus no longer manages any lending to GLI. > An Amberton-managed securitisation vehicle was launched in November to provide further funding to Sancus BMS.
Improve the Group's cash position	> A much improved treasury function has been built with bi-weekly CEO-chaired treasury meetings. > The Sancus BMS Group is wholly owned and its balance sheet is able to provide liquidity into the rest of the Group if required. > Improving the Group's liquidity position remains a key objective into the future. With the sale of the SMEF holding post year-end, funds raised have been used to pay off the syndicated loan which has reduced debt costs.
Reduce central costs	> The Group Head Office cost saving target of GBP1m has been achieved with significant savings being made on marketing, travel and professional fees.
Invest and rationalise to strengthen core businesses	> Where possible we have assisted platforms by introducing them to external funders, as the Group has not been in a position to make significant investments itself this year. The Group's investment this year amounted to GBP8.7m in equity and loans. > The investment portfolio has been rationalised, some underperforming investments have been exited and others have been written down.
Improve communication with stakeholders	> We have undertaken an intensive investor communication program over the course of the last 12 months as well as significantly improving our published financial reporting.

Sancus BMS continues as my primary focus, recognising the need to deliver the profitability to justify the multiples paid by the Group for these businesses. Execution on our strategy here will be key over the next year. The timing of the deployment of the funds from the SMEF sale and the loan note will be important.

2017 will also be an important year for our platforms to raise third party capital to scale their businesses. We are confident we will see positive outcomes which could grow some platforms significantly. A couple of our platforms have the potential, if they achieve their stated targets, of becoming FinTech 'unicorns'. If one of these platforms were to achieve this, the impact on the Group would be significant.

I am excited by the opportunities, which all the hard work of the past year has created for us. 2017 should be a much improved year for the Group.

I would like to thank the Board for their continued guidance and support, and my management teams for the innovation, diligence and determination with which they have addressed the challenges of 2016.

Finally, I would also like to thank you our shareholders for your continued support and I can assure you that we are focussed on delivering long term shareholder value.

Andrew Whelan
Chief Executive Officer

26 March 2017

Following a clear strategic direction

Goals	Strategy
Growing Sancus BMS	
Geographic expansion	We continue to consider the opportunities for growth afforded by other jurisdictions.
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.
One FinTech brand, solutions orientated client proposition, online, direct and intermediary-led origination	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 funders and borrowers.
Ensure all operating entities are profitable	'Work hard on it, give it an opportunity, if it doesn't work, restructure it, sell it, or close it. Don't procrastinate.'
Quality risk management and compliance to capture value	Safeguarding the balance sheet and our reputation with 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.
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 with Credit Committees.
Realise value from FinTech Ventures' investments	
Support and guide the development of key platforms	Provide direct financial support at critical times, introducing potential investors/funders and advice through active participation as a board member.
Realise value at optimal times	The Group is not a long term holder of this portfolio, and will seek to realise value at optimal times in the growth of each platform, or opportunistically if capital can be profitably redeployed.
Managing the Group for 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.
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 Group's strategy is to create value through growing the profitability of Sancus BMS and to realise value from its FinTech Ventures' investments.

Objectives for 2017	
> Expand the Sancus secured loan product to the UK and Ireland and review future opportunities such as the Cayman Islands.	> Ireland is considered to be an attractive market that is under-served by traditional lenders. We plan to expand through BMS and Sancus secured property-backed loans.
> Sancus plans to launch further structured loan notes. > BMS Finance is targeting an expansion its two funds.	> Relationships with existing funders will be nurtured. > Long term financing line for Sancus BMS is being explored.
> Optimise the operation of the 'Sancus.com' website, including all entities' products, with enhanced borrower and funder online experience and functionality.	> Implement common 'solution-based' sales message across origination teams. Build team work to ensure cross-selling opportunities are maximised. > Additional resources to be applied to loan origination.
> Ensure Sancus Finance is profitable on a monthly basis by December 2017. Product enhancements, improved sales capabilities and a better online presence are planned.	
> Credit processes and procedures will continue to be monitored and improved as required.	
> Credit processes and procedures will continue to be monitored and improved as required.	
> The Group is unlikely to make any significant additional platform investments, but may provide short term or limited financial support at key moments.	> Board participation and ongoing review of strategies and financial performance will continue.
> No sales are planned for this year, but the Group will consider serious offers if they are forthcoming.	
> The recently announced sale of our holdings in SMEF will improve the liquidity position, and surplus capital will be reinvested in higher yielding lending activities.	> Strict liquidity controls will continue to be applied.
> Ongoing stakeholder roadshows, communications and disclosures will be undertaken.	

An innovative business model designed to deliver value to stakeholders

Our capital

Financial
Low balance sheet gearing (48%), listed debt facilities and institutional, corporate and high net worth participants in loan facilities.

Capabilities
Strength in origination of both lending and funding opportunities, credit assessment and structuring, and management of multi-jurisdictional business complexities.

Relationships
Our relationship and reputation with our funders and borrowers fundamentally underpins our business.

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.

The business cycle

Sourcing of business opportunities
We continue to build our strengths in business origination, either direct, through brokers or, increasingly, online.

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.

Monitor, restructure
Deals are closely monitored, where action needs to be taken to restructure, our approach is pragmatic and flexible.

Recover and realise value
Returns on loans, and in time, value from longer term investments (through planned or opportunistic sales) is realised.

Govern and control
Balance entrepreneurship with, sensible risk management and transparency to maintain stakeholder trust.

Big business control within a small business environment.

What makes us different

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, which itself comprises three different models, and a venture capital fund which has invested in a portfolio of different business models, providing a range of opportunity and diversification of risk.

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 lending opportunities for funders, as well as looking for returns from on balance sheet lending.

Combining traditional and online origination

Origination has largely been from traditional relationship-based sales processes, which are now being supplemented by increasingly popular brand-led online opportunity management.

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.

Value creation for stakeholders

Shareholders

A clear and straightforward strategy has been delivered, which should create returns from both operating dividends and investment realisations.

Debt funders

Competitive interest rates underpin ongoing relationships.

Co-lenders and funders

Opportunities to participate in a range of products providing a choice of term, return and associated risk.

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.

Government

Respect for all stakeholders means respect for the regulations governing our jurisdictionally-diverse businesses, so safeguarding our rights to operate.

Sancus BMS (Pillar One)

At a glance

Background

An alternative financing business operating in the UK, Ireland and four 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.

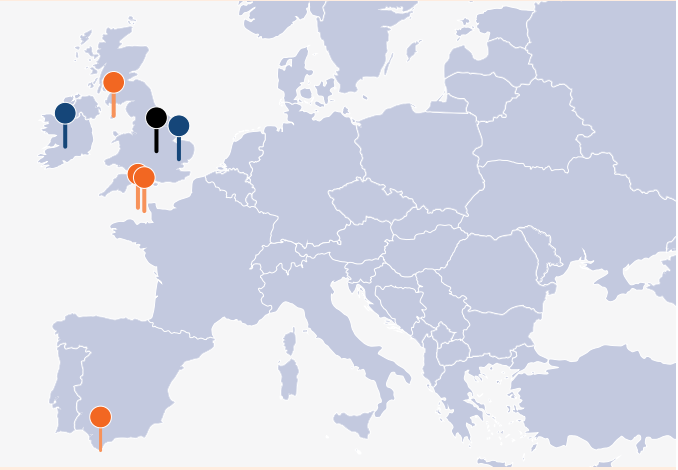
Strategy

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, online, direct and intermediary-led origination
- 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.



Key

- Sancus – Jersey, Guernsey, Gibraltar, and Isle of Man
- BMS Finance – UK and the Republic of Ireland
- Sancus Finance Limited – UK

Business Model

Sancus BMS comprises the operations of Sancus, BMS Finance and Sancus Finance. During the first half of the year, GLI's investment in Sancus BMS Group increased following its acquisition of the remaining stakes in Sancus Gibraltar, BMS Finance and Sancus Finance.

- Sancus BMS Group (100%)
- Sancus Jersey (100%)
- Sancus Gibraltar (100%)
- Sancus Guernsey (100%)
- BMS Finance (UK & Ireland) (100%)
- Sancus Finance (84%)
- Sancus Isle of Man (7%, increased to 21% post year end)
- Amberton Asset Management (50%)
- Investment in SMEF (exposure to SME loans) (46%, decreased to zero post year end)

On 16th January 2017, Platform Black changed its name to Sancus Finance Limited and is now operated as part of Sancus BMS.

On 6th February 2017 it was announced that Sancus BMS Group Limited acquired a further 14% in Sancus IOM Limited for GBP1.1m, which is performing in line with expectations.

The business operates in the UK, Ireland, Jersey, Guernsey and Gibraltar. 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 and CEO Sancus Finance), Shane Lanigan (Executive Director, BMS Finance), Caroline Langron (MD Sancus Finance), Steve O'Brien (MD Sancus Gibraltar), Simon Brown (MD Sancus Guernsey), Mike Hennessey (MD Sancus IOM), Peter McVeigh (CFO) and Russell Harte (COO). Refer page 36 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, supplier finance, invoice trading, educational institution financing and vendor partner program. This range of lending products allows solutions to be delivered to borrowers' funding requirements. These lending products also provide funders with loan participation opportunities with differing risk, term and return profiles.

Sancus BMS comprises the operations of Sancus, BMS Finance and Sancus Finance.

Specifically, the three businesses operate as follows:

sancus
straightforward financing

Sancus provides secured lending to asset rich, cash constrained borrowers while also providing co-funding opportunities to high net worth clients.

Sancus companies lend their own capital in every loan alongside 'co-funders' who advance the majority of funds on each borrowing. There is no set ratio for the deployment of Sancus capital, although a guideline of 5-10% average participation is in place.

This business model results in revenues being generated from interest income on lending own capital, administration fees on managing loans for co-funders and transaction fees on new and restructured loans, resulting in a strong return on every GBP1 of capital employed.

bmsfinance

BMS Finance sources, structures, arranges and monitors senior secured, term (2 to 5 years) lending of up to GBP5 million for UK SMEs and up to EUR5 million to Irish 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 sectors such as business services, software, hardware, financial services, media and advertising.

Lending is structured through two distinct investment companies, each one of which has long term committed capital from investors including circa 49% being subscribed by government investment vehicles, namely the British Business Bank Investments (BBBIL) in the UK and the National Treasury Management Agency (as controller and manager of the Ireland Strategic Investment Fund (ISIF)) in Ireland. The total capital committed to the investment companies is GBP60 million and EUR30 million for the UK and Irish funds respectively.

Funding is also provided from BMS Finance's own balance sheet, GLI, and from SMEF, under matched funding agreements.

This business model results in revenues being generated from interest income on lending own capital, dividends on investments in the two funds and fees for managing the funds.

GBP11.3m
Sancus BMS total revenue

sancus
straightforward financing

Sancus Finance is an innovative online business finance marketplace that connects funders to businesses and institutions which are seeking flexible working capital finance solutions. Since inception, Sancus Finance has raised finance from a wide-range of UK and Channel Island based funders. It has advanced in excess of GBP100m funding to its SME clients.

Two products are offered, being Invoice Trading and the Supplier Finance Product. Where SMEs require finance for the short term or under a longer term relationship, they are able to offer, after credit assessment, their debtor invoices for sale to funders through the Sancus Finance platform. In the case of the Supplier Finance Product, these facilities are organised by companies which would like to have their creditors paid early, without incurring finance costs themselves. This also creates an effective permanent inflow of working capital.

From a funders' perspective, Sancus Finance offers 10% first loss protection on Invoice Trading, whereas 90% credit insurance is offered on Supplier Finance. Funders are able to participate in transactions through the online platform, with the duration of transactions averaging 50-60 days.

Management fees are earned from the difference in the face value of transactions financed and the amounts paid to funders.

FinTech Ventures (Pillar Two)

At a glance

Background

A portfolio of investments in FinTech platforms in the UK, USA, France, Spain and Cameroon.

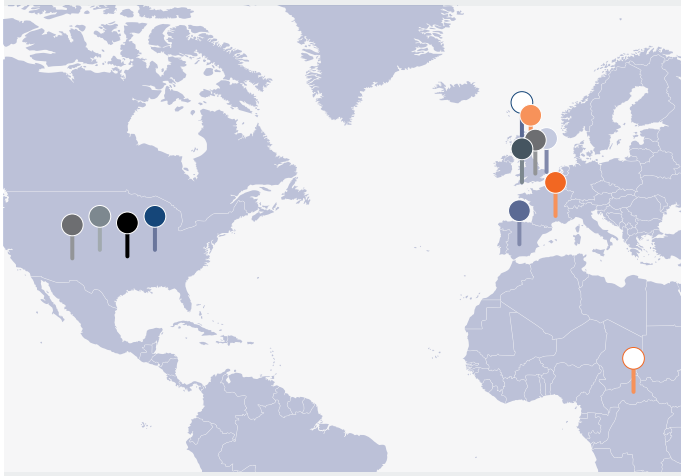
Strategy

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 (i.e. increase in net asset value) over time, creating the healthy option of paying a proportion of realised returns as dividends.



Key

- Funding Knight – UK
- Finexkap – France
- Finpoint – UK
- Funding Options – UK
- LiftForward – USA
- MytripleA – Spain
- Open Energy Group – USA
- Ovamba – Africa
- The Credit Junction – USA
- TradeRiver – UK
- TradeRiver – 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.

Funding Knight
www.fundingknight.com

Funding Knight provides SME finance through crowd lending from a broad base of investors. As well as business loans, Funding Knight provides finance for property bridging and green energy projects. Key developments in the period included:

- GLI purchased Funding Knight Limited following the liquidation of its holding company. We are currently working with its management team to ensure it has a competitive distribution strategy to complement its quality IT platform.
- Commencement of collaboration with Sancus Finance to realise potential synergies.
- Move the focus of the business to secured asset backed lending.

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 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 2016, Finexkap had originated EUR60m of invoice transactions since inception. Volumes are growing on an exponential basis with year on year growth multiples averaging 2.0-2.5x and demand continues to be strong.
- The first stage of the 'Clic & Cash' partnership with Sage was launched in December 2016 enabling Finexkap to offer its product directly to 60,000 business users in France. Further similar partnerships with leading accounting software and e-invoicing platforms are expected to drive the strong origination curve.
- On the funding side, Finexkap has secured a partnership with the largest receivables asset manager in France, Acofi Gestion, and set up a new EUR100m securitisation fund at a historical low financing cost with a targeted net annual investor return of 1%.
- A bridge loan of EUR2.9m secured in October 2016 and a series B funding round is projected for second half of 2017.

Platforms have refined and improved their strategies and business models.

The success of the funding and lending partnerships is key to Finexkap's potential profitability. Based on current projections, profitability is expected to occur late in 2018.

fundingoptions

Funding Options
www.fundingoptions.com

Funding Options uses proprietary funder/borrower 'matchmaking' technology to act as a one-stop-shop for business finance and works with a well-established panel of over 60 funders, which provide funding for its SME lending. The following key developments took place in the period:

- Full authorisation from the Financial Conduct Authority (FCA).
- Strong revenue growth in 2016, with H2 2016 revenues five-times higher than in H1 2015, eighteen months earlier, and Funding Options becoming a material introducer to the UK's alternative business lending community.
- Selection as one of three Finance Platforms designated by HM Treasury under the Small Business, Enterprise & Employment Act 2015, meaning all major UK banks are required by law to offer rejected SME loan applicants a referral to Funding Options. The scheme was launched in November 2016 with initial results indicating the scheme is delivering material additional lead volumes.
- Advancement of a significant programme of operational change including the deployment of an enterprise-grade customer relationship management tool (Salesforce) and substantial improvements to unit economics.

As market awareness of online solutions for business finance continues to grow, evidenced by the broadening demographic profile of the typical SME customer, demand for borrowing and availability of funds via alternative lenders remains strong. Although ambitious, the 2017 revenue growth forecast continues recent trends, and is anticipated to be sufficient to achieve operating breakeven in 2017.

Having maintained recent strong performance in the opening weeks of 2017, the leadership team of Funding Options are increasingly confident that the unique business model will yield repeatable and attractive economics, meaning a focus on continuing the trend of strong revenue growth. Funding Options is also well-positioned to take a central role in financial technology disruption arising from industry trends such as Open Banking, notably with the UK Competition & Markets Authority's recent banking market remedies giving a specific role for Funding Options as a government-designated Finance Platform.

LIFTFORWARD, INC
SMALL BUSINESS LOANS

LiftForward
www.liftforward.com

LiftForward provides manufacturers and distributors with point-of sale software and service solutions for their small business customers, allowing manufacturers to sell their goods and services as subscription products. 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 financing services power Microsoft's Surface Membership (www.microsoftstore.com/surfacemembership) which allows businesses to pay monthly fees in exchange for a bundle of equipment, software, warranties, training and accessories. This facility is available directly on Microsoft's US website, as well as in all Microsoft stores in the USA. Expansion plans exist to roll out this model in Europe and other parts of the Western World.

Businesses are able to access the Microsoft website, research the products they might need, then click through to the LiftForward website to sign up for Surface Membership. This includes making 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 upgrade equipment after 12 or 24 months. LiftForward are able to approve the deal online within seconds. An order is then automatically placed with Microsoft and 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, a significant advantage in competitive markets.

In 2016, LiftForward reached break-even and more than tripled its revenues and origination volume over last year. LiftForward has a total of 22 employees and is on track to more than double revenues in 2017. Also in 2016, LiftForward closed on a USD100 million financing facility from Monroe Capital, a USD4 billion asset manager headquartered in Chicago. In 2017, LiftForward plans to close another financing round with a major financial institution and a Series C equity financing. A full investment presentation is available upon request.

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 two products; 1) insurance-guaranteed loans for more conservative investors and 2) non-guaranteed loans offering investors higher risk and higher return. Key developments in the period included:

- Total loan origination volume of EUR8.3m, representing 365% growth compared to 2015.
- Obtaining 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 unique competitive advantage in the Spanish p2p sector.
- The platform successfully raised EUR1m.

Open Energy Group
www.openenergygroup.com

OEG is a financing platform for US commercial and small utility-scale solar projects. It uses an online marketplace to facilitate investment from institutional and accredited investors in loans based on a foundation of technology-driven underwriting processes.

OEG syndicate solar construction and term loans which are often linked so that OEG control the whole process. Construction loans are high yielding and generally short duration, which typically roll into term loans of longer duration (5-15 years) to cover the operation of the generation project.

Tax efficient equity investment opportunities are also offered.

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:

- Significantly expanded funding relationship with Crowdcredit, a speciality Japanese lender providing alternative investment solutions to Japanese Mass affluent investors.
- Receiving 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

The Credit Junction ('TCJ') is the first data-driven asset based lending platform and is transforming the way small and mid-size businesses access working capital, growth and supply chain financing solutions. The company combines technology and data intelligence with traditional asset-based credit metrics and offers up to USD5m in capital availability. TCJ targets growth-oriented suppliers, distributors and manufacturers typically with revenues between USD2m and USD25m.

	The Credit Junction	Banks	ABL	Factors	Online lenders
USD200K–USD5m	✓			✓	
All-in rate: 20<%	✓	✓	✓		
Application to funding: <2 weeks	✓			✓	✓
Lines of credit: interest only	✓	✓	✓	✓	
Lend against inventory, M&E	✓	✓	✓		
Doesn't use FICO	✓		✓	✓	
Company maintains A/R relationship	✓	✓			✓

TCJ surpassed USD100m in Lines of Credit in Q1 of 2017 and over USD1.4bn in applications have been submitted since inception. The company has been profiled in Forbes, The Huffington Post, INC magazine among numerous other outlets and has recently announced a strategic alliance with Rubicon Global.

Management remains keenly focused on credit, controls and its path towards profitability as it prepares for the next stage of growth in 2017 and beyond.

TradeRiver UK
www.traderiverfinance.com

TradeRiver is a non-bank online funding platform which finances trade, both cross-border and in the UK. It provides businesses with finance to purchase goods and services through an online platform. Borrowers are typically SMEs generating annual turnover between GBP5m – 200m and with the majority requiring funding for imports to the UK. Key developments in the period included:

- Total lending since inception surpassed GBP100m.
- Winner of the AltFi Direct Lending Platform of the Year award 2016.
- Enlarged debt funding facilities with several leading banks.
- Lending is 90% credit insured, an attractive offering to their funders.

TradeRiver US
www.traderiverusa.com

TradeRiver USA is a non-bank online funding solution which finances trade, both cross-border and in the US. It utilises the same software solution as TradeRiver UK. Key developments in the period included:

- Enlarged debt funding facilities with a regional bank in Maryland, USA.
- Strong lending growth with the loan book growing 240% during the year.
- Lending is 90% credit insured, an attractive offering to their funders.

UK Bond Network
www.ukbondnetwork.com

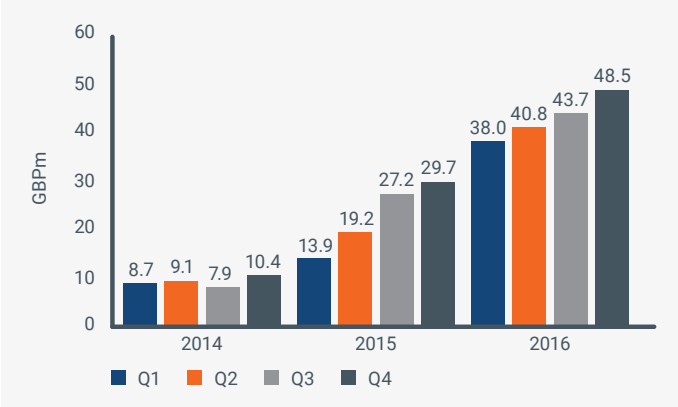
UKBN is a peer to business platform that functions as a marketplace for private SMEs and small public companies seeking between GBP0.5m and GBP4m of debt finance. Bonds are made accessible to a variety of different types of investors via an online auction. Key developments in the period included:

- Bond volumes almost doubled in 2016 compared to 2015, raising a total of GBP5.6m for UK SMEs.
- Received direct authorisation from the FCA in September 2016, becoming one of a select few alternative finance platforms to achieve the milestone to date. This achievement paves the way for UKBN to launch its Innovative Finance ISA (IFISA) in early 2017.
- Development of UKBN's secondary bond market progressed in the period and launch is scheduled for early 2017.
- UKBN raised GBP1m in working capital during the year.

Combined key performance indicators

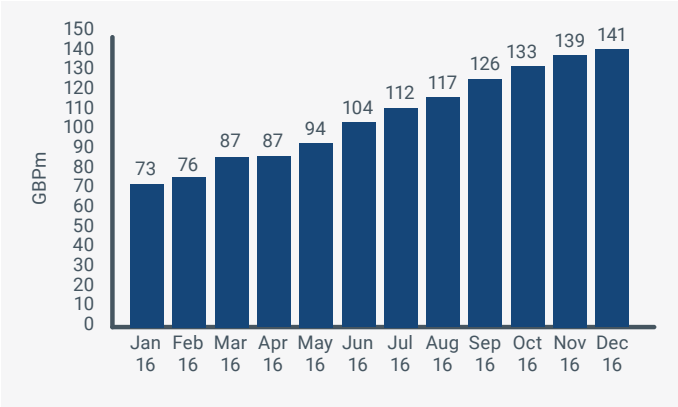
The individual financial results of platforms are considered commercially sensitive and as such are not disclosed. However, loan statistics, which are closely correlated with revenues, are presented on an aggregate basis.

Aggregate loan origination per quarter



The platforms have shown consistent growth in loan origination, with an increase of 90% in their origination in 2016 compared to 2015. This continued growth in origination is promising and with additional funding being secured at the end of 2016 or due H1 2017 by the majority of the platforms the portfolio looks set to continue this growth trend.

Aggregate platform loan books



Aggregate loan books have increased by 94% from the start of 2016 until year end. Strong performers over the year have been The Credit Junction, LiftForward and Trade River UK.

The 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 19(4) for comment on the sensitivity of the Group's valuations to changes in revenues earned by platforms.

There have been only minimal credit defaults across the platforms.

Presenting the Group's revised investment proposition

Emma Stubbs Chief Financial Officer

"Our focus is on the operating profit of Sancus BMS and the growth in the fair value of FinTech Ventures' investments."

The CEO's report describes how we have revised our investment proposition into two value generating businesses. From a financial reporting perspective this shifts us away from the Company fair value-based net asset value (NAV) per share, to a focus on the operating income of Sancus BMS and the fair value of FinTech Ventures's portfolio.

To achieve this shift, we have:

- taken advantage of the exemption conferred by the Companies (Guernsey) Law, 2008, Section 244, not to prepare company only financial statements;
- improved disclosures on the consolidated operating income of Sancus BMS; and,
- changed our accounting policy to fair value FinTech Ventures platforms on consolidation.

As Company accounts are not presented, Table 4 on page 24 reconciles the unaudited Company NAV to the Group NAV. The Company values its Sancus BMS subsidiaries and FinTech Ventures' investments at fair value. On consolidation, only FinTech Ventures is stated at fair value. As a result the Group's consolidated NAV is GBP15m lower than that of the Company. This difference is primarily related to the Company carrying its investment in BMS Finance at a fair value of GBP13.8m, which, when IFRS is applied on consolidation, is carried in the Group accounts at GBP0.7m.

Change in accounting policy for FinTech Ventures' investments

In prior years in the consolidated results, the FinTech Venture platforms were accounted for in accordance with IFRS10 Consolidated Finance Statements through the application of equity accounting. As a consequence, included in Group earnings was its share of the operating results of each platform. As these early-stage platforms are losing money, each year the Group recognised significant equity accounted losses. In turn, this led to a decrease in valuations by GBP10.4m in 2015 and a further GBP7.4m in the first half of 2016, when compared to valuations on a Fair Value basis.

It is the Fair Value basis which the Board believes gives the best presentation of value. To address this we have adopted the Venture Capital exemption in IAS28 for the first time this year end. This allows our FinTech Ventures's investments to be fair valued as opposed to equity accounted, which is in line with, and therefore replaces, the GLI Measurement basis utilised in our interim report. Prior year comparisons have been restated accordingly. Refer Note 2(b) for further explanation of this accounting policy change.

This is a fundamentally important development for the Group, and underpins the successful implementation of the two pillar business unit structure.

We are now able to meaningfully disclose, in Table 11 on page 29 the return on investment and net asset value per share for FinTech Ventures, as the primary measures of value creation in this business unit.

Consolidated results

Composition of consolidated results

Sancus BMS includes the three Sancus entities along with Sancus Finance, BMS, SMEF and Amberton. Sancus Gibraltar's results have been consolidated in the second half of the year. Sancus Finance has been consolidated for 11 months.

FinTech Ventures includes the fair value adjustments of our 11 platforms, plus the consolidated results of Funding Knight since it was acquired in June 2016.

Due to the significant number of corporate transactions in 2016 and 2015, the accounting for a number of our entities changed year on year, i.e. SMEF and the BMS Sarls were consolidated subsidiaries in 2015 but for the majority of 2016 were accounted for as investments. Sancus Gibraltar, Sancus Finance and Funding Knight only became consolidated subsidiaries in 2016. Because of the significance of these changes, 2015 Proforma results have been presented in Table 1 to provide a meaningful basis for comparison. As per Table 5, Proforma results noted later on the report, revenue has been normalised to exclude non-sustainable and intercompany items.

Commentary

On this basis, Table 1 sets out an analysis of the operating results of Sancus BMS and FinTech Ventures for the year to 31 December 2016.

On a consolidated basis the Group made an operating loss of GBP1.0m (31 December 2015 proforma: operating loss of GBP2.6m, actual operating loss GBP3.5m). The total loss for the year was GBP16.5m (31 December 2015 proforma: total loss of GBP6.6m, actual loss GBP4.6m).

At an operating profit level, as a result of strong growth in revenues, Sancus BMS delivered an increase in profitability from GBP0.9m to GBP2.1m, with most of the growth coming from Sancus Gibraltar. Further explanation of this can be found on page 28 and in Table 5. Going forward, growing this sustainable profit stream is the key management objective.

Sancus Finance is still an early stage business and as a result is still loss making. The Group accounted for losses of GBP1.3m arising from this operation. A key priority for 2017 is to turn around the performance. Work is underway to improve its results, in part through cost savings, but in particular through a review of their loan products, market segment focuses, customer offerings and origination strategies.

Fair value adjustments to SMEF and FinTech Ventures valuations were significant, at GBP14.4m, partly offset by the effects of a weaker Sterling, resulting in an unrealised foreign exchange gain of GBP4.4m. SMEF's price traded lower in the first half but partly improved in the second. The majority of the FinTech Venture write downs occurred in the first half of the year and primarily related to 6 platforms which either closed or were not operating to expectation. Refer Table 9 for further detail.

Costs were higher as expenditures were required to execute on the restructuring plan. These should not recur in 2017.

Consolidated Statement of Comprehensive Income (Table 1)

	31 December 2016 – Actual				31 December 2015 – Proforma			
GBP'000	Sancus BMS	FinTech Ventures	Non-attributable central costs	Total 31 December 2016	Sancus BMS	FinTech Ventures	Non-attributable central costs	Total 31 December 2015
Interest and Dividend Income	6,630	413	–	7,043	5,787	1,089	–	6,876
Fee income	4,692	215	–	4,907	2,679	–	–	2,679
Total revenue	11,322	628	–	11,950	8,466	1,089	–	9,555
Interest costs	(3,774)	–	–	(3,774)	(3,480)	–	–	(3,480)
Net revenue after interest costs	7,548	628	–	8,176	4,986	1,089	–	6,075
Operating expenses	(5,491)	(2,144)	(1,533)	(9,168)	(4,133)	(1,893)	(2,693)	(8,719)
Operating profit/ (loss)	2,057	(1,516)	(1,533)	(992)	853	(804)	(2,693)	(2,644)
Fair value adjustments	(2,736)	(11,713)	–	(14,449)	–	(918)	–	(918)
FX adjustment	144	4,281	–	4,425	–	898	–	898
Net (loss)/profit	(535)	(8,948)	(1,533)	(11,016)	853	(824)	(2,693)	(2,664)
Non-recurring operating costs	(912)	(731)	(281)	(1,924)	(700)	(3,088)	(542)	(4,330)
Goodwill impairment	(3,408)	(738)	–	(4,146)	–	–	–	–
Other net gains/ (losses)	–	553	(2)	551	346	–	–	346
Consolidated (loss)/ profit for the year	**(4,855)**	**(9,864)**	**(1,816)**	**(16,535)**	**499**	**(3,912)**	**(3,235)**	**(6,648)**

Revenue

Total revenue for the year was GBP12m versus GBP9.6m on a proforma basis (31 December 2015 actual total revenue GBP12.8m). We have seen impressive revenue growth, particularly within Sancus Gibraltar of 122% over a comparable period in 2015.

Fee income which is made up of arrangement and commitment fees saw a healthy increase of 28%, particularly from higher lending fees in Sancus on the back of the growth in its overall loan book.

BMS revenues were stable over the two years, but will begin to grow into 2017 as their investment in the two loan funds grows.

Sancus Finance also showed some growth in revenues, particularly in the fourth quarter.

Revenues in FinTech Ventures declined as the quantum of 'loans through platforms' declined as per the Group's strategy.

Interest Costs

Interest costs were in total GBP3.8m in the year, compared to GBP3.5m in 2015 (31 December 2015 actual interest costs GBP4.4m), 2016 included GBP0.4m of costs from subsidiaries now no longer part of the Group so excluding these costs were flat with the saving on refinancing the Syndicated Loan in March 2016 at a lower interest rate and reduced principal amount, partly cancelled out with six months' worth of bond interest costs. The weighted average interest cost for the year-ended 31 December 2016 was 7.5% (31 December 2015: 8.4%), a reduction as a result of the lower rate on the restructured Syndicated Loan. At year end, interest bearing debt comprised:

- GBP14.86m loan facility repayable 15 March 2017 (8.75%, previously 11%), interest paid quarterly, which has now been repaid;
- GBP10m 5-year Bond (7%) matures 30 June 2021, interest paid half yearly;
- GBP20.7m 2019 ZDPS (5.5%) income entitlement and principal due on expiry 5 December 2019.

To measure business unit performance in the table above, finance costs are allocated to Sancus BMS to recognise its use of the Group's debt facilities in its lending activities. FinTech Ventures however is 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.

Operating and non-recurring costs

Total costs in 2016 were GBP9.2m compared to GBP8.7m in 2015. This slight increase was primarily driven by an increase in Sancus BMS's operating expenses related to the expansion of its operations.

FinTech Venture's operating expenses increased by GBP0.3m as a result of the consolidation of Funding Knight's costs which were GBP0.7m for the six month period offset by cost savings on employee costs and professional fees.

Non-attributable central costs relate to operating the listed holding company – legal, professional, administration, marketing, listing and salary costs. These totalled GBP1.5m in 2016 versus GBP2.7m in the prior year, representing a cost saving of GBP1.2m. This exceeded the planned GBP1.0m cost saving target. Considerable savings have been achieved in travel, marketing, legal, professional and salary costs.

Non recurring costs have been significantly reduced from GBP4.3m (2015) to GBP1.9m in 2016. For 2016, these relate largely to legal and professional fees arising on corporate transactions involved in reshaping the structure of the Group and hence are not expected to arise in the future. The 2015 costs arose during a time when the company was in growth mode and acquiring or considering acquiring, a large number of platforms, and therefore incurred significant legal, professional and travel costs.

Fair Value and Foreign currency adjustments

The full year fair value adjustment was a loss of GBP14.4m, with GBP11.7m in FinTech Ventures as we made significant write downs in the first half of the year and GBP2.7m in Sancus BMS which included the negative mark-to market adjustment for the SMEF holding at year end.

The full year foreign exchange gain from weaker sterling was GBP4.4m, with GBP0.1m gain in Sancus BMS from the BMS Irish Sarl held in Euro and a gain of GBP4.3m in FinTech Ventures, from its US dollar and Euro investments.

Goodwill Impairment and other net gains/(losses)

This balance includes an impairment on goodwill of Sancus Finance and Funding Knight. As a result of the difficult year that both Sancus Finance and Funding Knight have had, the goodwill arising on consolidation of these businesses has been impaired by GBP3.4m and GBP0.7m respectively. Both businesses are the subject of important turnaround strategies. Other net gains/(losses) includes one off adjustments from write back of loan interest from subsidiaries no longer part of the Group.

Consolidated Statement of Financial Position (Table 2)

GBP'000	Sancus BMS	FinTech Ventures	Group Treasury	Total 31 December 2016	Total 31 December 2015
Loan and loan equivalents	62,602	4,034	–	66,636	89,285
FinTech Ventures investments	–	36,104	–	36,104	38,806
Cash and other trade receivables	7,473	1,228	3,627	12,328	22,076
Goodwill	25,033	–	–	25,033	14,255
Other assets	2,004	5	10	2,019	3,897
Total assets	**97,112**	**41,371**	**3,637**	**142,120**	**168,318**
Equity	47,057	41,253	2,558	90,868	106,883
Liabilities	50,055	118	1,079	51,252	61,435
Total equity and liabilities	**97,112**	**41,371**	**3,637**	**142,120**	**168,318**

The 2015 comparatives have not been restated on a proforma basis as per Table 1. The BMS Sarls and SMEF are consolidated within the loans and loan equivalent line. Other lines are comparable to 2016.

Loans and loan equivalents

Group Loans and loan equivalents at the end of 2016 were GBP66.6m. Sancus BMS held loans and loan equivalents of GBP62.6m, of which GBP38.8m related to loans and GBP23.8m to shares in SMEF, which earns a return on a book of SME loans. Post year-end the holding in SMEF was sold. Refer the Sancus BMS Financial Review on page 25.

Within FinTech Ventures the loans of GBP4.0m are the remaining loans through platforms.

The total amount included in 2015 relating to the BMS Sarls and SMEF was GBP25.5m.

FinTech Ventures' investments

Investments in FinTech Ventures of GBP36.1m relates to equity, preference shares and a small amount of working capital loans. Refer Table 9 for more detail.

Cash and trade receivables

Cash and other trade receivables at 31 December 2016 was GBP12.3m (GBP22.0m at 31 December 2015). This balance comprised of GBP9.6m in cash and cash equivalents at the year end and GBP2.7m in trade and other receivables. The decrease in this balance from prior year was due to the cash holdings of the BMS Sarls.

Goodwill

Goodwill of GBP25.0m in 2016 (GBP14.3m at 31 December 2015) increased in the year due to the acquisition of Sancus Gibraltar and Sancus Finance. A breakdown of the Goodwill is included in Note 8.

Liabilities and equity

Total equity at the year end was GBP90.9m, (GBP106.8m at 31 December 2015) and GBP51.3m liabilities (GBP61.4m at 31 December 2015). GBP43.9m of the liabilities related to the Group debt. Reserves have reduced as a result of the loss for the year and dividends paid.

The Sancus BMS balance sheet is considered to be funded by the Group's debt (GBP43.9m) trade and other payables of GBP6.2m and GBP47.0m of equity.

FinTech Ventures is funded entirely by equity as would be expected for a venture capital business.

Long Term Liabilities

Post year-end the syndicated loan of GBP14.86m was repaid, reducing the Group debt to GBP33.2m, made up of GBP10.0m bond and the remainder being the ZDPs. The Group will consider further debt options in the future. To note in 2014 a new class of redeemable zero dividend preference shares were issued and attached rights were duly passed by shareholders. In accordance to article 7.5.5 of the Company's Memorandum and Articles of Association the Company (document can be accessed via the Company's website – www.glifinance.com) is limited to incur any borrowings in excess of GBP30.0m without prior approval from shareholders. Current excess borrowings post repayment of the syndicated loan is GBP20.0m.

Key performance indicators (Table 3)

	Sancus BMS	FinTech Ventures	Total 31 December 2016	Total 31 December 2015
Loans under management	120,387	141,155	261,542	161,343
Return (loss) on equity[1]	4.4%	(3.7%)	(1.1%)	(2.5%)
Return (loss) on gross assets	2.12%	(3.7%)	(0.7%)	(1.6%)
Cost to income ratio	48.5%	341.4%	76.7%	91.2%
Interest turn[2]	4.6%	10.2%	4.9%	3.8%
Administration/management fee	2.1%	–	2.1%	1.8%

[1] Return/(loss) on equity is calculated using operating profit.

[2] Interest turn is calculated using the closing loan and loan equivalents.

Sancus BMS has produced a ROE of 4.4%, a return on gross assets of 2.12% and has a cost to income ratio of 48.5%. All ratios have been negatively impacted by the consolidated loss of Sancus Finance (GBP1.3m). FinTech Ventures' returns for the year have been negative as a result of valuation write downs on those platforms which have underperformed.

Comparison of unaudited Company Net Asset Value to Group Net Asset Value (NAV) attributable to ordinary equity holders

In this year of change from a Company NAV to Group consolidated accounts, presented in the table below is an explanation of why the Group's NAV on a consolidated basis is lower than the Company NAV by GBP15.1m at 31 December 2016.

The majority of this difference is explained by the fact that the Company accounts reflect its investments in subsidiaries at fair value whereas in the consolidated accounts unrealised revaluation gains are not recognised.

In particular, the Company carries BMS Finance at a fair value of GBP13.8m, but on consolidation GBP13.1m of this investment is not recognised. In part this arises as IFRS requires that any difference between the amount which the Group paid for the minority interests in BMS Finance in June 2016 should be charged directly against reserves, so reducing the Group NAV. This amounted to GBP4.1m. It also arises because on consolidation the Group is not able to recognise the increase in the value of its original 68% stake in BMS.

Company/Group NAV reconciliation (Table 4)

(GBP'000)		Total 31 December 2016
Company NAV		105,889
Less: Company value of subsidiaries at fair value	(86,314)	
Add: Consolidated NAV of subsidiaries	52,480	
Add: Goodwill on consolidation	25,033	
Net effect of consolidating subsidiaries		(8,801)
which is made up of:		
– Revaluation of BMS not recognised on consolidation		(9,080)*
– Other		279
Less: Goodwill not recognised on acquisition of non-controlling interests in BMS		(4,096)*
Other		(2,249)
Group NAV attributable to equity holders of the company		90,743
Total value of BMS not recognised on consolidation		(13,176)*

* 'Revaluation of BMS not recognised on consolidation' added to 'Less: Goodwill not recognised on acquisition of non-controlling interests in BMS' equals 'Total value of BMS not recognised on consolidation'.

Sancus BMS financial review

Proforma Results of Operating Entities in Sancus BMS

The table below provides comparative figures for the three operating entities within Sancus BMS as if they had been wholly owned by the Group for the last three years. Revenue has been normalised to exclude non-sustainable and intercompany items. Tables 6, 7 and 8 reflect actual results, so have not been normalised to exclude non-sustainable earnings, but intercompany items have been eliminated.

Proforma earnings (Table 5)

	2016				2015				2014			
GBP'000	Sancus	BMS	Sancus Finance	Total	Sancus	BMS	Sancus Finance	Total	Sancus	BMS	Sancus Finance	Total
Total revenue	4,824	3,163	519	**8,506**	3,171	3,277	352	**6,800**	1,583	2,222	365	**4,170**
Operating expenses	(1,872)	(1,320)	(1,777)	**(4,969)**	(1,442)	(1,150)	(1,608)	**(4,200)**	(700)	(1,185)	(1,675)	**(3,560)**
Operating profit/loss	2,952	1,843	(1,258)	**3,537**	1,729	2,127	(1,256)	**2,600**	883	1,037	(1,310)	**610**

Year on year, revenue has increased by 25% with operating expenses increasing 18%, resulting in an increase in Operating Profit before Interest (OPBI) of 36%. The increase is due to the growth in Sancus where Sancus has seen a 52% increase in revenues with operating expenses up by 30% resulting in an increase in OPBI of 71%. This is largely due to Gibraltar which became a 100% subsidiary from 30 June 2016.

Over the three years, BMS revenues have changed in nature – transaction related fees and interest on loans from own capital have been largely replaced by returns from the loan funds they manage together with related management fees – a sustainable source of revenue. As the investment in the loan funds continues to grow, so will the income from this source. On the basis presented below, OPBI has increased a creditable 78% since 2014.

Sancus Finance has shown positive revenue growth of 47% but operating expenses have also increased resulting in a flat operating loss year on year. A turnaround plan is underway for Sancus Finance and we are looking to grow revenues within this entity whilst carefully managing the cost base in order to improve its profitability.

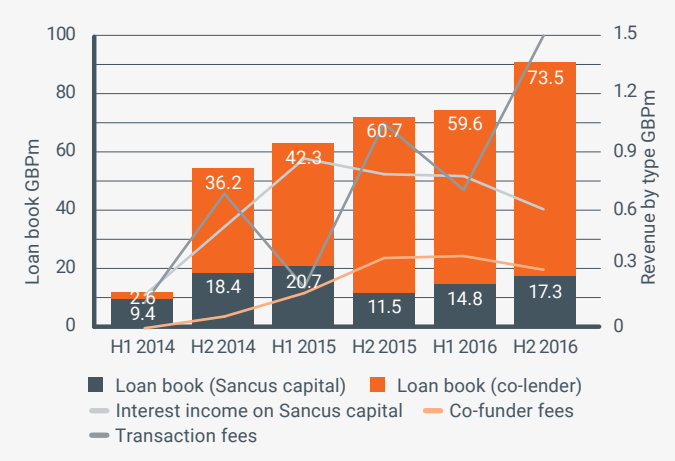
In June 2016, before the creation of the Pillar One Sancus BMS structure, the Group announced a target for the annual profitability of Sancus and BMS of GBP2.5m. Per Table 5, the operating profit for 2016 of Sancus and BMS was GBP4.8m, less finance costs results in actual profitability of GBP2.9m.

Sancus
www.sancus.com

Sancus has loaned in total GBP257m since it became fully operational in January 2014. The profile of the loan book, on average is as follows:

- loans size is GBP2m;
- duration is 12 months;
- interest rates charged are 11%, and
- loan to Values (LTV) are 37%

Sancus revenue and loan book 2014–2016 (Table 6)



This graph shows the performance achieved by Sancus Jersey, Sancus Gibraltar and Sancus Guernsey since 2014. Intercompany transactions between Sancus entities and GLI have been eliminated. The results of Sancus IOM have not been included due to the Group only holding 14% (increased to 21% subsequent to year end).

The total loan book has increased by 25.8% from GBP72.2m at the end of December 2015 to GBP90.8m at the end of December 2016. The purchase of Sancus Gibraltar added GBP22m to the loan book at acquisition, half of the organic growth in 2016 came through further deployment of capital in Sancus Gibraltar.

Since inception, co-funder participation has increased resulting in a more profitable use of capital.

Interest income in absolute terms has seen a marginal decrease from 2015 to 2016 due to the time taken to deploy the funds raised through the Sancus Loan Note 1 which was launched in November 2016. Lending margins have been maintained at around 10% and as such interest revenue is expected to recover.

Sancus entities have experienced excellent retention rates amongst co-funders, as they seek both to recycle and deploy additional capital upon maturity of existing loans to exploit new opportunities. With attractive risk returns and Sancus's track record of a default lower than 0.5% (but no losses) since inception, strong appetite to participate in loans is expected to continue from existing and new co-funders.

Transaction fees fluctuate according to new loan activity. In H2 2016 Sancus Gibraltar completed the largest deal to date (GBP17.0m), which drove an increase in the overall loan book as well as transaction fees.

Co-funder fees are down slightly in the second half as the average balance of co-funder participations fell temporarily, until improving in the last month of the year as lending opportunities became available.

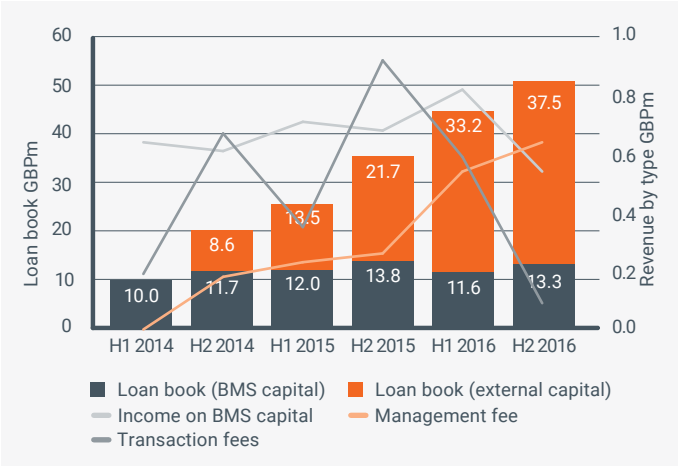
At year end, Sancus entities reported a pipeline of GBP68m of potential new loans. Allied with strong demand for co-funder participation, this positions the businesses strongly to exploit further opportunities for revenue growth in 2017.

BMS Finance
www.bms-finance.com

BMS has loaned in total GBP142m since it became fully operational in 2004.

The chart below shows the revenue earned by BMS from (1) a return on its own assets invested in either loans or the two loan funds it manages, and (2) the fees it earns for managing the two funds and (3) fee income from arrangement fees and earnouts.

BMS revenue and loan book 2014–2016 (Table 7)



The loan book funded by external capital has increased significantly from December 2014 to December 2016 (336%), the main drivers being the growth in the UK loan fund and the launch of the Irish loan fund. The decrease in BMS deployed capital from GBP13.8m in December 2015 to GBP13.3m at the end of December 2016 arose following the transfer of legacy loans from BMS's balance sheet into the new funds. This enabled BMS to fund its commitments to the funds.

Total income year on year has remained relatively flat with an increase in management fees from the growth in AUM offsetting fluctuations on fee income, which is becoming less of a feature of the business. The income arising from BMS's own capital now only relates to its participation in the Irish and UK funds. The rates received from these investments range from 10% to 12%.

Default rates within the loan funds continue to remain low at less than 0.5%.

Going forward, BMS is exploring the possibility of expanding the size of its two funds through adding additional committed funding from third parties.

sancus
straightforward financing

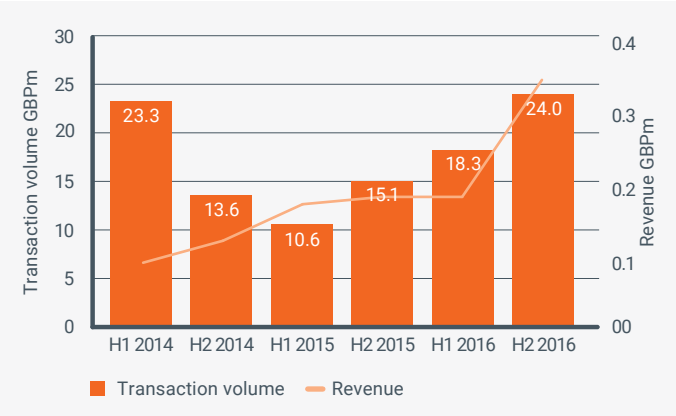
Sancus Finance
www.sancus.com

Since inception, Sancus Finance has arranged the funding of GBP105m of its SME clients' invoices.

Key developments over the last 12 months:

- GLI subscribed for GBP5m of new preference shares with the funds being used to repay GLI loan facilities and to position the business for further growth;
- a consortium of private investors took a 10% shareholding with an option to buy a further 20% in the next five years;
- the business continued its focus on Supplier and Invoice finance solutions for SMEs, adding Education Finance and Vendor Partner programmes to its product portfolio;
- credit insurance on the Supplier Finance Product was introduced on 90% of the value of qualifying credit exposures;
- a funder protection policy was introduced for Invoice Trading where the company takes the first 10% of any funders' capital loss on non-credit insured debt reflecting the management team's confidence in its credit underwriting process;
- 'Fixed pricing' of transactions was introduced to provide clarity and transparency on fees and returns for both funders and SMEs requesting finance;
- Platform Black Ltd changed its name to Sancus Finance Ltd on 16 January 2017; and,
- a new Sancus website was launched to support the name change and rebranding.

Sancus Finance revenue and transaction volume 2014–2016 (Table 8)



Transaction volumes, being the value of invoices traded through the platform, have increased by 65% in comparison to the prior year, with the growth coming mainly through the Education and Supplier Finance Products. There has been a particular focus on improving revenue margins and the results of this can be seen in the increased margin on invoices funded.

Default rates, which mostly impact funders, have performed to expectation despite the volume growth in the business.

Improving revenues in this business so that it reaches breakeven is one of the Group's top strategic priorities.

FinTech Ventures financial review

FinTech Ventures

The minority stakes in the start-up platforms acquired by the Group during 2014 and 2015 have the potential to deliver significant returns. What was not initially obvious was the time and funding it might require for these businesses to reach profitability. As a portfolio of early stage businesses, it is perhaps inevitable that some platforms have either failed or have underperformed to the point where write downs have been necessary. Others continue to show promise, and consequently positive revaluations have been made. It is expected that the investment risk related to this portfolio will remain an ongoing feature for the foreseeable future.

The valuation methodology employed by the Group is unchanged and remains compliant with IFRS13, based on a fair value approach and taking into account IPEV guidelines. We continue to rely upon valuations performed by independent valuation experts, recent transaction prices and internally generated discounted cash flow models. Our review of valuations led to net write downs of GBP7.4m.

The total fair value at 31 December 2016 of GBP36.1m is made up of investments in the following instruments: GBP31.4m Equity, GBP3.3m Preference Shares, and GBP1.4m of Working Capital Loans.

The unrealised profit included in platform valuations totalled GBP12.6m at year end.

Three platforms closed during the year, being Raiseworks, which was wholly-owned, and CrowdShed in which we held a 32.5% interest, and Verus 360, where the Group had provided a working capital loan. We reduced our interest in and removed our support from three others.

Statement of Comprehensive Income (Table 9)

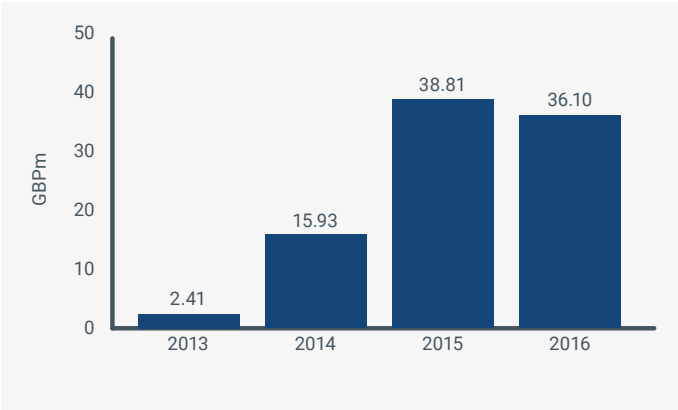
	Total 31 December 2016	Total 31 December 2015
Net decreases in Fair Values	(11,713)	(918)
Impact of foreign exchange translation	4,281	898
Net Fair Value adjustment – FinTech Ventures	(7,432)	(20)
Other gains and losses	553	–
Net Fair Value adjustment	(6,879)	(20)
Net Interest income	413	1,089
Total return	(6,466)	1,069
Operating costs	(1,337)	(4,981)
Operating Loss – FinTech Ventures	(7,803)	(3,912)
Net Funding Knight loss	(592)	–
Operating Loss	(8,395)	(3,912)
Non recurring costs	(731)	–
Goodwill impairment	(738)	–
Per Consolidated Statement of Comprehensive Income	(9,864)	(3,912)

Of the eleven platforms, following the write-downs during the previous two accounting periods, two are now fully written-down.

Total FinTech Ventures' investments

The portfolio grew rapidly over 2014 and 2015, with current year investments being made in terms of previously committed funds and to support existing investments.

Investment values (Table 10)



Return on Investment (ROI) (Table 11)

	2013	2014	2015	2016
Balance brought forward	–	2,406	15,931	38,806
New Investment	2,422	4,969	35,674	8,678
Disposals/loan repayments[1]	–	–	(12,779)	(1,412)
Transfer from Associate to Subsidiary – Sancus Finance	–	–	–	(2,536)
Gains/(Losses)	(16)	8,556	(20)	(7,432)
Fair Value	2,406	15,931	38,806	36,104
Return on Investment[2]	-1.3%	177.1%	0.2%	-17.1%
2013–2016[3]				3.9%
Net Asset Value per GLI Ordinary Share	1.7p	14.1p	16.9p	13.3p

[1] Included in 2015 disposals is GBP9.2m in relation to the novation of securities to SMEF in return for shares in the fund. The remaining disposals were loan repayments by platforms.

[2] Calculated using total revenue, including interest, other income, realised and unrealised gains and losses, divided by the average cost for the given period.

[3] Calculated as total return for the period over the total cost of the portfolio as at 31 December 2016.

[4] Funding Knight as a subsidiary is not included in the above table.

The ROI on FinTech Ventures for the year totalled a negative return of 17.1%

In the first half of the year, the ROI was negative 19.1% as a result of the significant write downs taken in that period. Valuations stabilised in the second half, in which the ROI showed a small gain of 1.2%, as FX gains offset a net devaluation of GBP1m. This resulted in an overall loss for the year of 17.1%. All data quoted includes movements in FX.

Effective risk management to capture value

Russell Harte Chief Operating Officer

"Taking and managing credit and investment risks is fundamental to the Group's business model."

Risk needs to be taken if value is to be created. The principal risks which the Group has consciously accepted in the pursuit of value creation are strategic risk, investment risk, liquidity risk and credit risk. In turn, exposure to investment risk is driven by the strategic, liquidity, credit and operational risks assumed by investee platforms. The Group considers that other risks, based on current assessment, pose lower levels of uncertainty: market, operational, regulatory compliance, and consequential risks.

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 19 which describes the sensitivity of the Group's financial results to its Financial Risk exposures. These sections explain how these risks and managed, monitored and governed.

The table on the right describes the Group's assessment of the principal risks which could have a significant impact on the Group's financial results.

Principal risks

Group

1. Liquidity risk

GLI funds part of its operations through three different term facilities which have maturity dates (refer Note 14).

Expansion of lending and investment activities will be constrained if existing debt is not re-financed, and debt facilities are not expanded.

2. Regulatory Compliance risk

Compliance with regulation is a non-negotiable within the Group.

The Group is subject to the AIM rules, and although it isn't subject to the UK Corporate Governance Code (April 2016), this has been adopted.

Given its offshore operations, in particular the compliance with Anti Money Laundering (AML) regulations is most important.

3. Market risk

Although both interest rate risk and foreign exchange risks do impact on the Group's results, they are not critical to its positions as a going concern. More information on the sensitivity of earnings to these risks is contained in Note 19.

4. Operational risk – Senior staff retention

The Group employs a limited number of senior staff who all play critical roles in strategic management, revenue generation, financial and risk management.

The loss of one or more of the senior team could potentially have a negative impact on the Group.

Internal controls mitigating risks	Current rating of risks
GLI has a Treasury Committee which meets twice a month to manage current liquidity, and discuss longer term funding requirements. For Sancus BMS, Amberton Asset Management (a licensed investment manager) has been tasked as the vehicle through which additional funding will be sourced for Sancus BMS lending. All operating companies have, as part of their operating models, the capability and focus to raise liquidity to fund the loans they arrange and manage. As a contingency, the Group identifies those assets which are relatively liquid and so which could be realised as required.	**High risk** > A syndicated loan of GBP14.86m which was due on 15 March 2017 was repaid. > 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 so forms part of its ongoing strategy.
All entities have developed and implemented appropriate compliance policies and procedures. All have Heads of Compliance in place, as well as Money Laundering Reporting Officers. Compliance Committees exist at GLI and Sancus BMS levels. The NOMAD, Liberum, together with the Company Secretary, the Group Finance and Compliance teams ensure compliance with AIM rules, including the Market Abuse Regulations. GLI and its relevant subsidiary companies are all registered and are in possession of their Global Intermediary Identification Number (GIIN), which is an essential part in proceeding towards FATCA reporting status. Internal compliance monitoring is performed by management and Heads of Compliance, and is supplemented by routine independent reviews of AML compliance in higher risk operations. Boards receive quarterly reports on policy compliance and progress in addressing new regulations.	**Low risk** > The compliance framework as described is currently operating effectively.
Exposures to these risks are monitored by the GLI Treasury Committee and reported to the Board on a quarterly basis. They are identified at the time of entering into new transactions.	**Low risk** > Refer Note 19.
The Board ensures that key management team members are adequately remunerated and are subject to long term 'lock-in' incentives. All senior employment agreements include six month notice periods to allow for adequate handover of roles.	**Low risk** > The Group has been through a challenging period of change, which has included a significant strategic review. This is now complete and the focus is now on the optimisation of operations under more typical conditions. This should lower the risk of senior staff turnover.

Performance against risk appetite limits

The following risk appetite limits have been consistently applied by the Group.

Risk description	Limit	Position	Comment
Exposure to the UK	< 100% of total assets	34.7%	Within limit
Exposures in the USA	< 100% of total assets	17.5%	Within limit
Total of exposures in other geographies (excluding the Channel Islands)	<50% of total assets	13.7%	Within limit
Debt/Equity ratio	5:1 (500%)	48%	Within limit

Principal risks

Group (continued)

5. Credit risk

On balance sheet credit exposures total GBP40m, and managed off balance sheet exposures amount to GBP111m.

Sancus BMS

6. Operational risk – execution of the Sancus BMS strategy

Approximately 60% of GLI's capital has been deployed into Sancus BMS. There is a risk that the planned growth of these businesses will not be realised 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.

Although other operating entities are profitable, Sancus Finance is yet to break even.

FinTech Ventures

7. Investment risk – platform valuations

Most platforms are still only in the first 3 or 4 years of operation. Their growth rates have all been slower (and more capital intensive) than was initially anticipated when the Group's first investments were made. 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.

In particular the Group is closely managing the ongoing loss making operations of its only Pillar Two subsidiary, being Funding Knight.

Investment risk remains the Group's most significant uncertainty.

Internal controls mitigating risks	Current rating of risks
Each operational entity has its own credit policies and procedures which are the subject of at least annual review by operating entity Boards. Credit Committees take all credit decisions and monitor credit exposures on an ongoing basis. At GLI level, a New Business Committee takes all it lending decisions and Amberton Asset management's specialist credit skills have been formally engaged to monitor all credit exposures on the GLI balance sheet.	**Medium risk** Credit books are operating within expectations.
The Board and Executive Committee of Sancus BMS recognise the challenge of building the business to meet the financial targets inherent in the valuations paid by GLI, and actively manage all aspects of the business on an ongoing basis. Plans and budgets are in place. There continues to be demand for the lending products of the business, and co-funders seek the returns being offered by these loans. In addition, 2017 will see the roll out of an online business capability for Sancus in particular (to date this has been limited to the provision of corporate information) in order to provide borrowers and co-funders with online interactive services. As noted in the CEO's Report, there is significant management focus on bringing Sancus Finance revenues to a level where the business is sustainably profitable. Comments on the need to raise liquidity are included above.	**Medium risk** > 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. > Progress on the profitability of Sancus Finance is a particular focus.
The Group has board seats on most investee company boards and so is able to participate and monitor the progress on each platform. The head office finance team monitors the financial progress of each business. It typically has rights to participate in, or rights of first refusal for all new funding rounds. Platforms all have their own funding plans. Period end valuations are performed as per accounting policy – a sceptical approach is taken to financial forecasts on which valuations are based and platform – provided cashflows are reduced from a prudence perspective.	**High risk** > Platforms are businesses in their early stages of development, the majority of which are yet to break even as they are still in the process of establishing their competitive positions in their markets. > There is a particular operational focus on Funding Knight, which is subject to its own strategic review as further explained in the CEO's report. > Year end valuations have been struck based on the Board's current view of each platform. However the risk remains that such expectations may nonetheless be shown to be over-optimistic in the coming years. Refer Note 19 for sensitivities on key valuation inputs.

Actively engaged, quality governance

Introduction

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

During the year, the Board saw two changes in its composition. Fred Forni and James Carthew, two long-standing Directors, resigned with effect from 23 September 2016. John Whittle, James Carthew's alternate, has joined the Board and succeeded James as Chairman of the Audit and Risk Committee. The composition of the Board is subject of ongoing review and certain changes are expected to be implemented during 2017, as described later in this report.

Somerston Group has the right nominate a candidate for appointment to the Board and have informed us that they will consider doing this during 2017.

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. 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 (listed on the main market of the London Stock Exchange), Toro Limited (admitted to trading on the Specialist Fund Market of the London Stock Exchange) and three companies admitted to trading on AIM, India Capital Growth Fund Ltd, 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, Chief Executive Officer

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.

Mr Whelan was appointed to the Board on 16 December 2014. He is resident in Jersey.

Emma Stubbs Executive Director, Chief Financial Officer

Emma Stubbs 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 qualified as a Chartered Certified Accountant with Deloitte in Guernsey in July 2004 where she had been working in the Audit and Advisory department. She graduated from the University of the West of England with a BA Hons degree in Accounting and Finance. Emma is resident in Guernsey.

Ms Stubbs was appointed to the Board on 16 September 2015.

Russell Harte Chief Operating Officer

Russell has been a member of the South African Institute of Chartered Accountants since 1981. He has extensive general management, operations and risk management experience gained throughout his career in professional services, banking, insurance and asset management in South Africa, Australia and Jersey.

His recent roles have included being Finance Director of Liberty Holdings Limited, a JSE listed long term insurer, where he played a key role in the turnaround of that business and CEO of Standard Bank Jersey Limited. Before this he was a partner with Deloitte in South Africa for 10 years.

Key

E Executive Team

B Board of Directors

Team of experienced financial services professionals

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, Shane Lanigan, Caroline Langron, Steve O'Brien, Simon Brown, Peter McVeigh and Russell Harte.

Andrew Whelan Chief Executive Officer, Sancus BMS

Ewan Stradling Managing Director, BMS Finance

John Davey Executive Director, Sancus and CEO, Sancus Finance

Shane Lanigan Executive Director, BMS Finance

Martin Ling Director, BMS Finance

Caroline Langron Managing Director, Sancus Finance

Steve O'Brien Managing Director, Sancus Gibraltar

Simon Brown Managing Director, Sancus Guernsey

Peter McVeigh Chief Financial Officer, Sancus BMS

Russell Harte Chief Operating Officer, Sancus BMS

Steve Simpson Head of Group IT, Sancus BMS Group

Andrew Whelan – Chief Executive Officer, Sancus BMS

Refer page 35.

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 GBP150m 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 and CEO, Sancus Finance

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.

Shane Lanigan – Executive Director, BMS Finance

Shane has over 25 years credit experience gained in insurance and banking. He has worked for a number of banks including The Fuji Bank and Erste Bank within their credit, leveraged and acquisition finance departments and was responsible for sourcing, origination and analysis of Western European leveraged loan transactions.

Prior to joining BMS Finance, Shane worked at Elgin Capital and was involved in fundraising, sourcing, origination, trading and analysis of leveraged loan transactions for the Dalradian European CLO series of funds.

Martin Ling – Director, BMS Finance

Martin co-founded BMS Finance with Ewan after 4 years working together in the in-house corporate venturing arm of Agilisys Limited. Martin is a chartered accountant with over 15 years experience in operational financial control and reporting, through his role as finance director of BMS Finance, alongside extensive financial analysis and debt structuring expertise gained through various transactions completed whilst at both Agilisys and BMS Finance.

Martin's career prior to Agilisys was with the Virgin Group where he worked in the early team which set up and grew Virgin Direct Financial Services (now Virgin Money).

Caroline Langron – Managing Director, Sancus Finance

Caroline has over 35 years' experience in the asset-based lending market and delivers a proven track record at a senior level in risk environments. She has successfully built and managed robust teams and processes in this space, consistently hitting performance targets and maintaining low default rates.

Having worked for Barclays, Close Bros. and Bibby Financial Services, Caroline's experience spans the UK, Europe and America. During her time as a board director at Bibby, she was responsible for establishing their invoice discounting business and building their successful risk protocols.

Caroline became managing director at Sancus Finance in 2014.

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.

Simon Brown – Managing Director, Sancus Guernsey

Simon joined Sancus (Guernsey) Limited in January 2016 as its Managing Director. With over 15 years working in Private and Corporate Banking in London, Scotland, Guernsey & Jersey, Simon has extensive experience in the arrangement and monitoring of credit structures for Corporates, Private Clients, Trust Companies and Family Offices.

Simon began his career with Allied Irish Bank (GB) where he spent 5 years within Corporate Banking before moving to a senior position with the Royal Bank of Scotland Corporate & Commercial team in London. More recently, he was headhunted by Investec Bank and spent 8 years heading up their Channel Islands Private Client lending team.

A chartered accountant, Simon holds a BSc honours degree in Economics and Finance and is an associate member of the Chartered Institute of Management Accountants.

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 to operational financial control, financial reporting and analysis, through to corporate finance, particularly acquisition and integration.

Russell Harte – Chief Operating Officer, Sancus BMS

Refer page 35.

Steve Simpson – Head of Group IT, Sancus BMS Group

Steven 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.

Steven 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.

Steven 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.

The Sancus BMS management team

Jersey and Guernsey Team

From left to right, Steve House (Business Development), Emilie Golding (Group Legal Executive), Peter McVeigh (Chief Financial Officer), Stuart Hamilton (Business Development), Simon Brown (Managing Director, Sancus Guernsey), Shaida Aziz (Head of Compliance)

Andrew Whelan (CEO) leads ten staff in the Jersey and Guernsey offices. Key staff each have at least 20 years' experience over a range of financial services and products, having held senior roles in top British banks and financial institutions. Each team member has been selected based on their depth of knowledge and expertise in their field, including credit and credit structures, mortgages, lending, security, finance and compliance.

Gibraltar Team

Stephen O'Brien (Managing Director, centre), Lino Brydges (Business Development) and Karen Dowie (Head of Operations)

Stephen O'Brien heads up the Gibraltar office, supported by three staff. The office opened in June 2015, and has since become well established within the Gibraltar business community, at the forefront of the growing area of marketplace lending in the jurisdiction. The team has over 40 years of combined experience in retail banking, operational and credit risk management and financial services.

Skilled, capable, dedicated to serving clients' financial requirements.

BMS Finance Team

From left to right, Jacob Nilsson, Martin Ling, Shane Lanigan.

BMS Finance was founded in 2004, by Ewan Stradling and Martin Ling. The Company has eight staff based across the UK and Ireland offices. The senior management have decades of experience in credit, debt restructuring, leverage and acquisition finance over a range of companies and financial institutions. The team takes an holistic approach to the businesses they work with, building genuine relationships with the companies' management teams and applying their experience to support their growth and underlying strategy.

The Sancus Finance Team

From left to right, Callum Scott (Head of Supply Chain Finance), Steve Simpson (Head of IT), Gayle Townsend (Operations Manager), Caroline Langron (Managing Director), Andrew Howard (Operations Director) and Richard Whitehouse (Sales Director).

Caroline Langron (MD) heads up the Sancus Finance Team, supported by a team of ten staff. Caroline originally established Bibby's invoice discounting business and risk protocols and delivers a proven track record at a senior level in the risk environment of working capital finance. The management team averages over 20 years' experience each in asset based lending, supply chain and trade financing through working for both independent and bank owned funders.

Applying the principles of the UK Corporate Governance Code

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 place 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 2016, 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 2017, 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 2016, 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 34 and 35. 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 2016, Patrick Firth had served as a Director of the Company for eleven 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 GROUP'S ROBUST CORPORATE GOVERNANCE FRAMEWORK HAS BEEN BASED ON THE UK CODE AND IS DESIGNED TO DELIVER THE GROUP'S STRATEGY."

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, the day to day administration 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.

Subsidiary boards and their committees play a critical role in the governance of the Group.

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.

The findings from the review undertaken during 2016 clarified certain key action points which will be implemented during 2017 to ensure the leadership needs of the business continue to be met over the long-term. This includes restoring 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 Directors look forward to announcing the results of the recruitment exercise in due course. 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 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.

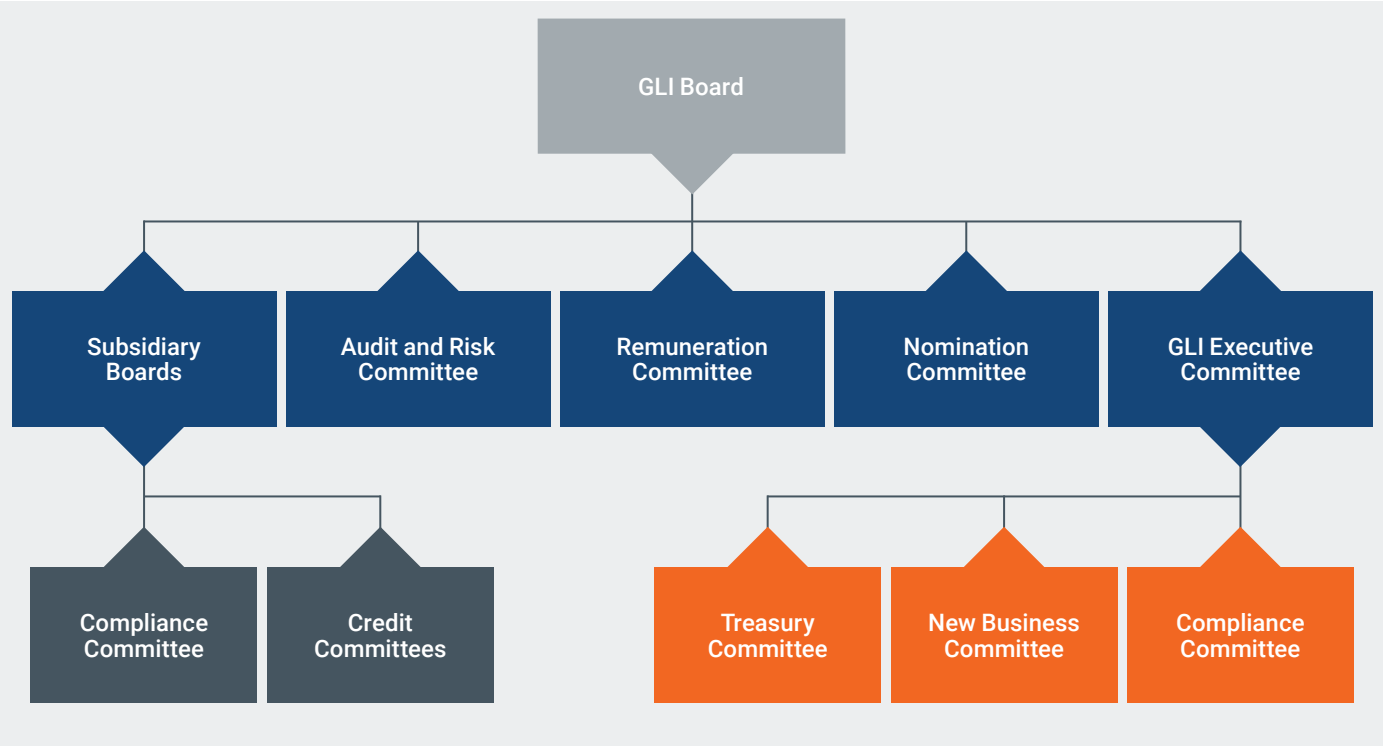
Executive Team

As at the year end, the Company's executive team comprises Andrew Whelan (Chief Executive Officer), Emma Stubbs (Chief Financial Officer), and Russell Harte (Chief Operating Officer) (together the 'Executive Team or Management'). The Executive Team is responsible for the day-to-day management of the Company's operations.

Marc Krombach and Louise Beaumont ceased employment on 29 April 2016 and 27 September 2016 respectively.

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

Governance structure



Board committees have operated effectively throughout the year

Audit and Risk Committee

- John Whittle – Chairman
- Patrick Firth

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, and,
- to ensure that risk management and internal controls are operating effectively across the Group.

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 46 to 47.

Remuneration Committee

- John Whittle – Chairman
- 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 48 and 49 for details of fees paid to the Directors during the year.

Nomination Committee

- Patrick Firth – Chairman
- 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.

The Board met 25 times during 2016 to guide the Group through its restructure.

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:

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 98.

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.

	Board				
	Quarterly	Other	Remuneration Committee	Audit and Risk Committee	Nomination Committee
Patrick Firth (Chairman)	4 of 4	16 of 21	1 of 1	5 of 5	1 of 1
Frederick Forni[1]	3 of 4	16 of 21	–	3 of 5	1 of 1
James Carthew[1]	2 of 4	2 of 21	–	1 of 5	0 of 1
John Whittle	3 of 4	16 of 21	1 of 1	5 of 5	1 of 1
Andrew Whelan	4 of 4	17 of 21	–	–	–
Emma Stubbs	3 of 4	19 of 21	–	–	–

[1] Resigned on 23 September 2016.

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 45), 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.

The Audit and Risk Committee also considers non-financial areas of risk such as disaster recovery, investment management and staffing levels. It considers adequate arrangements to be in place.

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 identify those risks it considers may be outside of the Company's risk appetite, together with the actions planned to return such risks to within appetite. Progress on managing these exposures since the previous meeting is also reviewed.

On a quarterly basis, the Board and/or Audit and Risk Committee receive reports on risk management, 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 reports provide the Board and Audit and Risk Committee 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 of annual review each year, with cover generally renewed in February of the following year. Adequate cover for Public Indemnity, Directors and Officers and Office risks is carried. Cyber risk cover has recently been added as subsidiaries expand their use of the internet to transact with their clients.

Identifying, defining and allocating responsibility – cornerstones of effective risk management.

The Group's risk definitions	Governance committee
1. Investment risk The risk that an investment's actual return will be different to that expected. Investment risk primarily arises from FinTech Ventures' investments.	GLI Executive Committee GLI New Business Committee
2. Liquidity risk The possibility that the Group, or entities with the Group, will be unable to settle financial obligations timeously.	GLI Treasury Committee
3. Credit risk **Direct credit risk** is the risk of default on an on-balance sheet debt that may arise from a borrower failing to make required payments within the contracted time scales. **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 Subsidiary Credit Committees
4. Strategic risk The uncertainties and untapped opportunities embedded in the Group's strategic intent.	GLI Executive Committee Sancus BMS Executive Committee
5. Market risk Market risk is the risk of losses in positions arising from movements in market prices. Market risk includes as sub-definitions: Interest rate risk, including basis risk and foreign exchange risk.	GLI Treasury Committee
6. Operational risk The risk of loss arising as a result of inadequate or failed internal processes, people and systems, or from external events (including legal risk).	GLI Executive Committee Sancus BMS Executive Committee
7. Regulatory compliance risk Regulatory Compliance Risk is defined as 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 applicable to the Group's activities.	GLI Executive Committee GLI Compliance Committee Sancus BMS Executive Committee Sancus BMS Compliance Committee
8. Consequential risks Risks that arise as a consequence of the occurrence of a risk event. Two main categories of such risks are: > Capital Adequacy Risk – it should be noted that neither GLI nor any of its subsidiaries have any minimum regulatory capital requirements outside of normal company law requirements. > Reputational Risk – it should be noted that the Group is not currently facing any reputational risk events.	GLI Executive Committee Sancus BMS Executive Committee

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.

Duties

The duties of the Committee are set out in its Terms of Reference, which are available from the Company Secretary. The principal duties of the Audit and Risk Committee include advising the Board on the Group's financial reporting, risk management and internal control systems and the work of the external auditors together with their remuneration.

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 also reviews, considers and, if thought appropriate, recommends for the purposes of the Group's financial statements, the investment valuations prepared by the Executive Team. These valuations together with the recoverability of goodwill are the most critical elements in the Group's financial statements and the Audit and Risk Committee questions these carefully.

The Audit and Risk Committee considers the appointment of the external auditor, 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. All non-audit services are pre-approved by the Audit and Risk Committee after it is satisfied that such services will not compromise the auditors' objectivity and independence.

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 audited financial statements 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 unaudited financial statements, 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 and revenue recognition and the acquisition and disposal of subsidiaries and associates.

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 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 Committee has considered and approved the change in accounting policy for the disclosure of investments in associated companies. The Committee is of the view that showing these investments on a fair value basis by applying the Venture Capital exemption in IAS 28 most appropriately discloses the performance of these assets.

The accounting policies for revenue recognition are described in detail in Note 2(r) 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.

For the year ended 31 December 2016, the Audit Committee was satisfied that the external audit was effective and independently performed.

External Auditor

The Committee assessed the effectiveness of the 2016 audit by:

- meeting with the external auditors and reviewing their audit plan;
- considering the extent of any non-audit services provided by the external audits;
- considering the external auditors' fulfilment of the agreed audit plan and variations from it;
- considering the management 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 year ended 31 December 2016, 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 during the course of the audit during the year under review.

Audit Tender

During 2016, the Audit and Risk Committee considered the length of tenure of the external auditor (Grant Thornton Limited) who had been the Group's auditor for the past six years and assessed the suitability of the arrangements in light of the expected future requirements of the business going forward. It was agreed to re-tender the Group's audit and proposal requests were submitted to three of the major audit firms operating in Guernsey. Having met with each firm and after due consideration was given to each proposal, it was agreed by the Audit and Risk Committee to engage the services of Deloitte LLP. The Audit and Risk Committee will continue to assess whether a formal re-tendering of the Group's audit is appropriate on an annual basis.

Non-Audit fees paid to the External Auditors

During 2016 no fees for non-audit services were paid to either Grant Thornton or Deloitte.

Risk Management and Internal Control Systems

During the year management has improved 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.

The Committee has conducted a robust assessment of the principal risks and uncertainties faced by the Group as set out on pages 30 and 33 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.

During 2016, the Committee did not receive any reports in terms of whistleblowing policies in operation across the Group.

On behalf of the Audit and Risk Committee.

John Whittle
Chairman
Audit and Risk Committee

26 March 2017

Ensuring management and staff are appropriately incentivised to enhance performance

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 2017.

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 GBP300,000 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 opposite for details.

Executive Bonus Scheme

In addition to the fixed salary referred to above, certain Executive Team members are also entitled to a contractual bonus.

With effect from 21 January 2013, the Remuneration Committee resolved to implement an incentive pool, which is allocated to the Executive Team members at the Remuneration Committee's discretion. The total pool available is 10% of the total shareholder return in excess of 12%, with the amount to be actually paid out capped at 0.5% of net asset value (NAV) in any one year. To ensure that incentive payments are primarily long term in nature, all payments from the incentive pool will be made one third in cash and two-thirds Company equity, the acquisition price of which for the individual will be the prevailing share price or NAV, whichever is higher. All shares in the Company issued via the Executive Bonus Scheme must be retained by the Executive Bonus Scheme members for the entire tenure of their employment by the Company.

Having considered the results of the independent review of the Company's remuneration policy performed during 2016 by Perl Meyer, the decision was taken by the Directors to revise the Company's existing long-term incentive scheme. Subject to receiving shareholder approval at the forthcoming AGM the revised long-term incentive scheme (the 'Scheme') is proposed to take effect from the commencement of the 2017 financial year. Full details of the Scheme are set out in full in Appendix 1 to the 2017 AGM notice.

Remuneration

Non-executive Directors

As at 31 December 2016, 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 2016 GBP	31 December 2015 GBP
Patrick Firth (Chairman)	50,000	50,000
Frederick Forni[1]	37,500	37,500
James Carthew[1]	40,000	40,000
John Whittle	40,000	40,000

[1] Resigned on 23 September 2016.

The non-executive Directors base fee increased to GBP35,000 per annum with effect from 1 November 2014. In addition to the base fee, the Chairman receives an additional GBP15,000 per annum, the Audit and Risk Committee Chairman (in their absence their Alternate) receives an additional GBP5,000 per annum and the Remuneration Committee Chairman receives an additional GBP2,500 per annum.

There was no increase in Directors' fees during the year ended 31 December 2016. Total Directors fees charged to the Company for the year ended 31 December 2016 were GBP150,722 (31 December 2015: GBP127,717) with GBPnil (31 December 2015: GBPnil) remaining unpaid at the year end.

Executive Team

For the year ended 31 December 2016, 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 2016		31 December 2015	
	Fixed Salary GBP	Executive Bonus Scheme GBP	Fixed Salary GBP	Executive Bonus Scheme GBP
Andrew Whelan[1]	240,000	–	N/A	–
Russell Harte	150,000	–	N/A	–
Emma Stubbs[2]	120,000	–	120,000	–
Marc Krombach[3]	130,000	–	130,000	–
Louise Beaumont[4]	85,000	–	75,000	–
Geoff Miller[5]	N/A	N/A	165,000	N/A
Unallocated accrual at year end	N/A	–	N/A	–

[1] Annual salary of GBP240,000 remunerated via Sancus. Annual salary increased from GBP175,000 with effect from 1 May 2016.

[2] Annual salary increase from GBP99,000 to GBP120,000 with effect from 1 September 2015.

[3] Annual salary of GBP130,000. Mr Krombach ceased employment on 29 April 2016.

[4] Annual salary of GBP85,000. Annual salary increased from GBP75,000 with effect from 1 September 2016. Ms Beaumont ceased employment on 27 September 2016.

[5] Annual salary of GBP165,000. Mr Miller resigned on 19 December 2015.

In addition to fixed salary payments, in 2016 the Executive Team members received pension contributions of (GBP28,375, Andrew Whelan, GBP3,750 Russell Harte, GBP15,000 Emma Stubbs, GBP19,010, Louise Beaumont, Mark Krombach and Geoff Miller Nil). No pension payments received in 2015.

During the year, the total Executive Bonus Scheme pool charged to the Company's expenses relating to 2016 was GBPNil (31 December 2015: GBPNil), with GBPNil (31 December 2015: GBPNil) remaining outstanding as at 31 December 2016.

As the Executive Bonus Scheme is a non-fixed amount, the total Executive Team remuneration will fluctuate year on year.

Discretionary Executive Bonus Payments

In addition to their fixed salaries and participation in the Executive Bonus 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 2016 (see table on the right).

	Total GBP	Cash Element GBP	Shares Element GBP
Andrew Whelan	240,000	120,000	120,000
Russell Harte	93,750	46,875	46,875
Emma Stubbs	60,000	30,000	30,000

Shares payments to Executives were made from Treasury shares held by the Group, and were charged against income in 2016.

On behalf of the Remuneration Committee

John Whittle
Remuneration Committee Chairman

26 March 2017

The Directors present their Annual Report for the year ended 31 December 2016

The Directors present their Annual Report and Audited Consolidated financial statements (the 'financial statements') for the year ended 31 December 2016.

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 2016, 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 zero dividend preference ('ZDP') shares 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 GBP10m 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 2016, the Group comprises the Company and the entities disclosed in Note 17 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 34 and 35.

Results and Dividends

The Group results for the year are set out on pages 60 and 61. Dividends of GBP6,116,697 were paid during the year (31 December 2015: GBP9,774,010).

Substantial Shareholdings

As at 20 March 2017, the Company was aware of the following substantial shareholders who held more than 3 percent of issued share capital of the Company. (See table below.)

	Number of Ordinary Shares held[1]	Percentage of total ordinary shares issued held
Somerston Group	80,747,274	26.11%
Artemis Investment Management	24,462,609	7.91%
AXA Investment Managers	15,388,000	4.98%
Hargreaves Lansdown Nominees Limited	10,308,455	3.33%
Brooks Macdonald Group plc	10,066,234	3.25%
Philip J. Milton and Company Plc	9,242,220	3.00%

[1] Based on the share register as at 30 December 2016.

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.

Directors' Interests

As at 31 December 2016, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2016		31 December 2015	
	No. of Ordinary Shares Held	% of total issued Ordinary Shares	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth (Chairman)	271,049	0.09	248,197	0.13
Fred Forni[1]	N/A	N/A	–	–
James Carthew[1]	N/A	N/A	300,000	0.14
John Whittle[2]	–	N/A	–	N/A
Andrew Whelan	3,800,000	1.23	3,686,461	1.74
Emma Stubbs	179,640	0.06	62,598	0.03

[1] Resigned 23 September 2016 and therefore their shareholding as at 31 December 2016 is not disclosed.
[2] Appointed 8 December 2015.

See Note 20 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 2016, there were no unexercised share options for Ordinary Shares of the Company (31 December 2015: nil 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.

Directors' Statement

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;
- 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; and
- 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.

Fair value accounting for associates (FinTech Ventures' Platform investments)

In preparing the consolidated financial statements for the year ended 31 December 2016 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 Group previously accounted for its investments in associates and joint ventures using the equity method under IAS 28.16.

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 is being actively monitored as part of the Group's investment strategy.

In determining whether a change in accounting policy from equity accounting under IAS 28(2011) to fair value through profit or loss under IAS 39 is acceptable, the Directors have given regard to the requirements of the standard that will be applied to the investment after the change. The Group has not yet adopted IFRS 9 and continues to apply IAS 39. Under IAS 39.9, the option to designate a financial asset managed on a fair value basis as at fair value through profit or loss is available only upon initial recognition of the asset. However, in the circumstances under consideration, 'initial recognition' has been interpreted as the first time IAS 39 is applied to the asset in the consolidated results of the Group, particularly as no other designation is permitted by IAS 28(2011). Consequently, the change in accounting policy is considered to be permitted under IAS 39 and has been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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. Based on this assessment, the Directors are of the opinion that the Company has adequate financial resources to continue in operation and meet its liabilities as they fall due for the foreseeable future. Of note was the repayment by due date in March 2017 of the Syndicated Loan of GBP14.86m.

Hence the Directors believe it is appropriate to 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 pages 30 to 33. The assessment has been performed over a three year period to 31 December 2019 for the following reasons:

- This coincides with the maturity date of the 2019 ZDPs, being 19 December 2019.
- 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.

The assessment has been supported by subjecting the Group's three-year financial model to severe but reasonable scenarios and reviewing the effectiveness of any mitigating actions. This assessment mainly 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 and the availability of financing.

At maturity it is expected that the ZDPs will be repaid from the proceeds of asset sales, namely investments in FinTech Ventures, or refinancing.

The Directors note that the credit facility with the Syndicated Co-funders of GBP14.86m was repaid on 15 March 2017 from the proceeds of the sale of the SMEF shares which has reduced liquidity risk.

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 26 March 2016.

Key events timeline

FEB 2016

New CEO appointed

Andrew Whelan appointed as CEO.

Strategic review is launched.

Golf Investments invests into GLI

Sale of 15m SMEF shares reduces GLI's holding to 47.94% (completed March 2016).

Sale of 50% of Amberton Asset Management.

Yields cash of GBP15.25m.

Issue Warrants to Golf to subscribe in cash for up to 32m new ordinary shares on the following basis:

- 10,000,000 warrants at 40 pence per share;
- 10,000,000 warrants at 45 pence per share;
- 12,000,000 warrants at 55 pence per share.

MAR 2016

Sancus Finance becomes a subsidiary

GLI increases its holding in Sancus Finance from 43.9% to 83.7%.

MAY 2016

Change of name to Amberton Asset Management

GLI Asset Management is rebranded to Amberton Asset Management.

Change GLI's listing classification

GLI reclassifies its listing from an investment company to a trading company.

JUN 2016

Purchase of Funding Knight

Funding Knight Holdings is put into administration and GLI writes off its investment.

GLI acquires Funding Knight Limited for GBP0.75m and commits GBP1m of working capital.

AUG 2016

New equity raising

GLI places with Somerston Group 23,020,560 new ordinary shares at a price of 31 pence per share to raise gross proceeds of GBP7.1m.

Purchase of minorities in BMS Finance

The Group increases its holding in BMS from 62.5% to 100% through the issue of 11,093,247 shares and payment of GBP1.75m cash.

Purchase of Sancus Gibraltar

The Group increases its holding in Sancus Gibraltar from 15.26% to 100%, financed through the issue of 43,408,360 new ordinary shares and the raising of a GBP10m bond.

SEPT 2016

FinTech Ventures is established

FinTech Ventures Limited is established to hold equity investments in the platform portfolio.

OCT 2016

Appointment of new Nomad and Broker

Liberum is appointed the Broker and Nomad.

NOV 2016

Loans are transferred to SMEF

GLI disposes of a number of assets to SMEF to settle liabilities to the fund.

Securitised loan note is issued

The Sancus Loan Note issues GBP17.5m securities to fund loans originated by Sancus BMS.

JAN 2017

Increase in shareholding in Sancus IOM

The Group acquires another 7% in Sancus IOM to be settled by the transfer of GBP1m of GLI bonds.

MAR 2017

Syndicated Loan is repaid

The Syndicated Loan of GBP14.86m is repaid.

Sale of shares in SMEF

The balance of the shares in SMEF are sold for GBP22.7m, settled by the transfer of cash and GBP5.3m of performing loans.

Opinion on the financial statements of GLI Finance Limited

In our opinion:

- **the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2016 and of the Group's loss for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **the financial statements have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.**

- The financial statements that we have audited 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 23.

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

Summary of our audit approach	
Key risks	The key risks that we identified in the current year were: > Valuation of FinTech Ventures investments; > Accounting for acquisition and disposal of associates and subsidiaries; and > Impairment of goodwill. Within this report, any new risks are identified with ⌃ and any risks which are the same as the prior year identified with ⟫.
Materiality	The materiality that we used in the current year was GBP1,820,000 which was determined on the basis of 2% of the Group's net asset value ('NAV').
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team for both the parent entity and eight wholly owned subsidiaries. These subsidiaries accounted for 44% of the Group's net assets (parent 56%) and 66% of the Group's revenue (parent 27%) for the year.
Significant changes in our approach	Last year the previous auditor's report included two other risks which are not included in our report this year: revenue recognition (the accounting framework and revenue recognition policies adopted by subsidiaries are aligned with the Group) and management override of controls (key aspects of ISA (UK and Ireland) 240 including the judgements and assumptions in relation to financial assets at fair value through profit or loss are addressed by audit procedures performed in relation to that risk). Two new risks have been included in our report this year: accounting for acquisition and disposal of associates and subsidiaries (there were 4 acquisitions during the year and 3 disposals which involved significant accounting estimates and judgements) and impairment of goodwill (goodwill is a significant asset on the Group's balance sheet and is substantially representative of the investment in Sancus (Jersey) Limited and Sancus (Gibraltar) Limited).

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 2(a) to the financial statements and the directors' statement on the longer-term viability of the Group contained within the directors' report.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the directors' confirmation on page 52 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 30–33 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in Note 2(a) to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation on page 52 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards.

We confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Valuation of FinTech Ventures' investments

Risk description

The FinTech Ventures' investment portfolio is the largest asset in the financial statements and amounts to GBP36.1m (2015: GBP38.8m). Individual platform investments are designated at fair value through profit or loss ('FVTPL') in accordance with IAS 39. The fair value of these investments is primarily determined using valuation techniques as all investments are unlisted. The investments made 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 19.

In the current year, valuations have been prepared by management with some input from an independent valuation expert.

These valuations 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 of investments. 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 principal risk. Notes 2(i) and 2(f) set out the associated accounting policy and disclosure in respect of critical judgement and key source of estimation uncertainty, with Note 21 setting out details of valuation techniques applied and describing the related sensitivities.

Valuation of FinTech Ventures' investments (continued)

How the scope of our audit responded to the risk

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 valuations specialists to challenge the methodologies used to ensure these were in accordance with the requirements of IFRS and to benchmark discount rates applied;
- reviewed and challenged the key inputs to discounted cash flows to identify any inconsistencies;
- alongside our valuation specialists we held a meeting with management and the Group's independent valuation expert to discuss the matters arising for our audit procedures;
- reviewed the performance of the underlying businesses against previous expectation and challenged the cash flow forecasts and growth assumptions in light of these facts;
- agreed inputs to supporting evidence where appropriate; and
- challenged the disclosures made to ensure these were in accordance with IFRS 13.

As part of our work, we have also tested 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.

Accounting for acquisition and disposal of associates and subsidiaries

Risk description

The Group has completed a significant number of acquisitions and disposal transactions during the year. Key acquisitions include Sancus (Gibraltar) Limited (total consideration GBP9.2m), Sancus Finance Limited (total consideration GBP1.3m) and Funding Knight Limited (total consideration GBP0.75m), all accounted for under IFRS 3 Business Combinations. In addition, the Group acquired the non-controlling interest in GLIF BMS Holdings Limited (total consideration GBP5.2m).

Subsidiaries derecognised through disposal transactions include SME Loan Fund plc (GBP15m proceeds), BMS Finance (UK) Sarl (GBPnil – loss of control) and Amberton Asset Management Limited (GBP0.25m proceeds).

The structure of sale and purchase agreements can be complex and may include deferred consideration arrangements and other contractual obligations which introduce judgement.

The accounting treatment needs to accurately reflect the nature of the transaction, which can be dependent on the specific terms within those agreements and any previous interests held. Furthermore, the calculation of goodwill and other intangible assets under IFRS 3 can be complex, resulting in a risk of error in relation to the accuracy of journal entries on consolidation of acquisitions, including interests that were previously equity accounted as investments in associates.

As at 31 December 2016, the excess of the fair value of consideration paid over the net assets acquired has been attributed to goodwill which has been impaired down to GBP2.1m. The allocation between goodwill and the acquired intangible assets may be adjusted from the provisional values recognised during the measurement period (one year from the date of the transaction).

The risk is explained further in the strategic report where this is included as a significant issue. Note 2(d) sets out the associated accounting policy, with Note 9 setting out details of the business combination and disposal transactions.

How the scope of our audit responded to the risk

For each acquisition we have considered management's analysis of the transaction and assessed their rationale for concluding that it represented a business combination. In particular, we challenged management to demonstrate that the entity acquired constituted a business for this purpose.

We have recalculated the goodwill recognised or non-controlling interest acquired. The key judgements we have challenged include:

- determination of the acquisition date;
- measurement of the fair value of assets acquired and liabilities assumed;

Accounting for acquisition and disposal of associates and subsidiaries (continued)	
How the scope of our audit responded to the risk	> identification of other intangible assets; > determining the fair value of consideration transferred; > measurement of non-controlling interest; For disposals, we have assessed the accounting treatment to ensure consistency with IFRS 10 and recalculated the journals applied for the partial disposal of investment in subsidiaries. We have assessed the disclosures made in the financial statements to ensure these were consistent with the requirements of IFRS 3 and IFRS 12.
Key observations	Having carried out the procedures above, we have concluded that the accounting for acquisition and disposal of associate and subsidiary transactions were appropriate. The carrying value of intangible assets recorded in balance sheet of Sancus Finance Limited on the date of acquisition has been assumed as the fair value of the intangible asset.

Impairment of goodwill	
Risk description	As at 31 December 2016, the group has recorded goodwill of GBP25.0m (2015: GBP14.3m) representing 27% (2015: 13%) of Group net 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. There is a risk that assumptions made in either the cash flows assumed or the discount rates applied may be inappropriate. In addition, management is required to make a number of significant assumptions and judgements including discount rates, cash flow forecasts and growth models. As a result, errors or deliberate manipulation of inputs 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. Notes 2(k) and 2(f) set out the associated accounting policy and disclosure in respect of critical judgement and key source of estimation uncertainty, with Note 8 setting out details of the impairment tests and goodwill valuation sensitivities.
How the scope of our audit responded to the risk	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: > reviewed the model prepared by management in light of the requirements of IAS 36; > engaged with our internal valuations specialists to challenge 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 impact on the valuations; > agreed inputs to supporting evidence where appropriate; > challenged the disclosures made in light of the requirements of IAS 36; and > assessed the design and implementation of controls relating to the valuation process.
Key observations	Having carried out the procedures above, we have concluded that the results of impairment tests prepared by management fell within an acceptable range of the carrying value of goodwill balances.

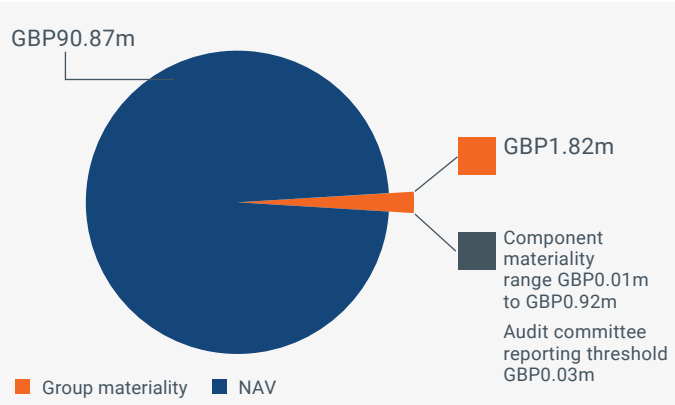
These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 materiality	GBP1,820,000 (2015: GBP3,744,000)
Basis for determining materiality	2% of the Group's net asset value ('NAV'). In 2015 the previous auditors set materiality on the basis of 4% of net asset value.
Rationale for the benchmark applied	This benchmark is considered the most appropriate as to date net asset value has been the primary performance measure adopted by the Group. This basis may be revisited going forward as the focus of the Group continues to change to that of an operating business



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of GBP36,000 (2015: GBP187,200), 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 and the following wholly owned subsidiaries:

- Sancus BMS Group Limited;
- Sancus (Jersey) Limited;
- Sancus (Guernsey) Limited;
- Sancus (Gibraltar) Limited;
- Sancus Finance Limited;
- Funding Knight Limited;
- GLIF BMS Holdings Limited; and
- BMS Finance AB Limited.

Audit work performed for 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 GBP11k and GBP920k.

These subsidiaries accounted for 44% of the Group's net assets (parent 56%) and 66% of the Group's revenue (parent 27%) for the year. Changes in the composition of the Group in the year include the deconsolidation of The SME Loan Fund, Amberton Asset Management Limited and BMS Finance (UK) Sarl following the Group's disposal of part of its holding in these entities below a controlling stake, and the consolidation of Sancus Gibraltar Limited, Funding Knight Limited and Sancus Finance Limited following the acquisition by the Group of controlling stakes in these entities.

For the remaining controlled and consolidated subsidiaries listed in Note 17 we gained an understanding of the operations and purpose of each entity alongside the performance of analytical review procedures for the year ended 31 December 2016. Based on the results of the audit work performed for subsidiaries we tested the consolidation inputs and adjustments.

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 by the parent company; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

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

We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

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

Deloitte LLP
Chartered Accountants and Statutory Auditor
Guernsey, Channel Islands

26 March 2017

Consolidated statement of comprehensive income

For the year ended 31 December 2016

	Notes	31 December 2016 GBP	Restated* 31 December 2015 GBP
Revenue			
Interest on loans		4,650,331	6,717,275
SMEF interest and dividends		2,392,989	1,212,805
Dividend income from CLOs		–	1,206,633
Fee and other income	4	4,907,194	3,688,551
Total revenue		11,950,514	12,825,264
Interest costs on debt facilities	14	(3,169,936)	(3,130,709)
Other interest costs		(604,166)	(1,277,300)
Gross profit		8,176,412	8,417,255
Operating expenses			
Administration and secretarial fees		(672,000)	(533,481)
Legal and professional fees		(2,071,564)	(2,736,322)
Other expenses	5	(8,348,503)	(8,604,894)
Total operating expenses		(11,092,067)	(11,874,697)
Net operating loss		(2,915,655)	(3,457,442)
Losses on financial assets at fair value through profit and loss			
SMEF fair value adjustment		(1,528,677)	–
Net loss on de-recognition of SMEF as a subsidiary	9	(1,207,701)	–
FinTech Ventures fair value adjustment	10	(7,432,010)	(20,168)
Other net gains		695,895	(842,077)
Loss on financial assets at fair value through profit or loss		(9,472,493)	(862,245)
Goodwill impairment	8	(4,146,387)	(245,355)
Loss for the year		(16,534,535)	(4,565,042)
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Foreign exchange on consolidation		162,961	163,812
Total comprehensive loss for the year		(16,371,574)	(4,401,230)
Operating loss attributable to:			
Equity holders of the Company		(17,593,312)	(5,810,222)
Non-controlling interest		1,058,777	1,245,180
		(16,534,535)	(4,565,042)
Total comprehensive loss attributable to:			
Equity holders of the Company		(17,430,351)	(5,646,410)
Non-controlling interest		1,058,777	1,245,180
		(16,371,574)	(4,401,230)
Loss per Ordinary Share	6	(6.49)p	(2.83)p

* Comparatives have been restated in order to more appropriately reflect the nature of the underlying items and for the change in accounting policy detailed in Note 2(b).

The accompanying Notes on pages 65 to 97 form an integral part of these financial statements. All income is derived from continuing operations.

Consolidated statement of financial position

For the year ended 31 December 2016

	Notes	31 December 2016 GBP	Restated* 31 December 2015 GBP	Restated* 1 January 2015 GBP
ASSETS				
Non-current assets				
Property and equipment		617,543	91,414	97,760
Intangible intellectual property	7	–	1,001,594	5,530,596
Goodwill	8	25,032,849	14,254,652	14,500,007
Investment in SMEF:				
– Loans through platforms		–	29,172,634	–
Sancus BMS loans and loan equivalents		26,715,618	42,882,777	35,122,358
– Sancus BMS loans		19,215,618	20,452,137	20,447,214
– Loan equivalents		–	22,430,640	14,675,144
– Investment in Sancus Loan Notes at fair value		7,500,000	–	–
FinTech Ventures' investments	10	36,103,853	38,805,852	15,930,878
Other Investments at fair value		874,382	2,803,554	45,151,052
Other Investments available for sale		–	–	816,471
Joint Venture in Amberton Asset Management		527,778	–	–
		89,872,023	129,012,477	117,149,122
Current assets				
Investment in SMEF:				
– Shares at fair value	21	23,780,806	–	–
Loans through platforms		4,033,825	7,152,806	4,020,362
Sancus BMS loans and loan equivalents		12,105,496	10,077,220	16,670,937
– Sancus BMS loans		3,900,464	4,806,141	9,705,334
– Loan equivalents		8,205,032	5,271,079	6,965,603
Trade and other receivables	11	2,712,182	4,660,762	8,907,319
Cash and cash equivalents	12	9,615,945	17,415,157	13,734,130
		52,248,254	39,305,945	43,332,748
Total assets		142,120,277	168,318,422	160,481,870
EQUITY				
Share premium	13	110,208,227	87,404,910	58,106,797
Distributable reserve	13	34,802,740	34,802,740	34,802,740
Foreign exchange reserve		–	(162,961)	(326,773)
Retained earnings		(54,267,562)	(28,953,405)	(13,156,865)
Capital and reserves attributable to equity holders of the Group		90,743,405	93,091,284	79,425,900
Non-controlling interest		124,700	13,791,640	1,114,312
Total equity		90,868,105	106,882,924	80,540,212
LIABILITIES				
Non-current liabilities	14	31,935,794	57,688,737	52,202,160
Current liabilities				
Syndicated loan	14	11,920,000	–	–
Other loan payable		–	–	20,330,000
Trade and other payables	14	7,396,378	3,746,761	7,409,498
		19,316,378	3,746,761	27,739,498
Total liabilities		51,252,172	61,435,498	79,941,658
Total equity and liabilities		142,120,277	168,318,422	160,481,870

* Comparatives have been restated in order to more appropriately reflect the nature of the underlying items and for the change in accounting policy detailed in Note 2(b).

The financial statements were approved by the Board of Directors on 26 March 2017 and were signed on its behalf by:

Director: Patrick Firth Director: John Whittle

The accompanying Notes on pages 65 to 97 form an integral part of these financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2016

	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Foreign Exchange Reserve GBP	Restated Retained Earnings GBP	Capital and reserves attributable to equity holders of the Company GBP	Non-controlling Interest GBP	Total Equity GBP
Balance at 31 December 2015 restated	–	87,404,910	34,802,740	(162,961)	(28,953,405)	93,091,284	13,791,640	106,882,924
Net proceeds from Ordinary Shares issued (Note 13)	–	24,536,600	–	–	–	24,536,600	–	24,536,600
Treasury shares (Note 13)	–	(1,733,283)	–	–	–	(1,733,283)	–	(1,733,283)
Acquisition of non-controlling interest in Sancus Finance	–	–	–	–	415,884	415,884	(415,884)	–
Goodwill not recognised on acquisition of non controlling interests in BMS	–	–	–	–	(4,096,282)	(4,096,282)	(1,745,386)	(5,841,668)
Disposal of non-controlling interest in SMEF	–	–	–	–	102,871	102,871	(12,693,911)	(12,591,040)
Other reserves movement	–	–	–	–	1,973,379	1,973,379	129,464	2,102,843
Dividends paid*	–	–	–	–	(6,116,697)	(6,116,697)	–	(6,116,697)
Transactions with owners	–	22,803,317	–	–	(7,720,845)	15,082,472	(14,725,717)	356,755
(Loss)/profit for the year					(17,593,312)	(17,593,312)	1,058,777	(16,534,535)
Foreign exchange on consolidation	–	–	–	162,961	–	162,961	–	162,961
Total comprehensive income/(loss) for the year	–	–	–	162,961	(17,593,312)	(17,430,351)	1,058,777	(16,371,574)
Balance at 31 December 2016	–	110,208,227	34,802,740	–	(54,267,562)	90,743,405	124,700	90,868,105

* During the year ended 31 December 2016, the Company paid or declared quarterly dividends, totalling 2.5 pence per Ordinary share.

The accompanying Notes on pages 65 to 97 form an integral part of these financial statements.

Consolidated statement of changes in shareholders' equity

For the year ended 31 December 2015 restated

	Share Capital GBP	Share Premium GBP	Distributable Reserve GBP	Foreign Exchange Reserve GBP	Restated Retained Earnings GBP	Capital and reserves attributable to equity holders of the Company GBP	Non-controlling Interest GBP	Total Equity GBP
Balance at 31 December 2014 as previously reported	–	58,106,797	34,802,740	(326,773)	(19,155,408)	73,427,356	1,114,312	74,541,668
Effect of change in accounting policy. Refer Note 2(b)	–	–	–	–	5,998,544	5,998,544	–	5,998,544
Balance at 31 December 2014 restated	–	58,106,797	34,802,740	(326,773)	(13,156,864)	79,425,900	1,114,312	80,540,212
Net proceeds from Ordinary Shares issued (Note 13)	–	29,298,113	–	–	–	29,298,113	–	29,298,113
Acquisition of non-controlling interest	–	–	–	–	–	–	12,420,620	12,420,620
Disposal of non-controlling interest	–	–	–	–	(212,309)	(212,309)	(988,472)	(1,200,781)
Dividends paid*	–	–	–	–	(9,774,010)	(9,774,010)	–	(9,774,010)
Transactions with owners	–	29,298,113	–	–	(9,986,319)	19,311,794	11,432,148	30,743,942
(Loss)/profit for the year restated for changes in accounting policy. Refer Note 2(b)	–	–	–	–	(5,810,222)	(5,810,222)	1,245,180	(4,565,042)
Foreign exchange on consolidation	–	–	–	163,812	–	163,812	–	163,812
Total comprehensive income/ (loss) for the year	–	–	–	163,812	(5,810,222)	(5,646,410)	1,245,180	(4,401,230)
Balance at 31 December 2015 restated	–	87,404,910	34,802,740	(162,961)	(28,953,405)	93,091,284	13,791,640	106,882,924

* During the year ended 31 December 2015, the Company paid or declared quarterly dividends, totalling 5.0 pence per Ordinary Share.

The accompanying Notes on pages 65 to 97 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2016

	Notes	31 December 2016 GBP	Restated* 31 December 2015 GBP
Cash flows from/(used in) operating activities	16	5,565,212	(22,499,433)
Cash flows from/(used in) investing activities			
Business combinations – acquisition of subsidiaries	9	4,476,892	11,991,232
Business combination – partial disposal of subsidiaries	9, 17 (2) & (3)	12,620,921	–
Purchase of investments			
– FinTech Ventures	10	(8,678,006)	(35,674,393)
– Other		–	(33,694,621)
Sale of investments			
– FinTech Ventures	10	1,411,587	12,779,251
– Other		–	45,993,358
Property and equipment acquired		(321,468)	(11,225)
Investment in Joint Venture		(527,778)	(225,807)
Intangible assets acquired		–	(1,594)
Net cash flow from investing activities		8,982,148	1,156,201
Cash flows from/(used in) financing activities			
Decrease in syndicated loan		(9,520,000)	–
(Decrease)/increase on Sancus BMS loans		(14,227,095)	15,057,341
Proceeds from issue of Ordinary Shares	13	7,036,374	19,163,082
Dividends paid		(5,798,812)	(9,359,976)
Net cash flow (used in)/from financing activities		(22,509,533)	24,860,447
Net (decrease)/increase in cash and cash equivalents		(7,962,173)	3,517,215
Cash and cash equivalents at beginning of year		17,415,157	13,734,130
Effect of foreign exchange rate changes during the year		162,961	163,812
Cash and cash equivalents at end of year	12	9,615,945	17,415,157

* Comparatives have been restated in order to more appropriately reflect the nature of the underlying items and for the change in accounting policy detailed in Note 2.

The accompanying Notes on pages 65 to 97 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2016

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 zero dividend preference shares 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 2016, the Group comprises the Company and its subsidiaries (please refer to Note 17 for full details of the Company's subsidiaries).

Given the changes made as a result of the strategic review, 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 and separate 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. The principal accounting policies of the Group have remained unchanged from the previous year, except as explained in Note 2(b) and are set out below. Comparative information in the primary statements is given for the year ended 31 December 2015.

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 Board has assessed the Group's financial position as at 31 December 2016 and the factors that may impact its performance in the forthcoming year. After considering the maturity profile of the debt structure of the Group and projected cash flows, the Directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis.

As explained in Note 23 on post balance sheet events, the Syndicated Loan which was due on 15 March 2017, was repaid in full on time.

Refer the Viability Statement on page 52 for further comment on the solvency and liquidity of the Group.

(b) Changes in accounting policies and disclosures

The Group has reassessed its accounting policies during the period in order to align these with how the Group is managed and performance monitored following the implementation of a new operating model. A change in accounting policy of this nature may be necessary to enhance the relevance and reliability of information contained in the financial statements and, where permitted under the relevant accounting standard, has been applied as a change in accounting policy.

Fair value measurement basis for investments in FinTech Ventures' investments

The Group has elected to apply the exemption available under IAS 28 Investments in Associates and Joint Ventures 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 Group previously accounted for its investments in associates using the equity method as set out in IAS 28:10 whereby after in initial recognition of the asset classified as an associate, the carrying amount is adjusted for the investor's share of the post-acquisition profits or losses of the investee; and distributions received from the investee.

Notes to the financial statements continued

For the year ended 31 December 2016

2. Accounting policies (continued)

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 or minority holdings. Furthermore, the most appropriate point in time for exit from such investments is being actively monitored as part of the Group's investment strategy. In addition, FinTech Ventures' investments were measured at fair value through profit or loss in the Company Statement of Financial Position for the years ended 31 December 2015 and 31 December 2014 and therefore reliable fair value estimates can be derived for the comparative information presented in the consolidated financial statements.

In determining whether a change in accounting policy from equity accounting under IAS 28(2011) to fair value through profit or loss under IAS 39 is acceptable, the Group has given regard to the requirements of the standard that will be applied to the investments after the change.

Under IAS 39.9, the option to designate a financial asset managed on a fair value basis as at fair value through profit or loss is available only upon initial recognition of the asset. However, in the circumstances under consideration, 'initial recognition' has been interpreted as the first time IAS 39 is applied to the asset in the consolidated results of the Group, particularly as no other designation is permitted by IAS 28(2011). Consequently, the change in accounting policy is considered to be permitted under IAS 39 and has been applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates. The quantitative impact of the change is detailed below.

Measurement of loans and receivables at amortised cost (Sancus BMS loans and loan equivalents and loans through platforms)

As part of the Group's strategic review it has considered the classification of financial assets including loans previously designated at fair value through profit or loss. The Group has reclassified the Sancus BMS loans and loan equivalents and loans through platforms out of fair value through profit or loss to loans and receivables at amortised cost. The accounting policy is detailed in Note 2(i).

This reclassification has been determined on the basis that loan financial assets not related to the FinTech Ventures' investments are no longer held for the purpose of selling in the near term, or part of a portfolio of identified financial instruments that are managed together (i.e. loans and receivables are part of the Sancus BMS operating segment separate to equity instruments measured at fair value through profit or loss). Furthermore, these assets meet the definition of loans and receivables and the Group has the intention and ability to hold these assets for the foreseeable future or until maturity.

Although the Group previously accounted for these non-current and current asset loans at fair value though profit or loss, the reclassification has no material impact on the carrying value of the financial assets which were fair valued using an equivalent effective interest rate method.

The new accounting policies have been applied retrospectively in order to comply with IAS 8 Accounting policies, changes in accounting estimates and errors. The opening balances for each of the affected financial statement line items have been restated for the earliest prior period presented as if the new accounting policies had always been applied as follows:

Impact on equity

	31 December 2015 **GBP**	1 January 2015 **GBP**
Derecogntion of associates at equity accounting method (as previously stated)	(19,325,379)	(29,648,508)
Recogniton and measurement at fair value through profit or loss of equity investments included in FinTech Ventures' investments	30,783,799	35,647,052
Net increase in equity	11,458,420	5,998,544

Impact on Consolidated Statement of Comprehensive Income

	31 December 2015 **GBP**
Reversal of share in net losses on associates	3,094,632
Unrealised gains on associates	2,365,244
Net decrease in total comprehensive loss for the year	5,459,876

2. Accounting policies (continued)

Impact on basic and diluted earnings per share (EPS)

	31 December 2015 **GBP**
Basic EPS, loss for the year attributable to ordinary equity holders of the parent (as previously stated)	(5.49)p
Impact on earnings per share	2.66p
Basic EPS, loss for the year attributable to ordinary equity holders of the parent	(2.83)p

The change did not have an impact on Other Comprehensive Income for the year or the Group's operating, investing and financing cash flows.

(c) Basis of consolidation

The financial statements comprise the results of the GLI Finance Limited and its subsidiaries for the year ended 31 December 2016. 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 are 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) Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which include the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred and are included in operating expenses before finance costs.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

At acquisition date, the Group measures the components of non-controlling interests in the acquiree at fair value.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

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 acquire; over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with IFRS 3.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement.

(e) 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.

Notes to the financial statements continued

For the year ended 31 December 2016

2. Accounting policies (continued)

(f) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. These financial statements have been prepared on a going concern basis which the Directors believe to be appropriate. The main areas in which estimates and judgements are made relate to the Fair Values of the FinTech Ventures' portfolio of investments designated as financial assets, which is described below and Goodwill, which is described in Note 2(k) and the application of IFRS 10, Consolidated Financial Statements.

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 21.

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

- Level 1 – Inputs that 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. (This was not applied in either 2016 or 2015.)

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 judgement in concluding on the valuations. The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting year.

Impairment of goodwill

As detailed in Note 8, the Directors will review the carry value of goodwill and carry out an impairment review annually to assess whether goodwill is recoverable. 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 8. 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

Refer Notes 2(k) and (n) for accounting policies relating to the valuation and impairment of goodwill.

Application of IFRS 10, Consolidated Financial Statements

As detailed in Note 17, the Group disposed of a number of subsidiaries in the year, but has retained a significant interest in some cases, including Amberton Asset Management Limited, BMS Finance (UK) Sarl and the SME Loan Fund Plc. As the Group has continued to hold a significant stake in these business, the Director were required to assess whether control, as defined under IFRS 10, was retained by the Group. In each case, it was concluded that control had been lost and hence these businesses were deconsolidated.

(g) 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.

(h) 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.

2. Accounting policies (continued)

(i) 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 either measured at fair value or amortised cost (see Note 2(p)). 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.

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 21.

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, less provision for impairment. 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 GBP nil.

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.

Fair value accounting for associates (FinTech Ventures' investments)

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

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.

Notes to the financial statements continued

For the year ended 31 December 2016

2. Accounting policies (continued)

The Group previously accounted for its investments in associates and joint ventures using the equity method under IAS 28.16.

The Group therefore designates its investments in associates as fair value through profit or loss. Refer to Note 21 for fair value techniques used.

The Directors consider the equity and loan stock to 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.

(j) 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.

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 2016	31 December 2015
GBP1: USD1.2340	GBP1: USD1.4736
GBP1: EUR1.1731	GBP1: EUR1.3571

(k) Goodwill

Goodwill is carried at cost less accumulated impairment losses. Refer to Note 2 (n) for a description of impairment testing procedures.

(l) 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.

(m) Intangible intellectual property

The cost of acquired intellectual property rights are stated at purchase price plus any directly attributable costs incurred in preparing the asset for use.

The intangible assets are assessed for impairment annually, or as required if there are indications of impairment (see Note 2(n)for the impairment testing procedures). Acquired intellectual property rights (except for assets with an indefinite useful life) are amortised on a straight-line basis over the term of the license of the intellectual property asset acquired (10 years). All amortisation and impairment charges are included within Other Expenses in the Consolidated Statement of Comprehensive Income.

Computer software development expenditure, comprising salaries and third party contractor costs incurred in the creation of this intellectual property is capitalised and stated at cost less accumulated depreciations. Depreciation is charged once the asset is fully operational.

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

Computer software	4 years

2. Accounting policies (continued)

(n) 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 interest 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.

(o) Investment in Joint Venture

A joint venture is a joint arrangement over which the Group has joint control.

An investment in a joint venture is accounted for by the Group using the equity method.

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

The carrying amount of the investment in a joint venture is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture 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 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.

The Company has designated its investment in a joint venture as fair value through profit or loss since it is managed and its performance is evaluated on a fair value basis, and information about the Group is provided internally on that basis to the entity's key management personnel including the entity's Board of Directors. The Company carries its directly held investment in a joint venture at fair value through profit or loss.

(p) 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 Zero Dividend Preference Shares ('ZDP shares') 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 14) 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 date of these financial statements.

(q) 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

(r) 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 four 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.

Notes to the financial statements continued

For the year ended 31 December 2016

2. Accounting policies (continued)

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 IAS 18 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 IAS 39 Financial Instruments, this is not considered to have a material impact on the financial performance or financial positon of the Group.

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.

(s) Share based payments

As explained in the Remuneration Report, the Company provides a contractual bonus, part of which is satisfied through the issuance of Company's own shares, to its Executive Team (i.e. the Executive Bonus Scheme).

The cost of such bonuses is taken to the Consolidated Statement of Comprehensive Income with a corresponding credit to Shareholders' Equity.

(t) 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.

(u) 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.

(v) Trade and other payables

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

(w) 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. Shares held in treasury are excluded from calculations when determining statistics on a per share basis.

(x) Warrants

The Company has issued warrants in the period as detailed in Note 13. These are accounted for as either equity or liabilities based upon the characteristics and provisions of each instrument. Warrants have been classified as equity and have been recorded at fair value as of the date of issuance.

2. Accounting policies (continued)

(y) Adoption of new and revised Standards

At the date of approval of these Consolidated Financial Statements, the following standards and interpretations, which have not been applied in these Consolidated Financial Statements, were in issue but not yet effective:

- IFRS 9 'Financial Instruments', published in July 2014, will replace the existing guidance in IAS 39. It includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and new hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.
- IFRS 15 'Revenue from Contracts with Customers', published May 2016, specifies how and when to recognise revenue as well as requiring entities to provide users of financial statements with more informative, 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.
- IFRS 16 'Leases', published in January 2016, specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, allowing lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

The Directors do not anticipate that the adoption of these standards and interpretations in future periods will have a significant impact on the Consolidated Financial Statements of the Group, with the exception of the adoption of IFRS 9 as described below.

Loans are currently assessed for impairment under IAS 39, where impairment losses are recognised only when a loss event occurs, whereas under IFRS 9 an expected loss approach will be required which may result in losses being recognised at an earlier stage. The loan investments are secured over the borrowers' assets, typically by way of first charges over the borrowers' property or debentures over the borrowers' assets as well as other security arrangements. Whilst the Directors are still assessing the impact IFRS 9 may have, with these securities in place and based on the current positions of the loans, the Directors do not believe there will be a significant impact on the Consolidated Financial Statements.

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 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

3. Segmental reporting

Operating segments are reported in a manner consistent with the manner in which the Executive Team reports to the Board. 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 the interim report, the Group disclosed three operating segments, which have now been simplified to two, as explained in the Chief Executive's Review on page 6.

The segments are as follows:

Pillar One – Sancus BMS

- Platforms with an established business model
- Amberton – fundraising for Sancus BMS
- SMEF (sold post year-end)
- Investments in the BMS loan funds

Pillar Two – FinTech Ventures

- 11 platform investments
- Funding Knight, a wholly owned subsidiary

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.

Notes to the financial statements continued

For the year ended 31 December 2016

3. Segmental reporting (continued)

	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2016 **GBP**	Sancus BMS	FinTech Ventures	Group Treasury	Restated 31 December 2015 **GBP**
Revenue								
Interest on loans	4,237,398	412,933	–	4,650,331	5,628,264	1,089,011	–	6,717,275
SMEF interest and dividends	2,392,989	–	–	2,392,989	1,212,805	–	–	1,212,805
Dividend income from CLOs	–	–	–	–	–	1,206,633	–	1,206,633
Fee and other income	4,692,152	215,042	–	4,907,194	3,688,551	–	–	3,688,551
Total Revenue	11,322,539	627,975	–	11,950,514	10,529,620	2,295,644	–	12,825,264
Interest costs on non current liabilities	(3,169,936)	–	–	(3,169,936)	(3,130,709)	–	–	(3,130,709)
Other interest costs	(604,166)	–	–	(604,166)	(1,277,300)	–	–	(1,277,300)
Gross profit	**7,548,437**	**627,975**	**–**	**8,176,412**	**6,121,611**	**2,295,644**	**–**	**8,417,255**
Total operating expenses	(6,403,067)	(2,875,000)	(1,814,000)	(11,092,067)	(3,658,697)	(4,981,000)	(3,235,000)	(11,874,697)
Net operating income	1,145,370	(2,247,025)	(1,814,000)	(2,915,655)	2,462,914	(2,685,356)	(3,235,000)	(3,457,442)
(Losses)/gains on financial assets at fair value through profit and loss								
SMEF fair value adjustment	(1,528,677)	–	–	(1,528,677)	–	–	–	–
Net loss on de-recognition of SMEF as a subsidiary	(1,207,701)	–	–	(1,207,701)	–	–	–	–
FinTech Ventures fair value adjustment	–	(7,432,010)	–	(7,432,010)	–	(20,168)	–	(20,168)
Other net gains/(losses)	144,000	553,489	(1,594)	695,895	119,044	(961,121)	–	(842,077)
(Losses)/gains on financial assets at fair value through profit or loss	(2,592,378)	(6,878,521)	(1,594)	(9,472,493)	119,044	(981,289)	–	(862,245)
Goodwill impairment	(3,408,265)	(738,122)	–	(4,146,387)	–	(245,355)	–	(245,355)
(Loss)/income for the year	(4,855,273)	(9,863,668)	(1,815,594)	(16,534,535)	2,581,958	(3,912,000)	(3,235,000)	(4,565,042)
Other comprehensive income								
Items that may subsequently be reclassified to profit or loss:								
Foreign exchange on consolidation	–	162,961	–	162,961	–	163,812	–	163,812
Total comprehensive (loss)/income for the year	(4,855,273)	(9,700,707)	(1,815,594)	(16,371,574)	2,581,958	(3,748,188)	(3,235,000)	(4,401,230)
Operating (loss)/profit attributable to:								
Equity holders of the Company	(5,914,050)	(9,863,668)	(1,815,594)	(17,593,312)	1,336,778	(3,912,000)	(3,235,000)	(5,810,222)
Non-controlling interest	1,058,777	–	–	1,058,777	1,245,180	–	–	1,245,180
	(4,855,273)	(9,863,668)	(1,815,594)	(16,534,535)	2,581,958	(3,912,000)	(3,235,000)	(4,565,042)
Total comprehensive (loss)/income attributable to:								
Equity holders of the Company	(5,914,050)	(9,700,707)	(1,815,594)	(17,430,351)	1,336,778	(3,748,188)	(3,235,000)	(5,646,410)
Non-controlling interest	1,058,777	–	–	1,058,777	1,245,180	–	–	1,245,180
	(4,855,273)	(9,700,707)	(1,815,594)	(16,371,574)	2,581,958	(3,748,188)	(3,235,000)	(4,401,230)

3. Segmental reporting (continued)

	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2016 **GBP**	Sancus BMS	FinTech Ventures	Group Treasury	Restated 31 December 2015 **GBP**
ASSETS								
Non-current assets								
Property and equipment	601,798	5,333	10,412	617,543	80,650	–	10,764	91,414
Intangible intellectual property	–	–	–	–	–	1,001,594	–	1,001,594
Goodwill	25,032,849	–	–	25,032,849	14,254,652	–	–	14,254,652
Investment in SMEF:								
– Loans through platforms	–	–	–	–	29,172,634	–	–	29,172,634
Sancus BMS loans and loan equivalents	26,715,618	–	–	26,715,618	42,882,777	–	–	42,882,777
– Sancus BMS loans	19,215,618	–	–	19,215,618	20,452,137	–	–	20,452,137
– Loan equivalents	–	–	–	–	22,430,640	–	–	22,430,640
– Investment in Sancus Loan Notes at fair value	7,500,000	–	–	7,500,000	–	–	–	–
Fintech Ventures' investments	–	36,103,853		36,103,853	–	38,805,852	–	38,805,852
Other investments at fair value	874,382	–	–	874,382	2,803,554	–	–	2,803,554
Joint Venture in Amberton Asset Management	527,778	–	–	527,778	–	–	–	–
	53,752,425	36,109,186	10,412	89,872,023	89,194,267	39,807,446	10,764	129,012,477
Current assets								
Investment in SMEF:								
– Shares at fair value	23,780,806	–	–	23,780,806	–	–	–	–
Loans through platforms	–	4,033,825	–	4,033,825	–	7,152,806	–	7,152,806
Sancus BMS loans and loan equivalents	12,105,496	–	–	12,105,496	10,077,220	–	–	10,077,220
– Sancus BMS loans	3,900,464	–	–	3,900,464	4,806,141	–	–	4,806,141
– Loan equivalents	8,205,032	–	–	8,205,032	5,271,079	–	–	5,271,079
Trade and other receivables	1,854,180	748,018	109,984	2,712,182	2,660,269	1,898,000	102,493	4,660,762
Cash and cash equivalents	5,619,132	480,028	3,516,785	9,615,945	8,357,267	2,021,760	7,036,130	17,415,157
	43,359,614	5,261,871	3,626,769	52,248,254	21,094,756	11,072,566	7,138,623	39,305,945
Total assets	97,112,039	41,371,057	3,637,181	142,120,277	110,289,023	50,880,012	7,149,387	168,318,422
EQUITY								
Share premium	–	–	110,208,227	110,208,227	–	–	87,404,910	87,404,910
Distributable reserve	–	–	34,802,740	34,802,740	–	–	34,802,740	34,802,740
Foreign exchange reserve	–	–	–	–	–	(162,961)	–	(162,961)
Retained earnings allocation to segments	–	–	(88,185,661)	–	–	–	(87,615,528)	–
Retained earnings	46,932,781	41,252,880	(54,267,562)	(54,267,562)	36,843,983	50,771,545	(28,953,405)	(28,953,405)
Capital and reserves attributable to equity holders of the Group	46,932,781	41,252,880	2,557,744	90,743,405	36,843,983	50,608,584	5,638,717	93,091,284
Non-controlling interest	124,700	–	–	124,700	13,791,640	–	–	13,791,640
Total equity	47,057,481	41,252,880	2,557,744	90,868,105	50,635,623	50,608,584	5,638,717	106,882,924
LIABILITIES								
Non-current liabilities	31,935,794	–	–	31,935,794	57,688,737	–	–	57,688,737
Current liabilities								
Syndicated loan	11,920,000	–	–	11,920,000	–	–	–	–
Trade and other payables	6,198,764	118,177	1,079,437	7,396,378	1,964,663	271,428	1,510,670	3,746,761
	18,118,764	118,177	1,079,437	19,316,378	1,964,663	271,428	1,510,670	3,746,761
Total liabilities	50,054,558	118,177	1,079,437	51,252,172	59,653,400	271,428	1,510,670	61,435,498
Total equity and liabilities	97,112,039	41,371,057	3,637,181	142,120,277	110,289,023	50,880,012	7,149,387	168,318,422

Notes to the financial statements continued

For the year ended 31 December 2016

4. Fee and other income

	31 December 2016 GBP	31 December 2015 GBP
Co-funder fees	542,636	540,243
Earn out (exit) fees	206,917	286,250
Management fees	1,186,607	488,875
Net IP license fees	–	392,884
Other income on sale of business combination	–	143,558
Transaction fees	2,516,264	1,053,522
Sundry income	454,770	783,219
	4,907,194	3,688,551

5. Other expenses

	31 December 2016 GBP	31 December 2015 GBP
Other expenses:		
Audit fees	294,462	155,455
Amortisation and depreciation	269,619	1,060,463
Corporate insurance	71,654	79,047
Directors' remuneration	203,001	158,987
Employment costs	5,297,855	3,586,873
Independent valuation fees	148,502	309,812
Investor relations expenses	182,982	290,272
Marketing expenses	286,477	1,170,042
NOMAD fees	55,231	76,643
Other office and administration costs	1,259,117	1,006,615
Pension costs	97,192	–
Registrar and broker fees	108,860	172,664
Sundry	73,551	538,021
	8,348,503	8,604,894

Also refer to the Remuneration Report on pages 48 and 49.

6. Loss per Ordinary Share

Consolidated loss per Ordinary Share has been calculated by dividing the consolidated operating loss attributable to Ordinary Shareholders of GBP(17,593,313) (31 December 2015: GBP(5,810,222)) by the weighted average number of Ordinary Shares outstanding during the year of 270,934,270 (31 December 2015: 205,475,679). There was no dilutive effect for Ordinary Shares not yet issued during the current or prior year.

Note 13 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.

Weighted average number of shares in issue throughout the year

	31 December 2016 GBP	31 December 2015 GBP
No. of shares	309,298,113	229,917,364
Weighted average no. of shares in issue throughout the year	270,934,270	205,475,679

7. Intangible intellectual property

31 December 2016	Acquisition Cost GBP	Amortisation and Impairment GBP	Net Book value GBP
Brought forward	2,364,009	(1,362,415)	1,001,594
Charge for the year	–	(1,001,594)	(1,001,594)
Carried forward	2,364,009	(2,364,009)	–

31 December 2015	Acquisition Cost GBP	Amortisation and Impairment GBP	Net Book value GBP
Brought forward	5,832,548	(301,952)	5,530,596
Additions	1,594	–	1,594
Disposals	(3,470,133)	–	(3,470,133)
Charge for the year	–	(1,060,463)	(1,060,463)
Carried forward	2,364,009	(1,362,415)	1,001,594

During the year, the intellectual property relating to the Finpoint IT system was written off at the time of the Group's disposal of its majority interest in this platform. This has been included as part of FinTech fair value adjustment on the face of the Consolidated Statement of Comprehensive Income.

8. Goodwill

	31 December 2016 GBP	31 December 2015 GBP
Brought forward	14,254,652	14,500,007
Additions:		
Acquisition of Platform Black	5,547,475	–
Acquisition of Funding Knight	738,122	–
Acquisition of Sancus (Gibraltar) Ltd	8,638,987	–
Impairment :		
– Sancus Finance	(3,408,265)	–
– Funding Knight	(738,122)	–
– Raiseworks	–	(245,355)
Carried forward	25,032,849	14,254,652

Goodwill comprises:

Sancus Jersey	14,254,652	14,254,652
Sancus Gibraltar	8,638,987	–
Sancus Finance	2,139,210	–
	25,032,849	14,254,652

Refer Note 9 on Acquisition of Subsidiaries which presents the calculation of goodwill for acquisitions in the current year.

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, in relation to the fair value of such subsidiaries.

The fair value of Sancus Jersey was based on an internal DCF valuation analysis using cash flow forecasts for the years 2017 to 2021. Management's revenue forecast applied a compound annual growth rate (CAGR) to revenue of 7%. A cost of equity discount rate of 14.25% (as determined by independent valuation experts), which is reflective of Sancus's cost of equity, was employed in the valuation model.

Notes to the financial statements continued

For the year ended 31 December 2016

8. Goodwill (continued)

The resultant valuation indicated that no impairment of goodwill was required, although there was no material residual headroom.

The fair value of Sancus Finance was also determined on a DCF basis, but using a revenue CAGR of 30% and a cost of equity discount rate of 19.25%, both higher than that applied in the valuation of Sancus Jersey, to take into account the fact that this business is still in a development stage. The enterprise value of the company was determined to be GBP3.5m in total, with the Group's share being GBP2.9m. This recognised that the working capital injected by the Group over the past 3 years had maintained the value of the company at a constant, but had not resulted in an increase in valuation. As a result of this process the Board concluded that goodwill over and above the GBP2.9m valuation should be impaired, which amounted to GBP3.4m.

The fair value of Sancus Gibraltar was taken as being the purchase price paid by the Group for this entity in June 2016. No impairment of goodwill was considered necessary given that the company has only recently been acquired and that it continues to be profitable.

The fair value of Funding Knight was assessed. As this company is being repositioned (refer the CEO's Review), the Group will be required to contribute additional working capital in 2017. In recognition of this, the Board decided to fully impair the goodwill on this acquisition.

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.

Sensitivities are presented below for the goodwill valuations of Sancus Jersey and Sancus Finance. Sensitivities for Sancus Gibraltar have not been disclosed as this subsidiary was purchased as recently as June 2016 and as such the goodwill calculation at the time of acquisition is still considered a fair presentation.

The table below shows the impact on the Consolidated Statement of Comprehensive Income of stressing year end goodwill valuations as follows:

- Decreasing revenues by 10%
- Increasing discount rates by 3% (discount rates in valuation models average 14.25%-19.25%)

Consolidated Statement of Comprehensive Income	Sancus 31 December 2016 **GBP**	Sancus Finance 31 December 2016 **GBP**	Total 31 December 2016 **GBP**
10% pa decrease in revenue	(2,797,852)	(1,181,356)	(3,979,208)
3% increase in discount rates	(3,535,042)	(592,931)	(4,127,973)

9. Acquisition and disposal of subsidiaries

Details of subsidiaries acquired during the year are as follows:

Subsidiary	Acquisition / Control Established Date	Percentage of issued share capital acquired	Operations of Acquiree
Sancus Finance (formerly Platform Black) Limited	5 February 2016	39.75%	Innovative online business finance marketplace that connects investors to businesses and institutions which are seeking flexible working capital finance solutions.
Funding Knight Limited	28 June 2016	100%	Provides SME, property bridging and green energy project finance through crowd funding from a broad base of investors.
Sancus (Gibraltar) Limited	6 June 2016	100%	Provides secured lending to asset rich, cash-constrained borrowers and co-lending opportunities to high value clients.

9. Acquisition and disposal of subsidiaries (continued)

The amounts recognised in respect of the identifiable assets and liabilities acquired for each business combination effected during the year are as set out in the table below:

	Sancus Finance Limited	Funding Knight Limited	Sancus (Gibraltar) Limited
Property, plant and equipment	474,577	6,120	25,650
Identifiable intangible assets	270,022	–	–
Investments	–	–	263,141
Loans advanced	–	–	8,509,000
Cash*	587,022	33,050	5,904,820
Other financial assets	90,273	78,647	247,637
Borrowings	(1,783,153)	–	–
Other financial liabilities	(1,956,676)	(105,939)	(89,235)
Total identifiable (liabilities)/assets	(2,317,935)	11,878	14,861,013
Goodwill	5,547,475	738,122	8,638,987
Total consideration	3,229,540	750,000	23,500,000
Attributable to non-controlling interests	(517,590)	–	–
Less: fair value of previously held interest	(1,413,950)	–	–
	1,298,000	750,000	23,500,000
Satisfied by:			
Cash*	1,298,000	750,000	–
Ordinary shares in the Group	–	–	13,500,000
Bonds issued by the Group	–	–	10,000,000
	1,298,000	750,000	23,500,000
Transactions not part of business combination	–	–	(14,322,848)
Total consideration transferred	1,298,000	750,000	9,177,152

* Net increase in cash balances GBP4,476,892. Refer Consolidated Statement of Cash Flows.

(1) Sancus Finance Limited

Sancus Finance was acquired as it offers a complementary service to Sancus and BMS, creating positive operational synergies within Pillar 1. The goodwill of GBP5,547,475 arising from the acquisition, related to the in-house-developed IT platform through which the business matches funders and borrowers which has been used as a base for the new system being built for all Sancus BMS entities. However, this goodwill was subsequently impaired – Refer Note 8, to recognise the strategic growth challenges this business faces.

The purchase consideration was paid in 3 tranches: GBP518,000 was paid on 5 February 2016, GBP390,000 on 4 May 2016 and GBP390,000 was settled on 5 August 2016.

The measurement basis used for determining non-controlling interests in the above calculation was the deemed fair value based on consideration for interest acquired, with no adjustment made for control premium.

Sancus Finance contributed revenue of GBP586,697 and losses of GBP1,452,986 to the Group's loss for the period between the date of acquisition and the balance sheet date.

(2) Funding Knight Limited

Funding Knight Limited was acquired when its parent company, Funding Knight Holdings Limited, went into administration. We believe this is a fundamentally good business with inherent strategic value. The goodwill of GBP738,122 arising from the acquisition was subsequently impaired in light of the working capital funding which will be required before breakeven point is reached. Refer Note 8 for further details.

The consideration paid was GBP750,000. An additional GBP1,000,000 for post acquisition recapitalisation of the business was paid but is not included in the consideration transferred.

Funding Knight Limited contributed revenue of GBP200,292 and GBP554,769 to the Group's loss for the period between the date of acquisition and the balance sheet date.

Notes to the financial statements continued

For the year ended 31 December 2016

9. Acquisition and disposal of subsidiaries (continued)

(3) Sancus (Gibraltar) Limited

Sancus (Gibraltar) Limited was acquired as this is a strong profitable business and allowed a better organised, more operationally efficient group of Sancus entities to be formed. It also reduced a keyman risk. The goodwill of GBP8,638,987 arising from the acquisition was justified on the basis of a healthy new business pipeline and a growing, profitable business in a new jurisdiction which is performing to expectation.

The fair value of the 43,408,360 new Ordinary Shares issued as part of the consideration paid for Sancus (Gibraltar) Limited (GBP13,500,000) was determined on the basis of the prevailing market traded price at the date of acquisition. The fair value of the 10,000,000 Bonds issued represents the aggregate value of GBP1 per issued bond. Refer to Note 14 for further details.

Part of the consideration transferred also included the acquisition of an inter-company loan of GBP14,322,848 which was not part of the business combination.

Sancus (Gibraltar) Limited contributed revenue of GBP528,736 and GBP371,298 to the Group's profit for the period between the date of acquisition and the balance sheet date.

Disposal of subsidiaries

The net assets of the following subsidiaries at the date of disposal were as follows:

3 March 2016	SME Loan Fund plc (formerly GLI Alternative Finance plc) **GBP**	BMS Finance (UK) Sarl **GBP**	Amberton Asset Management Ltd (formerly GLI Asset Management Ltd) **GBP**
Trade receivables	5,478,576	431,353	69,787
Cash*	2,118,174	358,660	152,245
Intercompany loan	–	30,332,558	–
Investments	1,796,365	–	50,000
Platform loans	44,303,969	–	–
Trade payables	(186,499)	(66,673)	(223,556)
Loans payable	–	(30,917,057)	–
Net assets	53,510,585	138,841	48,476
Less – Held by minorities	(12,032,121)	(82,337)	–
Less – Retained and transferred to Investments	(25,270,763)	–	(24,238)
Net assets disposed	16,207,701	56,504	24,238
Total considerations satisfied by:			
Cash and cash equivalents*	15,000,000	–	250,000
Gain/(loss) on disposal	(1,207,701)	(56,504)	225,762

* Net cash received on disposal GBP12,620,921. Refer Consolidated Statement of Cash Flows.

SME Loan Fund plc sale

On 3 March 2016, the Group completed the sale to Golf Investments Limited of 15,000,000 ordinary shares in SMEF at a price of GBP1 per share, raising gross proceeds for the Company of GBP15,000,000. The Group held 25,270,763 ordinary shares, representing 47.99% of SMEF's issued share capital as at 31 December 2016.

Amberton Asset Management Ltd sale

On 23 May 2016, the Group completed the sale to Golf Investments Limited of 50% of its stake in Amberton Asset Management Limited for GBP250,000

10. Investments at fair value

Investment in Sancus Loan Notes Limited	31 December 2016 GBP	31 December 2015 GBP
Redeemable preference shares	7,500,000	–

Sancus Loan Notes Limited is a special purpose vehicle established to fund loans syndicated by Sancus BMS. In total it has funding of GBP17.5m, including the Group's investment of GBP7.5m, which are the only preference shares issued by the company. The SPV has a two year term until 6 November 2018. The redeemable preference shares act as first credit loss on all loans in the structure. They have rights to all residual profits, after the payment of interest at 8% to the SPV's Noteholders (who provided the balance of the funding), at the end of the term of the company. The structure is designed to deliver to the preference shareholders a return on their GBP7.5m similar to that which could have been earned by the Group if it had lent the money directly.

FinTech Ventures' Investments

31 December 2016	Equity GBP	Loans GBP	Total GBP
Opening fair value	34,027,784	4,778,068	38,805,852
New investments/loans advanced	4,600,891	4,077,115	8,678,006
Transfer from Associate to Subsidiary – Sancus Finance	(2,536,408)	–	(2,536,408)
Disposals/loan repayments	(500,011)	(911,576)	(1,411,587)
Gains/(losses) recognised in profit and loss:			
– realised	(500,013)	(1,001,495)	(1,501,508)
– unrealised	(393,575)	(5,536,927)	(5,930,502)
Closing fair value	34,698,668	1,405,185	36,103,853

31 December 2015	Equity GBP	Loans GBP	Total GBP
Opening fair value	15,930,878	–	15,930,878
New investments/loans advanced	18,333,378	17,341,015	35,674,393
Disposals/loan repayments	(5,103,309)	(7,975,942)	(12,779,251)
Gains/(losses) recognised in profit and loss:			
– realised	(446,455)	(119,688)	(566,143)
– unrealised	5,313,292	(4,767,317)	545,975
Closing fair value	34,027,784	4,778,068	38,805,852

11. Trade and other receivables

Current	31 December 2016 GBP	31 December 2015 GBP
Dividend income receivable	371,108	73,693
Loan assignment receivable	121,413	1,270,687
Loan interest receivable	940,366	663,042
Preference share dividends receivable	414,495	1,053,553
Other trade receivables and prepaid expenses	864,800	799,787
Unsettled investment sales	–	800,000
	2,712,182	4,660,762

Notes to the financial statements continued

For the year ended 31 December 2016

12. Cash and cash equivalents

	31 December 2016 GBP	31 December 2015 GBP
Call account	9,615,945	15,515,942
Cash held by Platforms on behalf of the Group	–	1,899,215
	9,615,945	17,415,157

13. 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.

During the current and prior year the Company issued the following additional Ordinary Shares:

	2016		
Date	No of shares issued	Share Premium GBP	Reason for issue
20 January 2016	51,020	18,750	Bonus entitlement
22 March 2016	237,230	79,709	2015 fourth quarter scrip dividend
13 June 2016	270,015	84,650	2016 first quarter scrip dividend
30 June 2016	43,408,360	13,500,000	Acquisition of Sancus Gibraltar Limited
30 June 2016	11,093,247	3,450,000	Increased stake in GLIF BMS Holdings Limited
15 August 2016	23,020,560	7,036,374	Placing with Somerston Group
16 September 2016	295,943	83,974	2016 second quarter scrip dividend
02 December 2016	686,784	213,591	BIS Management Seller share portion
15 December 2016	317,590	69,552	2016 third quarter scrip dividend
	79,380,749	24,536,600	

	2015		
Date	No of shares issued	Share Premium GBP	Reason for issue
17 March 2015	34,500,000	19,263,081	Placing shares
20 March 2015	130,502	80,689	2014 fourth quarter scrip dividend
30 March 2015	6,187,394	3,774,310	Part payment for the Company's increased stake in TradeRiver Finance Limited
29 May 2015	511,529	296,687	Payment for increased stake in Sancus Finance Limited
19 June 2015	142,397	79,714	2015 first quarter scrip dividend
15 September 2015	128,022	73,523	2015 second quarter scrip dividend
29 December 2015	357,499	180,109	2015 third quarter scrip dividend
31 December 2015	15,000,000	5,550,000	Placing of shares
	56,957,343	29,298,113	

13. Share capital, share premium & distributable reverve (continued)

Share capital	31 December 2016 **Shares in issue**	31 December 2015 **Shares in issue**
Ordinary Shares – nil par value		
Balance at start of the period/year	229,917,364	172,960,021
Issued during the period/year	79,380,749	56,957,343
Balance at end of the period/year	309,298,113	229,917,364

Share premium	31 December 2016 **GBP**	31 December 2015 **GBP**
Balance at start of the period/year	87,404,910	58,106,797
Issued during the period/year	24,536,600	29,298,113
Treasury shares	(1,733,283)	–
Balance at end of the period/year	110,208,227	87,404,910

Treasury Shares

During the year, a total of 6,638,483 (31 December 2015: Nil) Ordinary Shares, with an aggregate value of GBP1,733,283 (31 December 2015: GBPNil) were eliminated on consolidation as they related to shares held by a Subsidiary, Sancus BMS Group Limited. These shares were part consideration for this company's minority shareholding in Sancus (Gibraltar) Limited, purchased by the Group in June 2016.

	31 December 2016 **Shares in issue**	31 December 2015 **Shares in issue**
Balance at start of the year	–	–
Acquired through Group restructure in June 2016	1,733,283	–
Balance at end of the year	1,733,283	–

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;
- 12,000,000 Ordinary Shares at 55 pence per Ordinary Share.

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 2016, 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 GBP Nil.

Distributable Reserve

On 15 June 2007, Court approval was received to reduce the issued share premium of the Company by an amount of GBP0.95 per Ordinary Share. The reduction was credited as a Distributable Reserve.

As at 31 December 2016 and 31 December 2015, the Distributable Reserve stood at GBP34,802,740.

Notes to the financial statements continued

For the year ended 31 December 2016

14. Liabilities

Non-current liabilities	31 December 2016 GBP	31 December 2015 GBP
Loans payable	–	14,087,972
ZDP shares (1)	23,435,794	22,160,765
Syndicated Loan (2)	–	21,440,000
Corporate bond (3)	8,500,000	–
	31,935,794	57,688,737

Current liabilities	31 December 2016 GBP	31 December 2015 GBP
Syndicated Loan (2)	11,920,000	–
Accounts payable	2,582,472	2,796,001
Accruals and other payables	1,624,259	511,667
Dividend payable	215,284	–
Other staff costs	374,363	439,093
Payable to related party*	2,400,000	–
Preference shares	200,000	–
	19,316,378	3,746,761

Interest costs on debt facilities	31 December 2016 GBP	31 December 2015 GBP
ZDP Shares	1,275,029	1,305,760
Syndicated Loan	1,597,407	1,824,949
Corporate Bond	297,500	–
	3,169,936	3,130,709

* Relates to the amount owing by Sancus BMS Group Limited to Sancus IOM Holdings Limited for its subscription for preference shares, which is due by mutual agreement between these companies. Refer to Note 20.

(1) ZDP shares

The ZDP Shares have a maturity date of 5 December 2019 with a final capital entitlement of GBP1.30696 per ZDP Share.

Please 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.

During the year the interest costs accrued on the ZDPs amounted to GBP1,275,029 (31 December 2015: GBP1,305,760), at an average interest rate of 5.5% (31 December 2015: 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 GBP30.0m 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 2016 the Company was in compliance with these covenants as Cover Test A was 3.06 (minimum of 1.7) and Cover Test B was 5.86 (minimum of 3.25).

At year end senior debt borrowing capacity amounted to GBP5.1m. After the repayment of the Syndicated Loan (see (2)), capacity increased to GBP20.0m.

14. Liabilities (continued)

(2) Syndicated Loan Facility

At the start of 2015, Sancus (Jersey) Limited had arranged a loan facility with its co-funders of GBP30m ('the Loan Facility') on behalf of the Group. The facility is secured over the assets of GLI Finance Limited. Interest is charged at 11%.

On 15 March 2016 the Loan Facility was restructured, GBP15m was repaid and the interest rate was reduced to 8.75%. All other terms and conditions remained unchanged, including the maturity date of 15 March 2017.

As at 31 December 2016, the total loan payable under the Loan Facility was GBP14,860,000 (31 December 2015: GBP28,890,000). GBP2,940,000 (31 December 2015: GBP7,450,000) of this balance was funded directly by Sancus entities, and this element is eliminated on consolidation.

Post year end, this loan was repaid, refer Note 23.

During the year the interest cost to the Group of this facility amounted to GBP1,597,407 (31 December 2015: GBP1,824,949).

(3) Corporate Bond

On 30 June 2016 GLI Finance issued GBP10m corporate bonds as part of the acquisition of Sancus (Gibraltar) Limited. Sancus BMS Group Limited holds GBP1.5m of these, leaving a balance on consolidation of GBP8.5m. The bond maturity date is 30 June 2021 and they bear interest at 7%.

During the year the interest cost the Group accrued on the bonds amounted GBP297,500.

15. Taxation

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of GBP1,200 (31 December 2015: GBP1,200) is payable to the States of Guernsey in respect of this exemption. However, subsidiaries operating in the UK and Gibraltar are potentially liable for income tax.

Reconciliation of tax charge

	31 December 2016	31 December 2015
Accounting loss before tax	(16,534,535)	(4,565,042)
Accounting loss before tax relating to non Guernsey resident companies	(1,402,917)	(1,690,454)
UK Corporation Tax at 20%	133,502	186,033
Gibraltar Corporation Tax at 10%	82,660	29,614
Guernsey Corporation Tax at 0%	–	–
Utilisation of tax losses and other adjustments	(133,502)	(186,033)
Tax expense	82,660	29,614

The tax expense for the year has been included as part of other expenses.

Certain of the Group's subsidiaries have losses of GBP7,339,362 (31 December 2015: GBP7,480,830) available for carry forward and offset against future taxable income.

Notes to the financial statements continued

For the year ended 31 December 2016

15. Taxation (continued)

	31 December 2016	31 December 2015
Consolidated Loss		
Losses brought forward restricted to UK	(7,825,583)	(8,345,286)
Losses brought forward restricted to Gibraltar	–	–
Losses brought forward restricted to Guernsey	(115,851)	(65,709)
Losses utilised in UK	667,511	930,165
Losses utilised in Guernsey	–	–
Losses utilised in Gibraltar	–	–
Losses carried forward UK	(7,158,072)	(7,415,121)
Losses carried forward Gibraltar	(181,560)	(65,709)
Losses carried forward Guernsey	–	–

Deferred income tax assets in respect of capital losses, trading losses and non-trade deficits have not been recognised as their future recovery is uncertain or not currently anticipated.

16. Cash generated from operations

	31 December 2016 **GBP**	31 December 2015 **GBP**
Loss for the year	(16,534,535)	(4,565,042)
Adjustments for:		
Net losses on FinTech Ventures	7,432,010	20,168
Net losses on Fair Value of SMEF	1,528,677	
Net loss on associate of SMEF	1,207,701	–
Other net (gains)/losses	(695,895)	842,077
Non-cash item on finance costs on ZDPs	1,275,029	2,106,675
Amortisation/depreciation of fixed assets	271,510	1,323,389
Other non-cash	1,336,131	484,629
Goodwill write off	4,146,387	245,355
Changes in working capital:		
Trade and other receivables	1,948,580	(21,414,062)
Trade and other payables	3,649,617	(1,542,622)
Cash inflow from operations	5,565,212	(22,499,433)

17. Consolidated subsidiaries

The Directors consider the following entities as wholly and partly owned subsidiaries of the Group and 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 (formerly Sancus Group Limited) ('SBMS')	27 December 2013	Guernsey	Directly held – Equity Shares	100%
GLIF BMS Holdings Limited ('GBHL')	5 November 2012	United Kingdom	Indirectly held – Equity Shares	100%
BMS Finance AB Limited ('BMS Finance AB')	24 November 2006	United Kingdom	Indirectly held – Equity Shares	100%
GLI Finance (UK) Limited	21 October 2014	United Kingdom	Directly held – Equity Shares	100%
Sancus (Jersey) Limited (formerly Sancus 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%
Funding Knight Limited	17 February 2011	United Kingdom	Directly held – Equity Shares	100%
Sancus Finance Limited (formerly Platform Black)[1]	7 January 2011	United Kingdom	Indirectly held – Equity Shares	83.93%
GLI Alternative Finance Guernsey Limited	20 April 2015	Guernsey	Directly held – Equity Shares	100%
FinTech Ventures Limited	9 December 2015	Guernsey	Directly held – Equity Shares	100%
Sancus UK Holdings Limited	9 December 2015	Guernsey	Indirectly held – Equity Shares	100%

Subsidiaries lost control of/disposed of/liquidated during the prior year

Subsidiary entity	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
Finpoint Limited ('Finpoint')	15 January 2014	United Kingdom	Directly held – Equity Shares	75%
Raiseworks LLC ('Raiseworks')	5 December 2013	United States	Directly held – Equity Shares	100%
Sageworks Capital Inc (Sageworks')	4 May 2011	United States	Indirectly held – Equity Shares	100%
GLI Investments Holdings Sarl	13 May 2014	Luxembourg	Directly held – Equity Shares	100%
NVF I Limited	10 September 2002	United Kingdom	Indirectly held – Equity Shares	100%
BMS Equity Limited	30 May 2007	Jersey	Indirectly held – Equity Shares	100%
Amberton Asset Management Limited (formerly GLI Asset Management Limited) ('Amberton')[2]	22 May 2015	Guernsey	Directly held – Equity Shares	100%
BMS Finance (UK) Sarl[3]	29 July 2014	Luxembourg	Directly & Indirectly held – Equity Shares	30.17%
The SME Loan Fund plc (formerly GLI Alternative Finance plc) ('SMEF')[3]	13 July 2015	United Kingdom	Directly and indirectly held – Equity Shares	76.47%
GLI Alternative Finance Guernsey Limited	20 April 2015	Guernsey	Directly held – Equity Shares	100%
NVF Tech Limited ('NVF Tech')	7 December 1995	United Kingdom	Indirectly held – Equity Shares	95%
NVF Patents Limited	8 March 2013	Incorporated in Jersey, re-domiciled to Guernsey	Indirectly held – Equity Shares	100%
NACFB Business Finance Limited	11 September 2015	United Kingdom	Directly held – Equity Shares	100%

[1] During the current period, the Company increased its stake in Sancus Finance Limited resulting in a change in classification of this entity from an Associate to a Subsidiary.

[2] During the current period, the Company decreased its stake in Amberton resulting in a change in classification of this entity from a Subsidiary to a Joint Venture.

[3] During the current period, the Company decreased its stake in BMS Finance (UK) Sarl and SMEF resulting in a change in classification of these entities from Subsidiaries to Associates.

Notes to the financial statements continued

For the year ended 31 December 2016

18. FinTech Ventures'– and other investments

The Directors consider the following entities as material associated undertakings of the Group as at 31 December 2016.

Name of investment:	Nature of holding	Country of incorporation	Percentage holding	Measurement
FinTech Ventures				
LiftForward Inc.	Directly held – Equity	United States of America	18.40%	Fair Value
Finexkap	Directly held – Equity	France	29.80%	Fair Value
Ovamba Solutions Inc.	Directly held – Equity	United States of America	20.48%	Fair Value
The Credit Junction Holdings	Directly held – Equity	United States of America	24.38%	Fair Value
Funding Options Limited	Directly held – Equity and Preference Shares	United Kingdom	28.90%	Fair Value
TradeRiver Finance Limited	Directly held – Equity and Preference Shares	Guernsey	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	21.57%	Fair Value
MytripleA	Directly held – Equity	United Kingdom	15.00%	Fair Value
UK Bond Network Limited	Directly held – Equity	United Kingdom	19.24%	
Finpoint Limited	Directly held – Equity	United Kingdom	32.50%	Fair Value
Other investments				
BMS Finance (Ireland) Sarl	Directly held – Equity	Luxembourg	30.25%	Fair Value
BMS Finance (UK) Sarl	Directly held – Equity	Luxembourg	30.17%	Fair Value
The SME Loan Fund plc (formerly GLI Alternative Finance plc) ('SMEF')	Directly held – Equity	United Kingdom	47.94%	Fair Value

No significant restrictions exist on the ability of these associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the Group.

Refer to Note 22 for unrecognised commitments from the Group related to its investments in associates.

19. Financial 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 operations. 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 as 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 13 and of its debt in Note 14.

The Group and its subsidiaries 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 Treasury Committee meets bi-monthly to review the Group's liquidity position, but also to consider actions required to manage the level of debt and equity available to its operations.

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 stood at 48.2% (31 December 2015: 53.9%).

19. Financial risk management (continued)

(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		
At 31 December 2016	Within 12 months **GBP**	1 to 5 years **GBP**	Over 5 years to maturity **GBP**	No stated maturity **GBP**
Assets				
Property and equipment	–	–	–	617,543
Goodwill	–	–	–	25,032,849
Investment in SMEF:				
– Shares at Fair value	23,780,806	–	–	–
Sancus BMS loans and loan equivalents	12,105,496	26,715,618	–	–
FinTech Ventures' investments	405,186	35,698,667	–	–
Other Investments at Fair Value	–	874,382	–	–
Joint Venture with Amberton Asset Management	–	527,778	–	–
Loans through Platforms	4,033,825	–	–	–
Trade and other receivables	2,712,182	–	–	–
Cash and cash equivalents	9,615,945	–	–	–
Total assets	52,653,440	63,816,445	–	25,650,392
Liabilities				
Syndicated Loan	11,920,000	–	–	–
ZDP Shares	–	23,435,794	–	–
Corporate Bond	–	8,500,000	–	–
Trade and other payables	7,396,378	–	–	–
Total liabilities	19,316,378	31,935,794	–	–
Net Surplus Liquidity	33,337,062	31,880,652	–	25,650,392

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19. Financial risk management (continued)

(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.

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

At 31 December 2016	Floating rate Financial Instruments **GBP**	Fixed rate Financial Instruments **GBP**	Total **GBP**
Assets			
Financial assets at fair value through profit or loss	–	41,100,682	41,100,682
Loans through Platforms	–	4,033,825	4,033,825
Total assets	–	45,134,507	45,134,507
Liabilities			
Loans payable	–	11,920,000	11,920,000
ZDP shares payable	–	23,435,794	23,435,794
Corporate Bond	–	8,500,000	8,500,000
Total liabilities	–	43,855,794	43,855,794
Total interest sensitivity gap	–	1,278,713	1,278,713
At 31 December 2015			
Assets			
Financial assets at fair value through profit or loss	–	52,959,997	52,959,997
Trade and other receivables	–	41,544,549	41,544,549
Cash and cash equivalents	7,036,130	–	7,036,130
Total assets	7,036,130	94,504,546	101,540,676
Liabilities			
Loans payable	–	14,087,972	14,087,972
ZDP shares payable	–	21,440,000	21,440,000
Trade and other payables	–	22,160,765	22,160,765
Total liabilities	–	57,688,737	57,688,737
Total interest sensitivity gap	7,036,130	36,815,809	43,851,939

19. Financial risk management (continued)

Interest rate sensitivities

A 1% increase or decrease in interest rates is applied to the Group's net interest gap to determine its earnings sensitivity to changes in interest rates.

Consolidated Statement of Comprehensive Income	31 December 2016 GBP	31 December 2015 GBP
1% increase in interest rates	–	15,915
1% decrease in interest rates	–	(15,915)

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 Pillar Two investee entities. This risk in turn is driven by the underlying risks taken by the platforms themselves – their own strategic, liquidity, credit and operational risks.

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

- Seats on the boards of all but one 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

When the discounted cash flow 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. The table below shows the impact of stressing year end valuations by the sensitivities which the Board believe to be reasonably foreseeable:

- Increasing and decreasing revenues by 10%
- Increasing and decreasing discount rates by 3% (discount rates in valuation models average 19-20%)
- Increasing and decreasing illiquidity discounts by 5% (discounts applied in valuation models vary between 10 and 25%)

Consolidated Statement of Comprehensive Income	31 December 2016 GBP
10% pa increase in revenue	14,640,709
10% pa decrease in revenue	(14,460,709)
3% increase in discount rates	(6,225,719)
3% decrease in discount rates	8,813,750
5% increase in Illiquidity discount	(2,113,487)
5% decrease in Illiquidity discount	2,128,188

(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 the following ways:

- Direct lending to third party borrowers;
- Investing in loan funds (the BMS Sarls);
- Lending to associated platforms; and,
- Loans arranged by associated platforms.

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For the year ended 31 December 2016

19. Financial risk management (continued)

The maximum investment size, at the time of the investment, will generally be limited to 15% of the Group's Gross Assets. However, the Group may make larger investments and it may seek to syndicate or sell down a portion of any such investment.

The Group mitigates credit risk on its loan portfolio by only entering into agreements related to loan instruments in which the operating strength of the investee companies is considered sufficient to support the loan amounts outstanding. This determination of whether the loan instruments are sufficiently supported is made 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.

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 is fully secured by property, at LTVs up to 60%. BMS generally relies upon debentures taken over the balance sheets of borrowers. The Credit Committees report to their respective boards on a quarterly basis.

Concentration risk is considered at the time each loan is approved. Given the geographically dispersed nature of the Group's operations, this is not a significant risk. Also refer Risk Appetite commentary on page 32.

Credit risk exposure is set out in the table below. At the year end, there is no loan which is in default or considered impaired (31 December 2015: GBPnil). In addition, there is no accrued interest which is considered uncollectable (31 December 2015: GBPnil).

The risk of default on bank accounts and other short-term financial assets is considered negligible, since the counterparties are reputable international banks with high quality external credit ratings.

Group credit risk

31 December 2016	Amounts advanced **GBP**	Provisions/ Write offs **GBP**	Net exposure **GBP**
Sancus BMS loans and loan equivalents	38,821,114	–	38,821,114
FinTech Ventures' investments	1,405,186	–	1,405,186
Loans through Platforms	4,033,825	–	4,033,825
Total	41,860,125	–	41,860,125

Credit Risk exposure of third party funders/co-lenders in loans managed/administered by the Group's subsidiaries

The credit risk on loans managed by Sancus BMS Group is borne by third party funders/co-lenders, who are provided with sufficient information to assess the risk at the time they enter the transaction. In the case of Sancus Finance's supply chain product, credit insurance is put in place up to 90% of the funders' exposure.

The table below sets out the performance of the Sancus BMS administered loan books.

Co-funder credit risk

31 December 2016	Amounts advanced **GBP**	Doubtful recovery **GBP**	Net exposure **GBP**
Sancus	73,524,680	–	73,524,680
BMS	37,246,807	–	37,246,807
Sancus Finance	7,934,312	(443,360)	7,490,952
Total	118,705,799	(443,360)	118,262,439

Sancus, BMS Finance and Sancus Finance have developed credit policies, approval and monitoring processes to be effective for each businesses' different type of lending (property-backed, business cash flow and invoice/supply chain finance respectively). Limited default experience indicates that the policies and processes are proving effective.

Sancus Finance's doubtful debts amount to 1.05% of the total advanced during the year.

19. Financial risk management (continued)

(6) Market price risk

The Group is exposed to the market price risk of the financial assets valued on a Level 1 basis as disclosed in Note 19.

Market price risk sensitivities

The following details the Group's sensitivity to a 5% increase and decrease in the market prices of Level 1 financial instruments, which are primarily the investment in SMEF.

Consolidated Statement of Comprehensive Income	31 December 2016 **GBP**	31 December 2015 **GBP**
5% increase in market prices	1,189,040	277,377
5% decrease in market prices	(1,189,040)	(277,377,)

(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.

Balance sheet exposure

31 December 2016	Assets **(000)**	Liabilities **(000)**	Net **(000)**	In GBP **(000)**	Rates applied **(000)**	% of Group total assets **(000)**
Euro	12,019	–	12,019	10,245	1.173	7.2%
USD	27,300	–	27,300	22,123	1.234	15.6%

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

Rate of exchange vs. GBP1

Currency	31 December 2016	30 June 2016	31 December 2015	30 June 2015	31 December 2014
USD	1.2340	1.3311	1.4736	1.5712	1.5577
EUR	1.1731	1.1984	1.3571	1.4103	1.2876
DKK	8.7202	8.9153	10.1191	10.5146	9.5908

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 2016 **GBP**	31 December 2015 **GBP**
15% increase in foreign exchange rates	(5,712,034)	1,750,854
15% increase in foreign exchange rates	(4,221,938)	(1,750,854)

The Treasury Committee 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 do so. No hedging instruments were used during either 2016 or 2015.

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20. Related party transactions

Transaction with the Directors and the Executive Team

Please refer to the Remuneration Report on pages 48 and 49 for full details of other transactions between the Company and the Directors/Executive Team.

Directors' and PDMR shareholdings in the Company

As at 31 December 2016, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2016		31 December 2015	
	No. of Ordinary Shares Held	% of total issued Ordinary Shares	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth (Chairman)	271,049	0.09	248,197	0.13
James Carthew[1]	N/A	N/A	300,000	0.14
Andrew Whelan	3,800,000	1.65	3,686,461	1.74
Emma Stubbs	179,640	0.06	62,598	0.03

[1] Resigned 23 September 2016 and therefore their shareholding as at 31 December 2016 is not disclosed.

During the year, Mr Firth, Mr Carthew, Mr Whelan, and Mrs Stubbs received total amounts of GBP6,389.95, GBP5,625.00, GBP95,000.00 and GBP3,025.93 (31 December 2015: GBP11,729, GBP12,968, GBP92,162 andGBP2,995) respectively from the Company by way of dividends on their ordinary share holdings in the Company.

As at 31 December 2016, there were no unexercised share options for Ordinary Shares of the Company (31 December 2015: nil).

During 2016, Sancus (Jersey) Limited arranged a syndicated, secured loan of GBP1.3m, at an interest rate of 9%, which matures on 24 August 2017, for one of the directors of Sancus BMS Group Limited.

Intra-group transactions

The following significant intra-group company transactions took place during the year:

	31 December 2016		31 December 2015	
	Balance	Amount for the year provided	Balance	Amount for the year provided
Platform loans and corresponding interest				
GLIF and investments in FinTech Ventures	3,287,840	360,134	1,763,911	338,094
Platform preference shares and corresponding interest				
GLIF and investments in FinTech Ventures	3,405,009	50,433	3,385,840	86,041
Payable to related party				
Intercompany with Sancus IOM Ltd	2,400,000	–	–	–

There is no ultimate controlling party of the Company.

All platform loans bear interest as a commercial rate.

All preference shares bear interest as a commercial rate.

Acquisition of Sancus (Gibraltar) Limited and GLIF BMS Holdings Limited

On 30 June 2016 the acquisition of interests in Sancus (Gibraltar) Limited and GLIF BMS Holdings was completed, to create the newly combined Sancus BMS Group.

New Ordinary Shares in the Company were issued in settlement of the consideration for the purchase of ordinary shares in GLIF BMS Holdings Limited from the management of BMS.

Related party transactions relating to this transaction included the acquisition of 14.29% ordinary shares from Directors of the Company or subsidiary companies, as noted in the circular dated 16 May 2016.

Acquisition of Sancus Finance Limited

During the year the Group increased its holding from 44.17% to 83.93%. The new ordinary shares were acquired from Sancus Finance directors.

20. Related party transactions (continued)

Disposal of shares in SMEF and Amberton

On 23 May 2016 GLI Finance Limited sold 50% of its stake in Amberton Asset Management Limited (formerly GLI Asset Management Limited) to Golf Investments Limited, a subsidiary of the Somerston Group, who are a significant shareholder of GLI Finance Limited. Shareholders approved special resolutions authorising the issue of warrants to Golf Investments Limited. See Note 13 for detail.

Intercompany payable to Sancus IOM Holdings Limited

The amount due to Sancus IOM Holdings Limited is unsecured, interest free and payable by mutual agreement between the parties.

21. Fair value estimation

The fair values of the Group's short-term trade receivables and payables approximate their carrying amounts at the year end date.

31 December 2016	Designated Fair Value through Profit or Loss **GBP**	Measured at amortised cost **GBP**	Financial Liabilities measured at amortised cost **GBP**
Financial assets			
Investment in SMEF:			
– Shares at Fair value	23,780,806	–	–
Sancus BMS loans and loan equivalents	–	31,321,114	–
Investment in Sancus Loan Notes	7,500,000	–	–
FinTech Ventures' investments	36,103,853	–	–
Other Investments at Fair Value	874,382	–	–
Loans through Platforms	–	4,033,825	–
Trade and other receivables	–	2,712,182	–
Cash and cash equivalents	–	9,615,945	–
Total Assets	68,259,041	47,683,066	–
Financial liabilities			
ZDP Shares	–	–	23,435,794
Syndicated Loan	–	–	11,920,000
Corporate bond			8,500,000
Trade and other payables			7,396,378
Total Liabilities	–	–	51,252,172

31 December 2015	Designated Fair Value through Profit or Loss **GBP**	Measured at amortised cost **GBP**	Financial Liabilities measured at amortised cost **GBP**
Financial assets			
Investment in SMEF:			
– Loans through Platforms	–	29,172,634	–
Sancus BMS loans and loan equivalents	–	52,959,997	–
FinTech Ventures' investments	38,805,852	–	–
Other Investments at Fair Value	2,803,554	–	–
Loans through Platforms	–	7,152,806	–
Trade and other receivables	–	4,660,762	–
Cash and cash equivalents	–	17,415,157	–
Total Assets	41,609,406	111,361,356	–
Financial liabilities			
Loan payable	–	–	14,087,972
ZDP Shares	–	–	22,160,765
Syndicated Loan	–	–	21,440,000
Trade and other payables	–	–	3,746,761
Total Liabilities	–	–	61,435,498

Notes to the financial statements continued

For the year ended 31 December 2016

21. Fair value estimation (continued)

Financial assets in fair value hierarchy

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:

At 31 December 2016	31 December 2016 Level 1 **GBP**	31 December 2016 Level 3 **GBP**	31 December 2015 Level 3 **GBP**
Assets			
Investment in SMEF	23,780,806	–	–
FinTech Ventures investments	–	36,103,853	38,805,852
Investment in Sancus Loan Notes	–	7,500,000	–
Other investments at Fair Value	–	874,382	2,803,554
Total assets at Fair Value	23,780,806	44,478,235	41,609,406

Note that SMEF was reclassified to Level 1 once it was no longer a subsidiary – refer Note 17 for further explanation.

Information on Fair Valued Financial Assets

Type of asset	Level	Valuation methodology
Investment in SMEF	1	This investment is valued at its quoted mid price.
Investments in FinTech platforms	3	These investments have significant unobservable inputs as they trade infrequently and are unlisted. Investments in platforms are initially recognised at cost. Subsequently, the Board assesses fair value based on either the value at the last capital transaction or valuation, performed internally or by an independent third-party expert. Unquoted equity security investments, at fair value through profit or loss, are appraised in accordance with the International Private Equity and Venture Capital valuation guidelines or any other valuation model and techniques which can provide a reasonable estimate of fair value of the investment involved. These valuations are consistent with the requirements of IFRS. Factors considered in these valuation analyses include discounted cash flows, comparable company and comparable transaction analysis. 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 fair value determination. Assumptions used include costs of equity, illiquidity discount rates, revenue and costs growth rates, interest margins, bad debt experience and tax rates.
Investment in Sancus Loan Notes	3	This investment in the redeemable preference shares of the loan note is valued at the fair value of the Note, which closely approximates the net asset value of the Loan Note special purpose vehicle.

22. Commitments and contingencies

As at 31 December 2016, the Group had the following aggregate unrecognised commitments to loans denominated in Sterling, Euro and US Dollar, due to its Subsidiaries, Associates and other underlying investments:

Aggregate loan commitment by currency	31 December 2016 **GBP**	31 December 2015 **GBP**
Sterling	1,065,999	2,903,490
Euro	703,265	342,692
US Dollar	1,296,596	976,502
	3,065,860	4,222,684

22. Commitments and contingencies (continued)

Operating lease commitments	31 December 2016 GBP	31 December 2015 GBP
Within one year	95,886	41,886
Between two and five years	235,021	181,508
	330,907	223,394

23. Post year end events

Directors and PDMR Interests

At the date of these financial statements, the Directors' beneficial interests in the Ordinary Shares of the Company were:

	No. of Ordinary Shares held	% of total issued Ordinary Shares
Patrick Firth (Chairman)	271,049	0.09%
Frederick Forni	–	–
James Carthew	–	
Andrew Whelan	6,961,003	2.25%
Emma Stubbs	323,667	0.10%

In addition to the Directors' interests above, Russell Harte, a member of the Executive Team and a person discharging managerial responsibility ('PDMR'), held 439,507 Ordinary Shares in the Company (0.14%) as at the date of these financial statements.

The increase in Andrew Whelan's shareholding from 31 December 2016 was due to 2,584,773 shares received by Mr Whelan as settlement of the consideration for his shares in Sancus Gibraltar Holdings Limited, as referenced in the circular to shareholders dated 16 May 2016.

Subsidiary – Name Change

On 16 January 2017, Platform Black Limited changed its name to Sancus Finance Limited.

Dividend

On 22 February 2017, the Directors of the Company declared a dividend of 0.625p per Ordinary Share for the fourth quarter of 2016. The dividend is payable to shareholders on the register on the record date of 24 February 2017.

Acquisition of Shares in Sancus IOM Holdings Limited

On 6 February 2017, Sancus BMS Group Limited acquired a further 14% of shares in Sancus IOM Holdings Limited, taking the holding from 7% to 21%. The shares were acquired from Andrew Whelan and John Davey, a related party.

Sale of SMEF holding

On 8 March 2017, the Company sold its total holding in SMEF of 25.3m shares (comprising 47.99%% of the fund) at 90p per share, for a total price of GBP22.7 million. At year end, the Group's investment in SMEF was valued at GBP23.6m at a mid-price of 93.5p, this will result in a loss of GBP0.9m on disposal which will be recognised in the 2017 results. It was further noted that AAM who is the current investment manager of SMEF, will cease to be SMEF's investment manager and will be appointed by SMEF's new investment manager, SQN Capital Manager, LLC, as its sub-investment adviser in relation to SMEF's existing portfolio of loans, both with effect from 1 April 2017. In addition, the Company announced that it had agreed to acquire from SMEF for cash, certain performing loans which are inconsistent with SMEF's proposed future investment strategy, for their aggregate face value of GBP5.27 million (including accrued interest) as at 10 March 2017.

Refinancing of Syndicated Loan Facility

On 15 March 2017, the Syndicated Loan Facility of GBP14.86m was due and repaid.

There were no other significant post year end events that require disclosure in these financial statements.

Officers and professional advisers

Directors

Non-executive: Patrick Anthony Seymour Firth (Chairman)

Frederick Peter Forni (resigned 23 September 2016)

James Henry Carthew (resigned 23 September 2016)

John Richard Whittle*

Executive: Andrew Noel Whelan

Emma Stubbs

The address of the Directors is the Company's registered office.

* Alternate to James Henry Carthew and Interim Chairman of the Audit Committee until 23 September 2016 when John Whittle succeeded Mr Carthew as chairman of the Audit Committee and was confirmed a director of the Company.

Executive Team:

Chief Executive Officer: Andrew Whelan (appointed permanent CEO 16 February 2016)

Chief Financial Officer: Emma Stubbs

Chief Operating Officer: Russell Harte (appointed 1 July 2016)

Managing Director: Marc Krombach (ceased employment 29 April 2016)

Head of Public Affairs and Marketing: Louise Beaumont (ceased employment on 26 September 2016)

Registered office:
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Nominated Adviser and Broker:
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Panmure Gordon (UK) Limited
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Administrator and Company Secretary:
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