GLI Finance Limited

Annual Report and
Audited Consolidated Financial Statements
For the year ended 31 December 2017

GLI Finance Limited
For the year ended 31 December 2017
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OVERVIEW

HIGHLIGHTS

Group Highlights

- Improvement in operating profit to £0.1m from a loss of £2.8m in 2016 reflecting strong revenue growth in Sancus BMS, reduced interest costs and operational cost savings.
- Group revenue of £11.6m decreased by 3% from £12.0m in 2016.
- Adjusting for the sale of the SQN Secured Income Fund shares ("SSIF")*, revenue increased 18%.
- Stabilisation of the FinTech Ventures portfolio following the write downs in the first six months.
- Group NAV is £74.8m (2016: £90.7m).
- Sale of the Group's equity holding in SSIF for £22.7m and subsequent repayment of the Group's syndicated loan of £11.9m.
- In accordance with the Group's stated policy of paying dividends out of net cash generation, no dividend will be declared for the period. The Group remains committed to reconvene dividends as soon as practicable.

Sancus BMS Highlights

- Revenue growth of 11.4% excluding SSIF dividends.
- Net operating profit up 26% to £1.6m following revenue growth and a reduction in debt costs.
- 26% growth in managed loan book to £218m with a default rate of under 0.5% reflecting strong underwriting controls.
- A special purpose lending vehicle established post year end with a £50m lending capacity, backed by a £45m credit facility with Honeycomb Investment Trust plc ("HIT").
- Improved performance by Sancus Finance and Sancus Funding** ("Sancus UK") with operating loss reduced by £0.8m to £1.5m with targeted break-even by the end of 2018. Sancus Funding now fully FCA authorised.

FinTech Ventures Highlights

- FinTech Ventures portfolio stabilised in the second half of the year following the £12.6m write down taken in the first half and a £1.7m foreign exchange loss for the year.
- The carrying value of FinTech Ventures portfolio reduced to £29.6m from £36.1m at 31 December 2016.
- NAV for FinTech Ventures portfolio 10.0 pence (31 December 2016:13.3 pence).
- Portfolio companies moving toward break-even with the majority forecast to achieve break-even during 2018.
- Further investment made of £1.5m in five platform companies primarily in the form of convertible loan notes during the year.
- Several of the platforms are expected to successfully raise further equity during 2018 to fund future growth.

Andy Whelan, CEO commented:

"The year saw a lot of change as I continued the work I started on my appointment in December 2015. Two years into my role I can see real progress.

Sancus BMS is the key operating unit within the Group and is starting to deliver on its potential. The businesses that comprise Sancus BMS are good businesses, well run, with the ability to deliver healthy returns. We are delighted to have secured the credit facility from HIT which was announced in January 2018 which will help drive further growth.

We have taken some tough decisions on the FinTech Ventures portfolio and made substantial write-downs in the first half of the year. I am delighted that no further net write-down was required at the end of the year. With most of the restructuring that is required now complete we will seek to maximise the value of the portfolio going forward"

*On the 27 April 2017 The SME Loan Fund ("SMEF") was renamed to the SQN Secured Income Fund ("SSIF").

** Funding Knight changed its name to Sancus Funding on 16 January 2018.

GLI Finance Limited
For the year ended 31 December 2017
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.

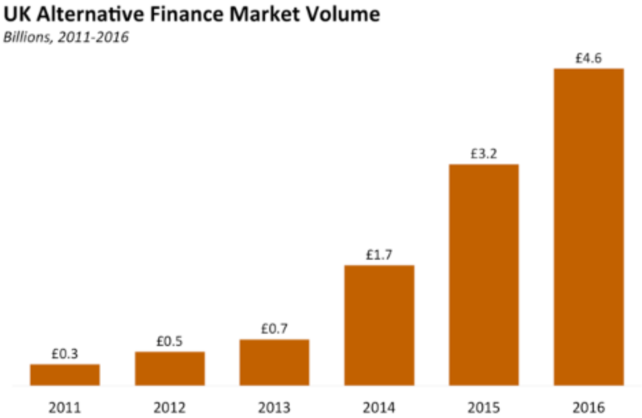
Why does it matter

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

According to a study from the Cambridge Centre for Alternative Finance, the UK's alternative finance market, including marketplace lending, crowdfunding, and invoice trading grew 43% year-over-year (YoY) in 2016, from £3.2bn to £4.58bn. This marks slower growth than seen between 2014 and 2015 (86%), but still indicates the industry is in good health.

Property lending saw the fastest growth. The annual study only started measuring this segment in 2015, when it lent £609m, but it grew 88% YoY last year to reach £1,147m. Property lenders use investors' money to fund loans secured by property that are typically issued to professional landlords. Such rapid growth can be attributed to the large sums required to fund such loans, along with the fact the British construction sector wasn't as badly hit by Brexit as had been predicted.

The data suggests demand for alternative finance services in the UK is increasing. That's likely driven by growing trust in these firms' business models, thanks to the length of time some of the leading players have been around. Additionally, Brexit is negatively affecting consumer finances, leading people to take out more loans, as well as spend less money, which in turn, could be leading businesses to borrow more. As these factors show no signs of abating, we expect alternative finance to see further strong growth this year. (Source: Business Insider)



About GLI Finance

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

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

The Group has two business units, Sancus BMS (offices in 6 locations) and FinTech Ventures, which has investments in 11 platforms. Excluding the platforms we are invested in, the Group has 55 employees in the companies it owns and operates. (31 December 2016: 66 employees).

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.

GLI Finance Limited
For the year ended 31 December 2017
KEY EVENTS TIMELINE

Deal/Milestone	Date	Description
New equity raising	December 2015	GLI placed with Somerston Group 15,000,000 new ordinary shares at a price of 37 pence per share to raise gross proceeds of £5.55m, taking their holding to 6.52%.
New appointment	December 2015	Andrew Whelan appointed as CEO.
Strategic Review	February 2016	Strategic review is launched.
GLI's listing classification changed	May 2016	GLI reclassified its listing from an investment company to a trading company.
Simplification of Group	June 2016	EGM passed resolution for acquisitions and simplification of GLI group structure to create Sancus BMS Group.
New equity raising	August 2016	GLI placed with Somerston Group 23,020,560 new ordinary shares at a price of 31 pence per share to raise gross proceeds of £7.1m, taking their holding to 12.76%.
FinTech Ventures Limited is established	August 2016	FinTech Ventures Limited established to hold equity investments in the platform portfolio.
Appointment of new Nomad and Broker	September 2016	Liberum appointed as Broker and Nomad.
Sancus Loan Note 1 issued	November 2016	£17.5m Sancus Loan Note 1 launched to fund loans originated by Sancus BMS.
Increase in shareholding in Sancus IOM	February 2017	The Group acquired another 14% in Sancus IOM to be settled by the transfer of £1m of GLI bonds taking the holding to 21%.
Sale of shares in SSIF and syndicated loan repaid	March 2017	Sale of SSIF Shares raised £22.7m in cash and repayment of syndicated loan £11.9m.
Increase in shareholding in Sancus IOM	March 2017	Acquisition of a further 2.1% in Sancus IOM, taking holding to 23.1%.
Sancus Loan Note 2 issued	April 2017	£13.5m Sancus Loan Note 2 launched.
Sancus Finance further acquisition	June 2017	Acquisition of a further 10% in Sancus Finance, taking new holding to 98.23% and announced that Sancus Finance is increasingly being run as a combined business with Sancus Funding (formerly Funding Knight).
New appointment	July 2017	New appointment of Aaron Le Cornu as COO of GLI.
Sancus Funding (formerly Funding Knight) received FCA authorisation	July 2017	Sancus Funding (formerly Funding Knight) granted full authorisation from the FCA, rebranding taking place in Q1 2018.
Sancus Loan Note 3 issued	September 2017	Sancus Loan Note 3 issued with initial raise of £3.7m (currently at £10m) with planned total raise of £15m.
Increase in shareholding in Sancus IOM	November 2017	Acquisition of a further 6.2% in Sancus IOM, taking holding to 29.3%.
Sancus Milestone	December 2017	Sancus BMS Group announce £700m funding milestone.
New appointment	January 2018	New appointment of Dan Walker as MD of Sancus Finance and Sancus Funding and Group Executive.
£50m Lending Capacity	January 2018	A special purpose vehicle established post year end with a £50m lending capacity, backed by a £45m facility with Honeycomb Investment Trust was announced.

STRATEGIC REVIEW

CHAIRMAN'S STATEMENT

Positioning the business for the future

As the CEO points out in his review, 2017 was a year of driving through change. The business structure has been greatly simplified with two distinct business units.

Sancus BMS comprises the Group's property backed and SME lending businesses. FinTech Ventures represents the Group's investments in 11 SME focussed lending platforms.

Sancus BMS offers the opportunity for strong growth and will be the engine of the business going forward.

We took the decision during the first half of the year to reduce the carrying value of several of the platforms within the FinTech Ventures portfolio writing down some of the legacy loans and investments. Whilst there have been some changes to the valuations of individual investments in the second half of the year, I am pleased to report that the aggregate value of the investment portfolio has stabilised in the second half of the year. We shall now explore ways of maximising the value of the portfolio for the benefit of shareholders.

The launch of a special purpose lending vehicle with a £50m lending capacity, backed by a £45m facility with HIT in January of 2018 was an important step in the expansion plans for Sancus BMS. The granting of the line is an endorsement of the thorough credit processes used within Sancus BMS, and we are exploring other funding lines and working capital focussed facilities, in particular for the UK Sancus businesses.

Overview

We expect the economies in which we operate to remain supportive of our businesses for the foreseeable future. The alternative finance sector continues to develop rapidly and we believe we are well positioned to benefit from this trend across both parts of our business.

Sancus BMS Group continues to grow and we have a solid profitable business with a strong pipeline and some exciting growth plans which the funding facility will also help provide. With regards to the FinTech Ventures portfolio, several of our platforms are performing strongly and we remain confident of achieving a good return on our investment as transactions materialise in due course. Across the 11 platforms we are invested in, the majority of them are forecasting to reach break-even by the end of 2018. We are, however, a passenger on their growth journey with limited capital available in GLI itself and hence we provide support with regard to the strategy and its execution, as well as assisting with capital restructuring and fundraising.

Dividend and Shareholders

I am grateful to all our shareholders who have kept confidence with the Group through what has been a difficult period, particularly in light of the significant decline in the share price. We believe that the share price is trading well below the inherent value of the business and we look forward to the share price reflecting all of the significant work by the CEO and his Executive Team to simplify the business model and improve shareholder communication. In line with our dividend policy, it is not proposed to declare a dividend for this financial year but we are committed to reinstating one as soon as feasible.

Patrick Firth
Chairman
Date: 26 March 2018

CHIEF EXECUTIVE OFFICER'S REVIEW

Gaining momentum

In the period since my appointment the business has undergone substantial change. The year under review saw a continuation of the strategy I set out; the business has been simplified, the FinTech Ventures portfolio stabilised, and Sancus BMS positioned for growth.

For the first time since the restructure, the Group is now producing an operating profit. Whilst this was small in 2017, it is a big step in the right direction and gives the management team a very solid and stable foundation to build from.

We have seen revenue growth in Sancus BMS, have reduced costs by over £2m and are working with the companies within the FinTech Ventures portfolio to maximise value.

The execution of the strategy I started is not yet complete, however I am optimistic about the prospects. The HIT Funding Facility will further enable Sancus BMS growth. The majority of the portfolio companies in FinTech Ventures are heading towards break-even which, in my view, will facilitate obtaining significant external funding and accelerate their growth potential.

I will now provide further detail on the operational and financial performance of the Group looking at Sancus BMS and FinTech Ventures separately.

<u>Sancus BMS</u>
Sancus BMS continues to grow strongly with the total loan book advances increasing 26% year on year to £218m. On a like for like basis, year on year revenue within the Sancus BMS Group has increased by 13% (Table 5 in the Financial Review). The percentage revenue growth is not proportional to the loan book advances due to the introduction of the Sancus Loan Notes ("SLNs"), the irregular nature of loan earn outs and the BMS administration fee being fixed.

The SLNs comprise a planned series of Special Purpose Vehicles ("SPVs") designed to act like securitisation vehicles to help offset capital constraints and enable additional co-funder participation in loan opportunities. These are attractive to new clients that want to invest in an independently managed (by Amberton Asset Management) listed product rather than via direct participation. The first SLN was launched with the equity portion provided by Sancus BMS in the form of transferred loans and created a lag on the revenue being earned given Sancus's junior position in the equity. SLN2 and SLN3 were both launched with cash and therefore there was a time lag prior to investment. This served to initially reduce the investment return to Sancus BMS. The decision has been made to repay SLN1 post year end, partly using the HIT facility. It is not currently expected that the other two loan notes will be repaid prior to maturity and we are actively exploring the option of further loan notes or similar structures in the near future. The loss of revenue in creating the loan notes was unfortunate but required in order for us to demonstrate proof of concept on this new innovative structure. This has allowed us to issue further loan notes with each subsequent note being issued at a lower interest rate cost.

Our strong underwriting criteria and procedures continue to deliver very impressive default rates with losses being maintained at less than 0.5% across the Sancus BMS portfolio. It should be noted that there is always the risk of further defaults and potential losses as lending is not risk free, however the expected risk adjusted return is considered very attractive.

Sancus Funding, which changed its name from Funding Knight at the beginning of 2018, transferred into Sancus BMS from FinTech Ventures during the year as it is now 100% owned by the Group. With the full FCA authorisation having been obtained in July 2017, Sancus Funding and Sancus Finance (which combined we will refer to as Sancus UK) are increasingly being managed as one business and we are making good progress on the repositioning of Sancus UK. We have seen a new MD join at the beginning of 2018 whose key task is to increase performance and bring down costs. These entities had a strong finish to 2017 with a record number of loan originations. However, management are acutely aware that performance in these entities needs to continue to improve and are focussed on achieving profitability during the coming year.

Over the last year, Sancus BMS has been creating the Sancus Digital platform consisting of a proprietary Loan Management System (LMS) for administering loans across all Sancus jurisdictions with on demand real time management reporting. Onshore funders are able to access account information and participate in loan funding opportunities through a LMS integrated transactional portal. Early 2018 saw the launch of our online platform for offshore co-funders and has been very well received by this key stakeholder group. Offshore co-funders are able to access their account information real time through a LMS integrated reporting portal. This enables co-funders to access statements and see details of individual loans they are funding and access relevant loan documents. Dual authentication for online access has also been implemented for additional security.

FinTech Ventures

The majority of the platforms within our FinTech Ventures portfolio continue to grow strongly and the loan origination has increased year on year by an impressive 43%. Following the write downs required in the first six months of this year, the portfolio has been stable and it's pleasing to see a small write-up in aggregate valuation during the second 6 months. There has, however, been some material movements in value across some of the individual platforms within the portfolio. The value of our holding in one of our platforms has increased by over 181% following a material third party equity raise which is due to complete in early April 2018. This was largely offset by a 43% reduction in the valuation of our investment in another platform which is currently undergoing a capital restructuring.

During the year, further investments, with an aggregate value of £1.5m and largely in the form of convertible loan notes, have been made into Open Energy Group, LiftForward, Finexkap, UK Bond Network and Trade River USA, to continue to support their growth plans. The movement in foreign currency rates since 31 December 2016 has resulted in a £1.7m reduction in the fair value of our investments, primarily arising from the 9.5% devaluation of USD versus GBP.

Several of the platforms are currently undergoing capital restructurings, many of which involve securing further equity or institutional funding at a lower rate than their current cost of capital. We continue to improve the level of monitoring and influence over the platforms in which we hold investments in order to protect our interests and ensure we are well positioned for the expected upside in due course.

Summary of Financial Performance

For the first time since the corporate restructure, the Group is now producing an operating profit. The net operating profit of £0.1m in 2017 reflects a significant improvement compared to the net operating loss of £2.8m in 2016 and has been delivered through the hard work of the management team with a focus on both sales and driving efficiencies across the Group. Whilst this is clearly encouraging, we are confident of building on this performance by improving profits and looking to get back to a position where we can recommence paying dividends, in line with our policy noted below. The focus on driving efficiencies has enabled us to reduce costs by £2m in the year, by insourcing more functions, such as Group accounting and administration and reducing legal and professional fees in FinTech Ventures. We continue to look for further efficiencies across the Group.

I am very pleased to report that the FinTech Ventures portfolio has stabilised in the second half of 2017 with no further net write-down on the portfolio being required. As I have noted before, we are largely a passenger, but with Board and advisory rights, on the FinTech Ventures portfolio. However, as it makes up a large proportion of our gross assets (28%), we do spend a lot of time and effort working with the management teams of the platforms and introducing them wherever we can to potential new investors as well as providing assistance on capital raises. 2018 is a key year for a lot of the platforms with most of them forecasting to achieve break-even. We have seen that getting to this break-even stage is a key milestone to attract further larger capital injections required to take them to another level where we can see the potential for decent returns.

Dividend Policy

The Group dividend policy recognises the need to balance dividend payments in the short term with the opportunities to grow the business for shareholders in the longer term. As such the Group's policy is to make dividend payments which are consistent with prudent capital and liquidity management, covered by cash earnings and realised profits on the sale of investments. 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 payment will be made half yearly, with a weighting of approximately one third in September as an interim dividend, and two thirds in March as a final dividend.

Post Balance Sheet Events

HIT Funding Facility

A special purpose loan vehicle called Sancus Loans Limited which is non-recourse to GLI has been established with a £50m funding capacity. This has been backed by a £45m credit facility from HIT, with a term of 3 years, of which £17.5m had been drawn and deployed immediately .

Related Party Transactions

Related party transactions are disclosed in Note 21. There have been no material changes in the related party transactions described in the last annual report.

Governance, Risk Management and Operations

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

Operationally a number of technology projects were completed during the year, in particular to provide Sancus BMS Group with a proprietary loan management system and enhanced online functionality.

Long-term strategy and business objectives

As highlighted in the Strategic Plan, we have made excellent progress in delivering against the objectives we agreed as a Board towards the end of 2016.

Sancus BMS continues to grow strongly and I am delighted that our strong underwriting criteria continue to deliver exceptionally low loss rates. The coordination across the executive and senior management team, complemented with strong new business development expertise, is delivering a healthy flow and pipeline of lending opportunities. Our solid reputation in the markets in which we operate is also enabling us to lower our cost of funding, through the extension of our successful loan note program and the credit facility from HIT.

I am very pleased that the aggregate value of our FinTech Ventures portfolio has stabilised during the second half following our decision to take material write downs on a few platforms during the first half of 2017. We continue to enhance the level of monitoring and governance of our FinTech companies and have strong relationships with the platforms we are involved with.

Outlook

The Group has gone through a period of sustained change over the past two years. We are now in a solid position with the potential for strong risk-adjusted performance for the Group. However, I fully appreciate that we have two businesses; Sancus BMS and the FinTech Ventures portfolio which might not ordinarily be grouped together. Therefore, I will continue to consider how we can maximise their value in the future.

I would like to thank our shareholders for their continued support and patience.

Andrew Whelan
Chief Executive Officer
26 March 2018

GLI Finance Limited
For the year ended 31 December 2017
STRATEGIC PLAN

Following a clear strategic direction

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

2017 Objectives and Targets for 2018

Strategic Goals	How we will achieve these goals	2017 Progress	Targets for 2018
Geographic expansion	We continue to consider the opportunities for growth afforded by other jurisdictions.	We are in the process of launching secured lending in the UK.	Launch of secured lending in Ireland expected in H2 2018.
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.	First 3 SLNs fully deployed. Improved terms in SLN3 given loan note concept has been proven as demonstrated by investor appetite. Relationships with existing funders continue to be nurtured. Co-funder base has grown to over 200 relationships with £180m deployed. Three year, £50m funding line for Sancus BMS has been signed with Honeycomb Investment Trust in January 2018.	Continue to launch further loan notes or similar structured vehicles to expand co-funder base. We will continue to target the co-funder base and nurture relationships. The new funding line is not aimed to compete with the co-funder base but to work alongside it to fulfil larger sized loans. We will continue to explore long term financing lines and several positive discussions with interested parties are ongoing. Continue to seek appropriate expansion opportunities for BMS with appropriate institutional funding.
Develop joined up business under the Sancus brand, with multiple routes to market and one platform	Sancus BMS will operate under the “Sancus” brand as one integrated business, maximising its reach in the market and providing multi product solutions to its funders and borrowers.	Website enhanced to improve presentation of our full package of lending solutions. Proprietary loan management system rolled out across Group, with the exception of BMS Finance which lends through its fund structures. Recruited Sales Director and team to accelerate business development activity. Regular sales meetings held to facilitate cross selling within Group – leveraging all relationships.	Interactive website has gone live in first quarter of 2018 improving customer experience. Continue enhancements on the proprietary loan management system and full roll out of the online functionality for co-funders. Joined up approach across the Sancus BMS Group with bi-weekly activity calls and Quarterly Sales meetings attended by representatives from each entity.

GLI Finance Limited
For the year ended 31 December 2017
STRATEGIC PLAN (Continued)

Strategic Goals	**How we will achieve these goals**	**2017 Progress**	**Targets for 2018**
Ensure all operating entities are profitable	Continue to work hard to increase revenues whilst managing costs carefully with careful selection of investment opportunities.	Sancus Finance and Sancus Funding (Sancus UK) are increasingly being managed as one business. Good progress is being made with their best ever loan origination months at the end of 2017 and this has continued into Q1 2018. We have invested in business development resources to drive revenue. Losses during 2017 have been reduced by £0.8m however profitability is key.	Continue to monitor performance. New Sancus UK MD appointed to lead business. Current plans are for these entities to become profitable by the end of the year, however performance will be closely monitored and action will be taken if results are not seen. Priority is to secure a working capital funding line in these businesses which is a key focus of management. This will enable us to bring costs down, margins up and become more competitive.
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.	Credit process has been further enhanced during 2017 by linking operational procedures to the Loan Management System. New MD of Sancus UK, Dan Walker was appointed at the beginning of 2018. Dan has considerable experience in banking sector bringing expertise in quality risk management and compliance.	Credit processes and procedures will continue to be monitored and improved as required.
Continue to beat our 2% loan default target	Ensure continued quality of staff, adapt policies and procedures as required, monitor loan books and take early action on any problems, govern through Credit Committees.	Loss rates maintained at less than 0.5% with strong focus across the Group. Maintained the impeccable record of no credit losses incurred within the Sancus (Offshore) secured lending business which is a credible achievement with over £400m having been lent over the past 4 years.	Credit processes and procedures will continue to be monitored and improved as required.
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.	The Group has continued to provide support on an opportunistic basis to platforms where there is considered to be a high likelihood of a strong return on investment. During 2017, a further £1.5m was invested spread across 5 platforms. We have introduced other investors to 4 of our platforms. The Group has not invested in any new platforms during the year. Board participation and involvement in key strategic discussions has been enhanced during the year.	Continue to assist platforms with the development of their strategy and particularly with regard to corporate finance and any capital restructurings. Increased monitoring and governance of FinTech Ventures. Continue to introduce other investors to support the ongoing growth of the platforms where appropriate.

GLI Finance Limited
For the year ended 31 December 2017
STRATEGIC PLAN (Continued)

Strategic Goals	How we will achieve these goals	2017 Progress	Targets for 2018
Realise value at optimal times	The Group is not a long-term holder of its FinTech portfolio, and will seek to realise value at optimal times in the growth of each platform, or opportunistically if capital can be profitably redeployed.	Considerable activity in terms of capital restructurings, many of which are expected to conclude during first half of 2018. The portfolio has stabilised considerably since the write downs taken during the first half of 2017. However, valuation and execution risks still exist.	Continue to assist platforms with the development of their strategy and particularly with regard to corporate finance and any capital restructurings, taking opportunities to realise value where appropriate.
Value capital allocation and liquidity management	The Group will continue to review where capital is best deployed, and how it can be raised most cost-effectively.	The announced sale on 8 March 2017 of our holding in SSIF improved the liquidity position, and surplus capital has been reinvested in higher yielding lending activities. Bi-weekly Treasury meetings attended by Executive team and chaired by the CEO. £50m special purpose vehicle created, backed with £45m facility secured with Honeycomb Investment Trust.	Ongoing positive discussions with potential interested lending parties. Strict liquidity controls will continue to be applied. Seek out opportunities to improve the capital structure and achieve lower cost of funding, recognizing that our average cost of debt is 5.9%, made up of £20.7m (£24.7m on maturity including interest) of ZDPs at 5.5% (which mature in December 2019) and £10m of a 7% bond maturing on 30 June 2021.
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.	Improvement in stakeholder communication including enhanced statutory reporting, supplemented with shareholder presentations and roadshows.	Continued improvement in stakeholder communication programme.

GLI Finance Limited
For the year ended 31 December 2017
BUSINESS MODEL

An innovative business model designed to deliver value to stakeholders

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

GLI Finance Limited
For the year ended 31 December 2017
BUSINESS REVIEW - Sancus BMS

At a glance

Background	An alternative financing business operating in the UK, Ireland and 4 offshore locations, providing a range of borrowing solutions and funder-participation options. It is a hybrid lender, lending its own, as well as syndicated capital.
Strategy	**Growing Sancus BMS** • Geographic expansion of Sancus products to UK and Ireland. • Profitably expanding the funding base through additional co-funders and a credit facility. • One brand, solutions orientated client proposition, direct and intermediary-led origination supported by online interface. • Investment in proprietary Loan Management System with real-time client interface for trading and reporting. • Ensure all operating entities are profitable. • Quality risk management and compliance to capture value.
Financial Objective	Growth in consolidated cash earnings to create a base for sustainable dividend payments.
Location	Sancus – Jersey, Guernsey, Gibraltar, Isle of Man (Ireland property backed office opening in July 2018) BMS Finance – UK and the Republic of Ireland Sancus Finance and Sancus Funding – UK and Republic of Ireland in July 2018

Business Model

Sancus BMS comprises the following operations:

Sancus BMS Group (100%)
Sancus Jersey (100%)
Sancus Gibraltar (100%)
Sancus Guernsey (100%)
BMS Finance (UK & Ireland) (100%)
Sancus Finance (98.23%) (increased to 100% post year end)
Sancus Funding (100%)
Sancus Isle of Man (29.3%)
Amberton Asset Management (50%)

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

On 6 February 2017 it was announced that Sancus BMS Group acquired a further 14% in Sancus Isle of Man and on the 24 November 2017 a further 6.2%. Sancus Isle of Man is performing in line with expectations.

On 14 July 2017 it was announced that Sancus Funding (formerly Funding Knight) had been granted full authorisation from the Financial Conduct Authority (FCA).

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

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

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

The business operates in the UK, Ireland, Jersey, Guernsey, Gibraltar and Isle of Man. With the exception of the UK, which is in the process of being restructured, 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), Shane Lanigan (Executive Director, BMS Finance), Dan Walker (MD Sancus Finance and Sancus Funding), Steve O'Brien (MD Sancus Gibraltar), Matt Watson (MD Sancus Guernsey), Mike Hennessey (MD Sancus IOM), Peter McVeigh (CFO) and Aaron Le Cornu (COO). Refer page 33 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 working capital finance, invoice trading, educational institution financing and vendor partner programs. 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.
Specifically, the three businesses operate as follows:

Sancus (Jersey, Guernsey, Gibraltar, Isle of Man, UK and Ireland)

Sancus provides secured lending to asset rich, cash constrained borrowers while also providing co-funding opportunities to institutional and high net worth clients. Focus is on property backed lending. Sancus is a hybrid lender that uses its own capital to underwrite and then syndicate the loans to co-funders which enables the business to continue to expand and the return of capital employed is very high.

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, transaction fees on restructured loans and arrangement fees on loan origination, resulting in a strong return on every £1 of capital employed.

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

Sancus BMS (Ireland) Limited has been established and will become operational in July 2018.

BMS Finance

BMS's core business is the sourcing, structuring, and monitoring of senior secured, term lending (2 to 5 years) of up to £6m for UK SMEs and up to EUR5m 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 favoured sectors such as business services, software, telecoms, financial services, media and advertising.

Lending is originated 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 British Business Investments (formerly British Business Bank Investments) in the UK and the National Treasury Management Agency (as controller and manager of the Ireland Strategic Investment Fund) in Ireland. The total capital committed to the UK focused investment company is £60m and to the Irish focused investment company is EUR30m, with BMS subscribing 25% of both the UK and Irish total capital commitments.

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

Sancus Finance

Sancus Finance is a UK based alternative financial services provider which specialises in offering businesses access to flexible working capital solutions.

The business focuses on supply chain finance (ensuring faster payment of a client's suppliers, enabling the client to benefit from extended trade credit and early settlement discounts), education finance (enabling further education and higher education institutions to manage their cash flows or support investment plans) and invoice trading (for businesses seeking to unlock value in invoices they have issued).

Funders may participate in transactions through a transactional online platform. Sancus Finance participates with its own capital in every transaction. Supply chain finance is typically covered (up to 90%) by trade credit insurance and, in the case of both supply chain finance and invoice finance, funders may elect for 10% first loss protection from Sancus Finance. Transactions have an average duration between 50-60 days. The business earns arrangement fees and a margin reflecting the amounts paid by clients in excess of that which is due to funders.

GLI Finance Limited
For the year ended 31 December 2017
BUSINESS REVIEW - FinTech Ventures

At a glance

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

Business Model

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

Finexkap
www.finexkap.com

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

- Origination growth remained strong in the period and at the end of 2017, Finexkap had originated EUR135m of invoice transactions since inception in January 2015. Volumes are still growing significantly with year on year growth multiples averaging 1.6 - 2.0x and demand continues to be strong.
- Throughout 2017, Finexkap has kept expanding its customer reach by integrating its services with leading B-to-B marketplaces and enterprise software, including Adecco, Cegedim, Quickbooks, Malt, Comet, Sellsy, etc. Whilst this strategy only started at the end of 2016 through the integration with the leading accounting software Sage, 16% of the origination for the year already arose from such partnerships, and this trend is expected to accelerate exponentially in the near future. Interestingly, this strategy allowed Finexkap to secure a new source of income in 2017 in the form of set-up and license fees of its application programme interface ("APIs"), which represented 20% of the overall income for the year.
- Finexkap developed a plug and play reverse factoring module, "Cash Reverse", allowing large corporates to implement supply chain finance programs in a few weeks' time. The first pilot program was launched successfully in June 2017 with the French subsidiary of a large European retail group (EUR4.5bn turnover in France), and the roll-out of the module is expected to continue throughout 2018.
- Shareholder loans were secured in October 2017 and a series B funding round is now projected for the first half of 2018.

The success of the funding and lending partnerships is key to Finexkap delivering on its potential profitability. While lending activities have become profitable in 2017, consolidated profitability of Finexkap is expected to occur early 2019 based on current projections.

Funding Options
www.fundingoptions.com

Funding Options uses proprietary matchmaking technology to connect SMEs and lenders. In 2017, more than fifty different finance providers lent through the Funding Options platform, which is now originating c. £100m p.a. in SME lending. The following developments took place in the period:

- Strong sales growth, with 2017 calendar year revenues more than treble the prior year; this growth has been achieved in tandem with strong gross profit margins.
- A winner of the Open Up Challenge, a bank-funded prize mandated by the Competition & Markets Authority (CMA) to build innovative new SME financial services on Open Banking data.
- As a Finance Platform designated by HM Treasury for the new mandatory Bank Referral Scheme, responsible for around three-quarters of all scheme successes to date.

Funding Options (Continued)

- Selected as the UK's best introducer of business finance in Credit Strategy magazine's influential Commercial Finance industry awards.

The leadership team of Funding Options remain confident that its unique technology-led model is highly scalable, meaning a focus on continuing the trend of strong revenue growth. To support the expansion to deliver on its potential, Funding Options is well advanced in raising further equity capital.

Finpoint
www.finpoint.co.uk

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

LiftForward
www.liftforward.com

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

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

In 2017, LiftForward revenues increased over 45% and its client pipeline increased significantly. Also in 2017, LiftForward secured additional debt financing in the amount of a $100m from Direct Lending Investments, an asset manager headquartered in Los Angeles. In 2018, LiftForward will add several other major manufacturers on its platform and is considering raising further equity to fund future growth.

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:

- Obtained a lending platform license from the Spanish Securities Exchange Commission (CNMV). This followed The Bank of Spain's approval of MytripleA as a payment entity in the prior year, thereby providing the business with a competitive advantage in the Spanish P2P sector.
- In the second part of 2017 MytripleA consolidated its position as the leading platform in Spain, being the biggest originator every month. Total loan origination volume during 2017 was EUR 20.1m and volumes continue to grow strongly month on month.
- The platform has attracted more than 3,000 investor clients, including institutional local investors who have invested more than EUR 6m in the last 6 months.
- The platform successfully secured institutional funders during 2017.
- During the first half of 2018, a new invoice finance product, with credit insurance, will be launched.

Open Energy Group
www.openenergyGroup.com

Open Energy is a USA technology-enabled project finance platform for commercial and small utility-scale solar projects. It uses an online platform to originate project debt opportunities and to facilitate investment from institutional investors in loans based on a foundation of technology-driven due diligence data room and underwriting processes.

Open Energy offers solar construction and term loans that are often linked to enable a more efficient financing process. Construction loans are high yielding and generally short duration (9 months), which typically roll into term loans of longer duration (5-15 years) to finance the operation of the generation project.

Through the online platform, Open Energy also facilitates client access to other capital needs like development capital and tax equity investment opportunities. Management of Open Energy are in discussions with a number of major US institutions about entering a partnership whereby the institution could leverage off Open Energy's technology led solution.

Ovamba
www.ovamba.com

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

Key developments in the period included:

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

The Credit Junction
www.thecreditjunction.com

The Credit Junction ("TCJ") is a 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 USD7.5m in capital availability. TCJ targets growth-oriented suppliers, distributors and manufacturers typically with revenues between USD5m and USD25m.

TCJ continues to build its business and remains keenly focused on credit, controls and its path towards profitability as it prepares for the next stage of growth in 2018 and beyond. TCJ is expected to conduct some capital restructuring during the course of 2018.

TradeRiver UK
www.traderiverfinance.com

TradeRiver is a UK based, non-bank online funding platform which finances trade, both cross-border and in the UK. It provides businesses with finance to purchase goods and services through an online platform. Borrowers are typically SMEs and MMEs generating annual turnover between £5m and £200m with the majority requiring funding for imports to the UK. Key developments in the period included:

- Total lending since inception surpassed £150m.
- GTR Leaders in Trade 2016: Runner up in Best Alternative Finance Provider category.
- Secured enlarged funding facilities with several debt providers.
- Lending is now 95% credit insured, providing an attractive offering to funders.
- Funded book of over £15m as at 31 December 2017.

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 technology solution as TradeRiver UK, which also owns 25% of the equity in Trade River USA.

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 196% during the year.
- Assets are 90% credit insured, providing an attractive offering to their funders.

UK Bond Network
www.ukbondnetwork.com

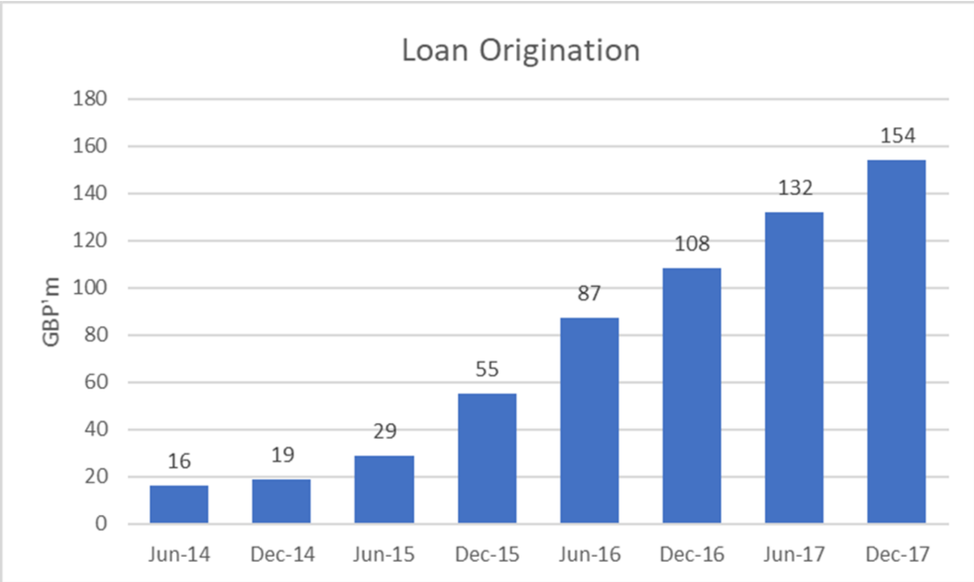
UKBN is a peer to business platform that functions as a marketplace for private SMEs and public companies seeking between £0.5m and £4m of debt finance. Bonds are made accessible to a variety of different types of investors via an online auction. Key developments in the period included:

- In 2017 UKBN launched its Innovate Finance ISA, enabling individuals to invest tax-free via the platform.
- The platform launched functionality enabling investors to seek secondary liquidity.
- UKBN successfully raised £1.3m in working capital during the year.

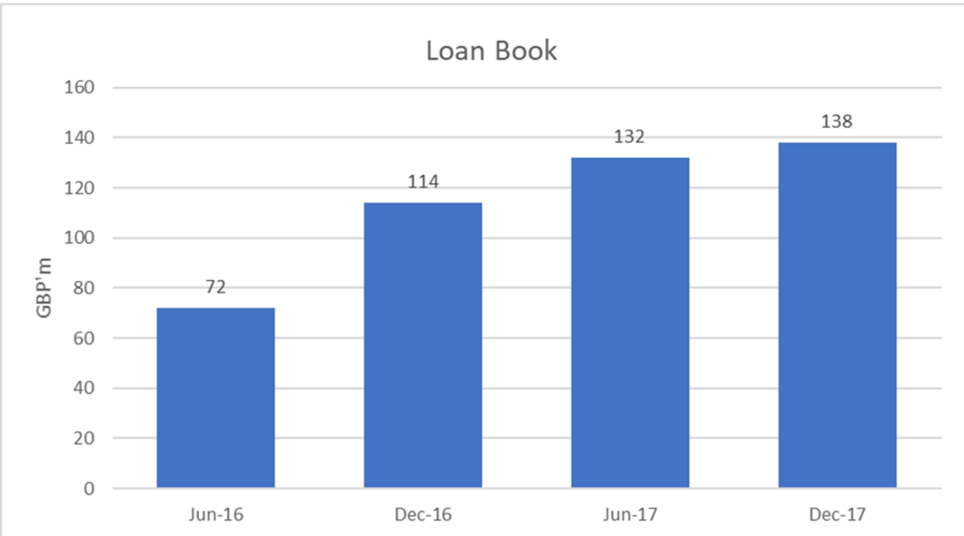
UKBN is currently undergoing a strategic review, which we expect to be announced in the middle of 2018.

Combined Key Performance Indicators

The individual financial results of platforms are considered commercially sensitive and as such are not disclosed, particularly given that many of the platforms are likely to be conducting capital restructurings and equity raises during 2018. However, loan statistics, which are typically closely correlated with revenues, are presented on an aggregate basis.



The platforms have shown consistent growth in loan origination, with an increase of 43% in their origination in 2017 compared to 2016. This continued growth in origination is promising and with a considerable number of the platforms anticipating additional fund raises in 2018, the portfolio looks set to continue this growth trend.



Aggregate loan books have increased by 21% from the start of 2017 until year end. This growth in loan books, and related revenue increases, has been a critical input to the valuations the Group has placed on its interests in platforms. Refer to Note 19(4) for comment on the sensitivity of the Group's valuations to changes in revenues earned by platforms.

GLI Finance Limited
For the year ended 31 December 2017
FINANCIAL REVIEW

Overview

Our focus remains on the operating profits of Sancus BMS and the growth in the fair value of FinTech Ventures' investments. Sancus BMS includes the three Sancus entities (Sancus Jersey, Sancus Gibraltar and Sancus Guernsey) along with Sancus Finance, Sancus Funding, BMS and Amberton. It is worth noting that the prior year comparisons do not include a full years' worth of trading for Sancus Gibraltar and Sancus Funding as these were not brought into the Group until the second half of 2016. The adjustment for these entities would have resulted in an additional £0.9m of revenue and £1m of costs so on a net operating profit basis a £0.1m adjustment, so comments made below are on the Statutory Results. A proforma set of results for the Sancus BMS Group by entity is shown in Table 5.

The results for the year showed that we reached profitability on a net operating basis with a £0.1m profit this year versus a £2.8m loss in the prior year. The overall loss of £15.2m in 2017 was largely caused by the £12.3m write down on the FinTech Ventures portfolio in the first half of the year and a £1.5m FX loss for the year. We do still however hold equity stakes in all 11 platforms, with some valued at zero, but in total with a valuation of £29.6m. The second half of the year has seen some positive developments with several of the platforms and it is pleasing that the aggregate value of the portfolio has stabilised. Given the early stage of several of these platforms, there remains a risk that some of them may potentially not succeed and future capital funding into these platforms is critical. Several of the platforms are expecting to conduct equity raises during 2018 and we will continue to support management wherever we can.

The overall Group performance in the year is showing positive signs and reflects the hard work that has been put into the restructuring of the Group and cost saving initiatives over the past two years. Sancus BMS has shown a good performance with 11.4% revenue growth on prior year excluding SSIF dividends and cost savings made in Sancus Funding and Sancus Finance of £0.8m, producing a 26% increase on Sancus BMS operating profit of £1.6m versus £1.2m in 2016.

Group debt costs have reduced following the syndicated loan repayment in March 2017 when the SSIF shares were sold, reflecting below the reduction of the SSIF dividend income compared to prior year, but also a reduction in interest costs.

At Group level, further savings have been made on operating costs including administration, legal, marketing and staff costs.

The FX loss of £1.5m for the year largely reflects our USD exposure on our platforms. The Treasury Committee continuously monitors the currency position, however due to the ever-changing valuations of the platforms the Board's stance on hedging remains as prior that we do not currently hedge our position.

Goodwill impairment reviews on Sancus Jersey and Sancus Finance have been carried out as at 31 December 2017 and no impairment has been deemed necessary. A full annual impairment review for Sancus Gibraltar was carried out at 30 June 2017. Further details in respect of the testing and methodology is noted in Note 10.

Financial Results for the year ended 31 December 2017 (Table 1)

	2017 £'000	2016 £'000	Movement %	Movement £'000
Sancus BMS interest on loans and fee and other income	10,038	9,007	11%	1,031
FinTech Ventures interest on loans and fee and other income	1,293	628	106%	665
SSIF dividends	303	2,393	(87%)	(2,090)
Revenue	**11,634**	**12,028**	**(3%)**	**(394)**
Interest costs	(2,178)	(3,774)	(42%)	1,596
Other cost of sales	(270)	(78)	(246%)	(192)
Gross profit	**9,186**	**8,176**	**12%**	**1,010**
Operating expenses	(9,085)	(11,009)	17%	1,924
Net operating profit/(loss)	**101**	**(2,833)**	**104%**	**2,934**
Fair Value, Goodwill and other net losses	(13,802)	(18,044)	24%	4,242
FX (loss)/gain	(1,463)	4,425	(133%)	(5,888)
Tax	(20)	(83)	76%	63
Loss for the year	**(15,184)**	**(16,535)**	**8%**	**1,351**

Revenue

Total revenue for the year reduced by 3% to £11.6m (2016: £12m), the reduction however is due to structural changes within the Group and the sale of the shares held in SSIF in March 2017 (refer Note 7). Excluding the SSIF dividends which as now sold we will no longer receive, revenue was up by 18%.

The principal driver of revenue growth within Sancus BMS has been fee income from arrangement and commitment fees arising from the increase in loan origination. However, the increase in fees has been somewhat offset by a reduction in interest income as on balance sheet funds have not grown due to capital constraints and the Sancus Loan Notes have also caused a reduction in income, particularly in the first half of 2017.

Revenues from interest income from loans and preference shares held in FinTech Ventures increased in the year as additional loans and accrued interest were acquired as part of the sale of our shares in SSIF.

Interest Costs

Interest costs have decreased in the year from £3.8m to £2.2m as the syndicated loan of £11.9m was repaid in March 2017. As intended, the repayment of the syndicated loan enabled us to reduce our weighted average interest cost for the year ended 31 December 2017 down to 5.9% (from 7.5% at 31 December 2016). At the year end, interest bearing debt comprised:

- £10m 5-year Bond (7%) matures 30 June 2021, interest paid half yearly; and
- £20.7m 2019 ZDPS (5.5%) income entitlement and principal due on expiry 5 December 2019 (£24.7m).

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

Operating Expenses

Operating expenses for the year of £9.1m compared to £11.0m in 2016.

Our focus on improving efficiency delivered £2m reduction in costs. These cost savings have largely been achieved by insourcing more functions, such as our group accounting by implementing Xero accounting system across the Group, particularly at the Group Head Office. Within FinTech Ventures, we have successfully reduced our legal and professional fees.

Sancus BMS's operating expenses have remained flat year on year with an increase in employment costs from the investment into business development resources and the expansion of its operations in the Offshore entities. However, this has been mostly offset by cost savings in Sancus Finance and Sancus Funding.

Fair Value adjustments and other net losses including FX (Table 2)

In total the fair value adjustments and other net losses in the year produced a loss of £15.3m. The breakdown is shown in the table below.

£'000	**H1 2017**	**H2 2017**	**Full Year 2017**
FinTech Ventures loan provision	(2,790)	-	(2,790)
FinTech Ventures loan write down	(806)	-	(806)
FinTech Ventures equity fair value movement	(8,630)	306	(8,324)
FinTech Ventures other	(332)	-	(332)
Total FinTech Ventures before FX Loss	**(12,558)**	**306**	**(12,252)**
FinTech Ventures FX Loss	(992)	(669)	(1,661)
Total FinTech Ventures	**(13,550)**	**(363)**	**(13,913)**
Amberton NAV movement	(381)	(76)	(457)
Sancus BMS FX movement	169	29	198
Sancus BMS other movement	80	(220)	(140)
Total Sancus BMS	**(132)**	**(267)**	**(399)**
SSIF realised loss on sale	(953)	-	(953)
Total Losses on financial assets at FVTPL	**(14,635)**	**(630)**	**(15,265)**

The loan provision and loan write-down made during the first half of the year related to legacy GLI loans which were previously held within the SSIF portfolio. As part of the sale of GLI's stake in SSIF, these were transferred back to GLI. The equity write-down related to two platforms, one which was in the process of looking to raise further equity capital and based on the expressions of interest at the time, management believed it was prudent to reduce our holding value of this investment by £6.1m. The second equity write down of £2.5m related to one of the platforms which was performing behind forecasts.

GLI Finance Limited
For the year ended 31 December 2017
FINANCIAL REVIEW (Continued)

Dividend Policy

A dividend of 0.625 pence per share was paid in April 2017 in relation to quarter four 2016. In line with the Group's announced dividend policy whereby dividends are only paid out of net cash generated in the period there will be no dividend declared for the year.

Financial Position (Table 3)

£'000	31 December 2017	31 December 2016
Sancus BMS on Balance Sheet Loans and loan equivalents	46,326	38,821
Shares in SSIF	-	23,781
Goodwill	25,033	25,033
FinTech Ventures' Loan and loan equivalents	839	4,034
FinTech Ventures' Investment Portfolio	29,598	36,104
Group Cash, trade receivables and other assets	10,656	14,347
Total assets	**112,452**	**142,120**
Total Liabilities	(37,649)	(51,252)
Group net assets	**74,803**	**90,868**

The Group's Net assets have decreased in the year by £16.1m to £74.8m, predominantly due to the fair value adjustments noted in Table 2.

Sancus BMS on Balance Sheet Loans and loan equivalents (Table 4)

On balance sheet loan and loan equivalents have increased in the year from £38.8m to £46.3m, with an increase in the BMS Funds and SLNs being the primary driver for the increase. The IOM Preference shares which are included as an asset and a payable have reduced in the year as a result of a review by the Sancus IOM Board as to the optimum capital structuring of the business.

£'000	31 December 2017	31 December 2016
Sancus Jersey	4,808	3,659
Sancus Gibraltar	5,896	4,968
Sancus Guernsey	718	1,180
BMS – Investment in the funds and other loans	22,045	19,114
Sancus UK	1,002	-
Sancus Loan Notes	10,907	7,500
IOM preference shares	950	2,400
Total Sancus BMS on Balance Sheet Loans and loan equivalents	**46,326**	**38,821**

Shares held in SSIF were sold in the year, raising £22.7m in cash which was partly used to repay the syndicated loan.

Goodwill has remained at £25.0m and a full impairment review has been carried out on Sancus Jersey and Sancus Finance at the year end and Sancus Gibraltar at the half year. No impairment to Goodwill was deemed necessary. A breakdown of the balances is provided in Note 10.

The FinTech Ventures loans and loan equivalents of £0.8m (31 December 2016: £4.0m) has decreased during the year due to the repayment of certain loans and the write down and provision against the loans acquired from the sale of SSIF.

FinTech Ventures portfolio was valued at £29.6m at the year end (31 December 2016: £36.1m). This relates to equity, preference shares and working capital loans. The movement in the year includes an £8.3m write down on fair value adjustments, a £3.6m loan provision and loan write down and a £1.7m FX loss on the USD exposure of the portfolio with the remaining movement being the net additions and repayments in the year (Table 2).

The Group's liabilities have reduced by £13.6m to £37.6m in the year following the repayment of the syndicated loan with the Group gearing ratio now at 33% (31 December 2016: 36%).

Cashflow

Cash flows used in operating activities for the year to 31 December 2017 was £7.3m compared to £8.7m in the prior year. During the year we sold our holding in SSIF, raising £22.7m resulting in net cash inflow from investing activities of £14.8m (31 December 2016: £9.0m). Cash used in financing activities in the year was £14.1m (31 December 2016: £8.3m) including the repayment of the syndicated loan (£11.9m) and the payment of the Q4 2016 GLI dividend (£1.3m).

Sancus BMS

Financial Review

Proforma Results of Operating Entities in Sancus BMS

The table below provides comparative figures for the three operating businesses within Sancus BMS as if they had been wholly owned by the Group for the last 2 years. The adjustments made to the 2016 statutory results for a full years' worth of trading for Sancus Gibraltar and Sancus Funding were an additional £0.9m for revenue, £1m of operating expenses so a £0.1m loss adjustment on net operating profit basis. Revenue has also been normalised to exclude earnings in 2016 on Sancus's participation in the syndicated loan to GLI and non-recurring earnings in BMS. No adjustments have been made to 2017 revenue. Tables 6,7,8 reflect actual results, so have not been normalised to exclude non-sustainable earnings, but intercompany items have been eliminated.

Table 5

	2017				2016				2017 v 2016 Movement	
£'000	**Sancus**	**BMS**	**Sancus UK***	**Total**	**Sancus**	**BMS**	**Sancus UK ***	**Total**	**%**	**£'000**
Total revenue	5,363	3,588	1,087	10,038	4,859	3,163	854	8,876	13%	1,162
Other cost of sales	(15)	-	(255)	(270)	(35)	-	(43)	(78)	(246%)	(192)
Operating expenses	(2,510)	(1,469)	(2,361)	(6,340)	(1,872)	(1,320)	(3,184)	(6,376)	1%	36
Net operating profit/(loss)	2,838	2,119	(1,529)	3,428	2,952	1,843	(2,373)	2,422	42%	1,006
Allocated debt costs	-	-	-	(1,878)	-	-	-	(1,887)	0%	9
Net profit after debt costs	**-**	**-**	**-**	**1,550**	**-**	**-**	**-**	**535**	**190%**	**1,015**
Cost income ratio	46.8%	40.9%	217.2%	63.2%	38.5%	41.7%	373.0%	71.8%	12%	8.7%
Total Loan Book	*£118.9m*	*£81.3m*	*£18.2m*	*£218.4m*	*£100.9m*	*£50.8m*	*£21.7m*	*£173.4m*	*26%*	*£45.0m*
On Balance sheet loans	*£22.3m***	*£22.0m****	*£1m*	*£45.3m*	*£17.3m*	*£19.1m*	-	*£36.4m*	*24%*	*£8.9m*

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

Year on year, revenue has increased by 13% with operating expenses remaining flat in total overall, resulting in an increase in Operating Profit before Interest (OPBI) of 42%, being a £1m increase. Revenue within Sancus and BMS has increased by 10% and 13% respectively with the revenues after cost of sales in Sancus UK remaining flat.

We have seen an increase in costs within Sancus as the team has been built out to expand operations. The team now in place is largely complete and we would not expect these costs to increase at the same rate going forward. There are plans in place however to open an Irish office during the second half of 2018 to extend the Sancus property backed lending model.

On the 29 January 2018 it was announced that a special purpose loan vehicle called Sancus Loans Limited which is non-recourse to GLI has been established with a £50m funding capacity. This has been backed by a £45m credit facility from HIT, with a term of 3 years, of which £17.5m had been drawn and deployed immediately.

This will allow Sancus to further complement its existing co-funder base particularly in funding larger loan opportunities and will support further loan book growth through 2018 and beyond.

The costs within Sancus UK have been reduced by £0.8m in the year primarily as a result of reduction in headcount, and we continue to seek out further efficiencies as the business becomes more integrated.

Over the 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 advise together with related advisory fees.

Sancus

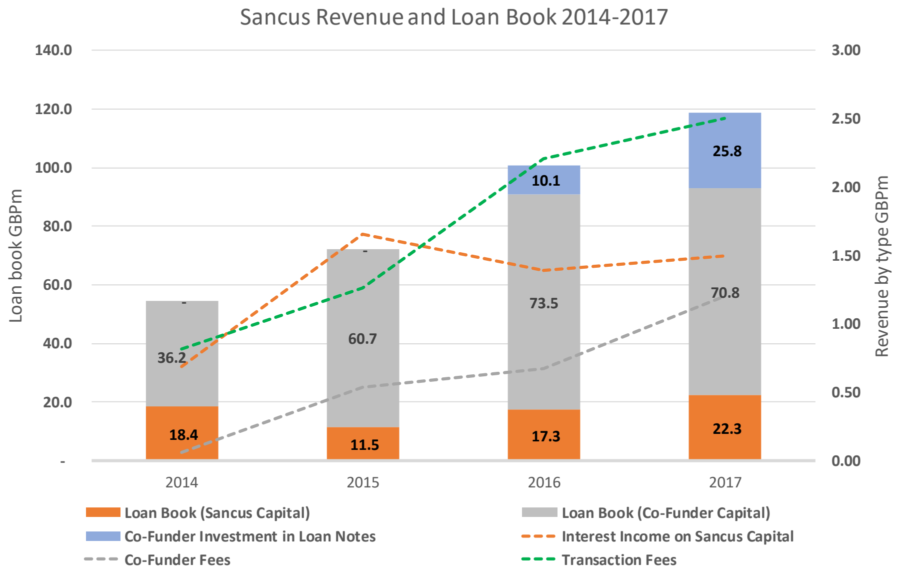
www.sancus.com

Sancus has loaned in total £432m since it became fully operational in January 2014, including the Isle of Man.

On average, the profile of the loan book is as follows:

- Loans size is £1.9m;
- duration is 18 months;
- interest rates charged are 10.3%, and
- loan to Values (LTV) are 50%.

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 29% and therefore they are not part of the consolidated results.

The total loan book has increased by 18% from £100.9m at the end of December 2016 to £118.9m at the end of December 2017.

The purchase of Sancus Gibraltar added £22m to the loan book at acquisition and half of the organic growth in 2016 came through further deployment of capital in Sancus Gibraltar.

Co-funder participation increased by 15.6% during 2017, up to £96.6m, with £25.8m deployed across the Sancus Loan Notes and £70.8m deployed directly into individual loans.

Transaction fees have increased by 13% during 2017 as a result of the increase in loan origination, as well as transaction specific exit fees.

Interest income in absolute terms saw 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. We saw a slight uptick in 2017 in absolute terms but interest income is not increasing in line with the growth of the loan book for the reasons noted earlier re the loan notes. Lending rates have been maintained at around 10% and as such interest revenue is expected to recover.

Sancus entities continue to enjoy 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.

GLI Finance Limited
For the year ended 31 December 2017
FINANCIAL REVIEW (Continued)

Co-funder fees are down slightly in the second half of 2017 as the average balance of co-funder participations fell temporarily, until improving in the last month of the year as lending opportunities became available.

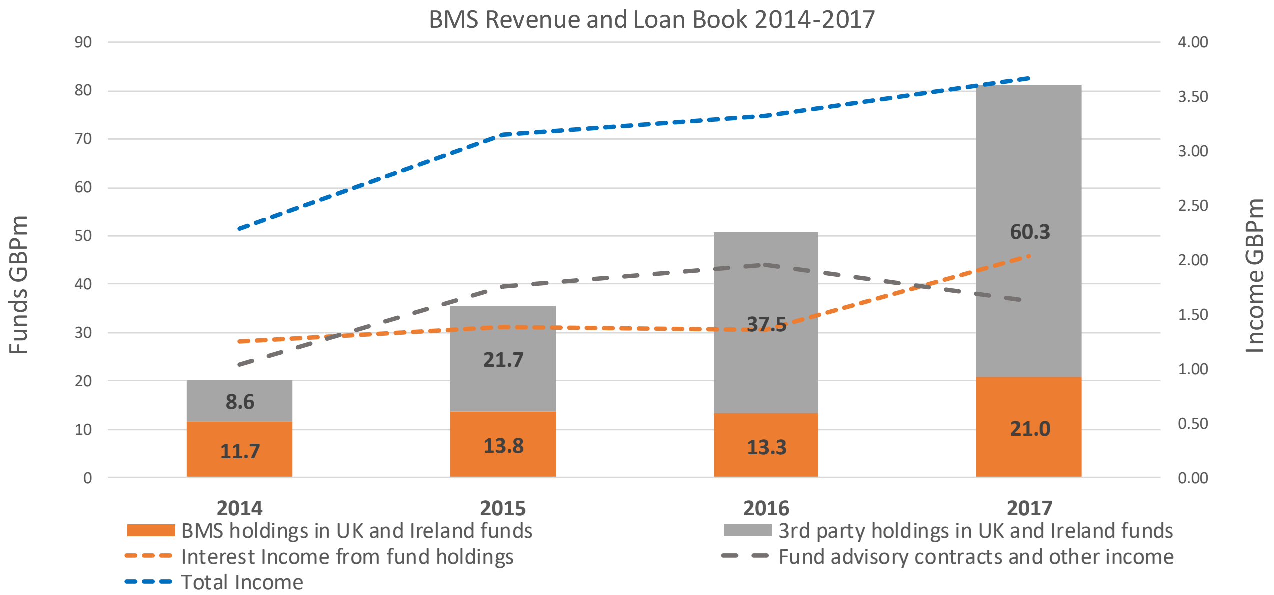
At year end, Sancus entities reported a strong pipeline of potential new loans. Allied with strong demand for co-funder participation and the HIT funding line, this positions the businesses strongly to exploit further opportunities for revenue growth in 2018.

BMS Finance
www.bms-finance.com

BMS has loaned and advised in total £152m 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 advises, and (2) the fees it earns for advising the two funds and (3) fee income from arrangement fees and earnouts.

Table 7



The loan book funded by external capital has increased significantly from December 2014 to December 2017 (601%) and by 61% since the end of 2016. The main drivers being the growth in the UK loan fund which was launched in August 2014 and the launch of the Irish loan fund in March 2016. The decrease in BMS deployed capital from £13.8m in December 2015 to £13.3m at the end of December 2016 arose following the launch of the Irish fund through BMS seeding the fund with loans from its own balance sheet. Third party investors funded circa 50% of the capital required for the fund to take on these loans, releasing cash to BMS to use for its overall funding commitments into both funds. This has increased to £21m this year.

Total income has remained relatively flat year on year as advisory fees earned from the funds are fixed in nature and lending activity directly from the BMS balance sheet decreased as focus continued towards advising the funds. The income arising from fund holdings is BMS's share of the total return on the underlying book of each fund which consists of long term loans to SME's priced between 12% and 14% with return kicker mechanisms attached. Historically the net return to investors after fund costs has averaged between 10% to 12%.

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

GLI Finance Limited
For the year ended 31 December 2017
FINANCIAL REVIEW (Continued)

Sancus Finance and Sancus Funding (Sancus UK)
www.sancus.com

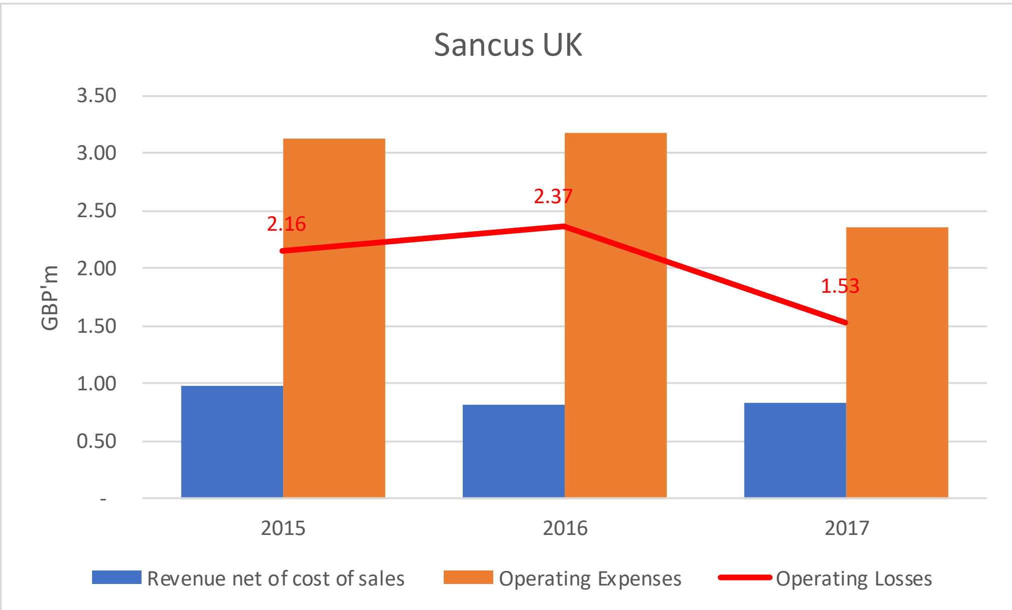
Since inception, Sancus Finance and Sancus Funding has arranged over £200m of funding for its SME clients.

Key developments over the last 12 months:
- The business repositioned its offering over the year in response to borrower demand and feedback from funders, with a focus on supply chain finance, education finance and invoice trading;
- improved offering for funders with access to credit-enhanced options in the form of 90% credit insurance (supply chain finance) and first loss protection from Sancus Finance (supply chain finance or invoice trading);
- significant enhancements to online platform, improving user experience and better reporting for funders;
- Sancus Finance and Sancus Funding now run on a combined basis with drive to realise cost synergies through combined offices, senior management and reduced overall headcount; and
- Sancus Funding secured full FCA authorisation.

Sancus Finance advanced over £37m in working capital financing for businesses during the year. Origination volumes in the new product areas grew quarter on quarter, with strong momentum heading into 2018. The shift to lower-risk products is reflected in significantly improved default rates, with losses of less than 1% in 2017.

It is a strategic priority for the group to make the business profitable during the course of 2018 by continuing to accelerate the provision of working capital funding through Sancus Finance and secured property funding and asset backed lending through Sancus Funding, while at the same time maintaining cost discipline across the businesses.

Table 8



FinTech Ventures

Financial Review

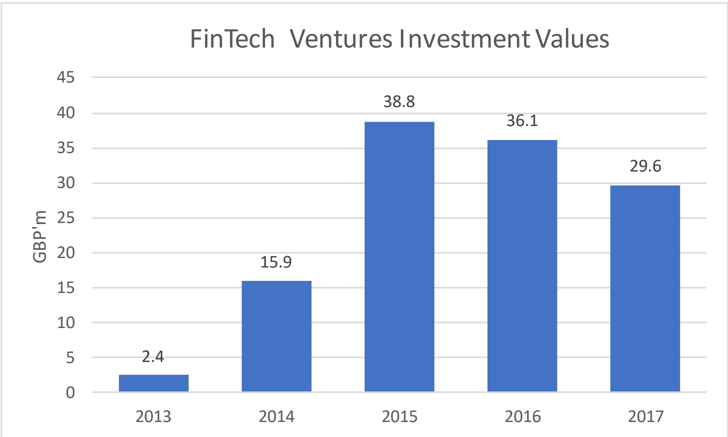
FinTech Ventures Portfolio Asset Split (Table 9)

£'000	31 December 2017	31 December 2016
Equity	24,554	31,294
Preference Shares	1,916	3,405
Loans	3,128	1,405
Total FinTech Ventures portfolio	**29,598**	**36,104**
Total Number of Platforms	**11**	**11**
Number of Platforms valued at zero	**2**	**2**

The total fair value at 31 December 2017 of £29.6m is made up of investments in the following instruments: £24.6m Equity, £1.9m Preference Shares, and £3.1m of Working Capital Loans. During 2016 and the first half of 2017 some tough decisions have been made to write down the valuations of several of the platforms in the portfolio. However, it is encouraging to see that the aggregate portfolio valuation has stabilised, delivering a small net write up, in the second half of 2017.

There have, however, been some material movements in value of individual platforms within the portfolio. One of the platforms in which we are invested has performed very strongly during the year, exceeding its forecasts, and has received several very positive terms sheets, including from some well-known equity houses and international banks. As a result, our valuation at year end has increased by over 181% and we believe there is considerable potential for it to increase further in due course. This increase has been largely offset by a 43% reduction in the valuation of our investment in another platform which has recently undergone a capital restructuring, which has resulted in some of our securities being written off.

Table 10



The minority stakes in the start-up platforms acquired by the Group during 2014 and 2015 are considered to have the potential to deliver significant returns in due course. What was not initially obvious at the time the investments were made 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 it has been appropriate to take write-downs. Several of the platforms continue to perform well with good year on year growth, and it is very pleasing that we have started to be able to make some upward adjustments to fair values, largely linked to where there has been a successful third party fund raise. Whilst investment risk related to this portfolio will remain an ongoing feature we hope to see an increase in successful third party equity raises in the foreseeable future with several being considered in 2018.

The valuation methodology employed by the Group is unchanged and remains compliant with IFRS13, based on a fair value approach and taking into account the International Private Equity and Venture Capital Valuation Guidelines ("IPEV"), which provides guidance on fair value valuation practices. We continue to utilise the services of independent valuation experts and recent transaction prices to complement our internally managed discounted cash flow models.

Total FinTech Ventures' Investments

Return on Investment (ROI)

Table 11

Year	2013	2014	2015	2016	H1 - 2017	H2 - 2017	2017
Balance brought forward	-	2,406	15,931	38,806	36,104	28,922	36,104
New investment	2,422	4,969	35,674	8,678	918	1,024	1,942
Disposals/loan repayments (1)	-	-	(12,779)	(1,412)	(414)	-	(414)
Transfer of investment from SSIF (2)	-	-	-	-	5,007	-	5,007
Reclassification	-	-	-	-	418	-	418
Transfer from Associate to Subsidiary - Sancus Finance	-	-	-	(2,536)	-	-	-
Gains/(losses)	(16)	8,556	(20)	(7,432)	(13,111)	(348)	(13,459)
Fair Value	**2,406**	**15,931**	**38,806**	**36,104**	**28,922**	**29,598**	**29,598**
Return on Investment (3)	-1.3%	177.1%	0.2%	-17.1%	-30.3%	0.1%	-29.8%
2013-2017 (4)							-24.3%
Net Asset Value per GLI Ordinary Share	1.7p	14.1p	16.9p	13.3p	10.0p	10.0p	10.0p

Notes
1 Included in 2015 disposals is £9.2m 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 In March 2017 certain loans were acquired from SSIF.
3 Calculated using total revenue, including interest, other income, realised and unrealised gains and losses, divided by the average cost for the given year.
4 Calculated as total return for the year over the total cost of the portfolio as at 31 December 2017.
5 Sancus Funding as a subsidiary is not included in the above table.

In the second half of 2017, the valuations stabilised resulting in an ROI of 0.1% which represented a small gain due to FX losses offsetting interest income. This resulted in an overall loss for the year of 29.8%. All data quoted includes movements in FX.

Platform Exposure

Table 12

Platform	Platform exposure £'m	NAV per share (pence)
1	8.4	2.7
2	5.3	1.7
3	4.9	1.6
4	4.2	1.3
5	2.5	0.8
6 - 11	4.3	1.4
Total Fair Value of Portfolio	**29.6**	**9.5**
Loans through platforms and accrued interest	1.5	0.5
Total Net Assets of FinTech Ventures	**31.1**	**10.0**

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

GLI Finance Limited
For the year ended 31 December 2017
PRINCIPAL RISKS, UNCERTAINTIES AND RELATED INTERNAL CONTROLS

The selection of the right risk management strategies is critical to maximising value. 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 are being managed, monitored and governed.

The table below describes the Group's assessment of the principal risks which could potentially have a significant impact on the Group's operations and financial results. This Group's risk definitions are described in more detail within the Board Committee Structure on page 38 to 39.

Principal Risks	**Internal controls mitigating Risks**	**Current Rating of Risks**
Group		
1. Capital and liquidity Risk		**Rating**
GLI's own funding is sourced primarily from the ZDP shares and the Corporate Bond (as detailed in Note 14). For Sancus BMS, co-funding of lending opportunities is sought from institutional, high net worth and private individuals. Expansion of lending and investment activities will be constrained to the extent of retained profits unless further sources of funding are secured.	GLI has a Treasury Committee which meets twice a month to manage current liquidity, and forecasts over several years to predict longer term funding requirements. The Sancus Loan Notes used for co-funding lending opportunities, are administered by Amberton Asset Management (a licensed investment manager). Management of each of the operating companies balance their lending and funding and proposals to advance lending are contingent on sufficient funding having been agreed. As a contingency, the Treasury Committee monitors the liquidity of the various assets and has identified relatively liquid assets which could be realised if required.	The syndicated loan of £11.9m was repaid as it fell due in March 2017 but capital and liquidity management remains a key risk and priority for the Executive and Treasury Committee due to the future obligations to settle the funding (e.g. ZDPs and Corporate Bond). See Viability Statement for more details. Management at Group and subsidiary level are focussed on raising additional on and off balance sheet funding in order to grow lending activities. Successfully managing this risk is critical to the Group's growth and thus forms a core part of management and the Board's strategic discussions.

2. Regulatory and Compliance Risk		Rating
As a Financial Services business, compliance with regulation is considered paramount within the Group, particularly with regard to Anti Money Laundering (AML) regulations which are most important. The Group is subject to the AIM rules. Whilst not strictly subject to the UK Corporate Governance Code (April 2016), due to the Company being a Guernsey company, the Code has been largely adopted (See page 36 Governance Framework).	All entities have developed and implemented appropriate policies and procedures relating to compliance and Anti Money Laundering. The Group Compliance Committee monitors these risks, and forthcoming regulations, with appropriate reporting from the various Heads of Compliance and Money Laundering Reporting Officers. Further reviews of AML compliance are carried out by independent third parties where considered appropriate. The Company has an appointed, NOMAD, Liberum, with whom it liaises regularly, to ensure compliance with the AIM rules, including the Market Abuse Regulations. Boards receive quarterly reports from Compliance Officers and where appropriate, Money Laundering Reporting Officers on compliance monitoring plans and any breaches identified.	The compliance framework as described is currently operating effectively. A GDPR Committee has been established, a data process audit has been conducted and training has been rolled out across all employees.
3. Market risk		**Rating**
The primary risks are considered to be interest rate and foreign exchange risk. Given the nature of the business operations, with relatively short term lending and currencies on lending opportunities being matched the exposure is considered to have limited impact on its positions as a going concern. Foreign exchange risk primarily arises from the USD and Euro investments in the FinTech portfolio.	Exposures to these risks are monitored regularly by the GLI Treasury Committee and reported to the Board on a quarterly basis. These risks are identified and assessed at the time of entering into new transactions.	More information on the sensitivity to these risks is contained in Note 19.
4. Credit Risk		**Rating**
The Group has both direct credit exposures, for on balance sheet lending, and indirect credit exposures, managed on behalf of co-funders. See Note 19 (5) for further details.	Each operational entity has its own credit policies and procedures which are the subject of at least annual review by operating entity Boards. The respective Credit Committees take all credit decisions and monitor credit exposures on an ongoing basis. At GLI level, a New Business Committee is responsible for all lending decisions and Amberton Asset Management's specialist credit skills have been formally engaged to monitor all credit exposures on the GLI balance sheet re FinTech Ventures.	The credit performance across the Group remains exceptionally good with losses incurred being less than 1% of loans advanced.

GLI Finance Limited
For the year ended 31 December 2017
PRINCIPAL RISKS, UNCERTAINTIES AND RELATED INTERNAL CONTROLS (Continued)

Sancus BMS		
5. Operational Risk – Execution of the Sancus BMS strategy		**Rating**
Approximately 60% of GLI's capital has been deployed into the Sancus BMS group. There is a risk that the planned growth of these businesses will not be realised as a result of sub optimal levels of loan origination and funding. A negative impact of Brexit on the UK and Channel Islands' economies would add to the risk.	The Board and Executive Committee of Sancus BMS recognise the challenge of building the business to meet the financial targets and actively manage all aspects of the business on an ongoing basis. Plans and budgets are in place. 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 has seen 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 delivering profitability in the Sancus UK businesses. Comments on the need to raise liquidity are included above.	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.
FinTech Ventures		
6. Investment risk – Platform Valuations		**Rating**
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.	The Group has board seats on most investee company boards and thus 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 conducted for all investments in platforms. These are based on a variety of factors including the pricing for any recent relevant transactions and using a discounted cashflow model. The forecast provided by the of the platforms are challenged and where considered appropriate adjustments are made and the sensitivity analysis is carried out. The internal work is complimented by external valuation experts where considered appropriate.	Platforms are typically 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. 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.

CORPORATE GOVERNANCE

Board of Directors and GLI Executive Team

Introduction

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

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

Board of Directors

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

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

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

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

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

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

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

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

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

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

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

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

Emma Stubbs – Executive Director

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

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

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

GLI Executive Team

Andrew Whelan – Chief Executive Officer
See above.

Emma Stubbs – Chief Financial Officer
See above.

Aaron Le Cornu – Chief Operating Officer

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

The Sancus BMS Management Team

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, Dan Walker, Steve O'Brien, Matt Watson, Peter McVeigh and Aaron Le Cornu.

Andrew Whelan – CEO, Sancus BMS

Refer page 32.

Ewan Stradling – Managing Director, BMS Finance

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

John Davey – Executive Director, Sancus

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

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

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

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).

Dan Walker – Managing Director, Sancus Finance

Dan became Managing Director of Sancus Finance and Sancus Funding in January 2018.

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

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

Steve O'Brien – Managing Director, Sancus Gibraltar

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

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

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

Matt Watson – Managing Director, Sancus Guernsey

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

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

Peter McVeigh – Chief Financial Officer, Sancus BMS

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

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

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

Aaron Le Cornu – Chief Operating Officer, Sancus BMS

Refer page 33.

Steve Simpson, Head of Group IT, Sancus BMS Group

Steve Simpson has over 25 years of experience in the design, implementation and administration of secure and highly-available enterprise and web-based solutions for corporate customers across various sectors including finance and telecoms.

Steve started his technology career with Nokia before they became known for setting the standard in mobile phones. He was part of a small team that in little over 2 years implemented the business systems in the UK to support Nokia's growth to global brand leader. He became the System Architect responsible for Nokia's global unix standards.

Other notable assignments include over 6 years as part of Hewlett Packard's mission critical consultancy team designing and implementing HA solutions for Hewlett Packard's top 100 enterprise customers and 10 years in the development of web based application across the telecoms sector.

Steve joined the co-founders of Platform Black in 2011 to design and develop the technology to provide an innovative online business finance marketplace that connects investors to businesses who are seeking flexible working capital finance solutions.

GLI Finance Limited
For the year ended 31 December 2017
GOVERNANCE FRAMEWORK

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

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

As at 31 December 2017, 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 2018, 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 2017, 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 37 and 38. 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 2017, Patrick Firth had served as a Director of the Company for twelve years. However, the Board is of the view that length of service does not necessarily compromise the independence or the effective contribution of Directors where continuity and experience can be a benefit to the Board. In considering the independence of the Chairman, the Board has considered the provisions of the UK Code relating to independence and remains satisfied that he remains independent of the Company.

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

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

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

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

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

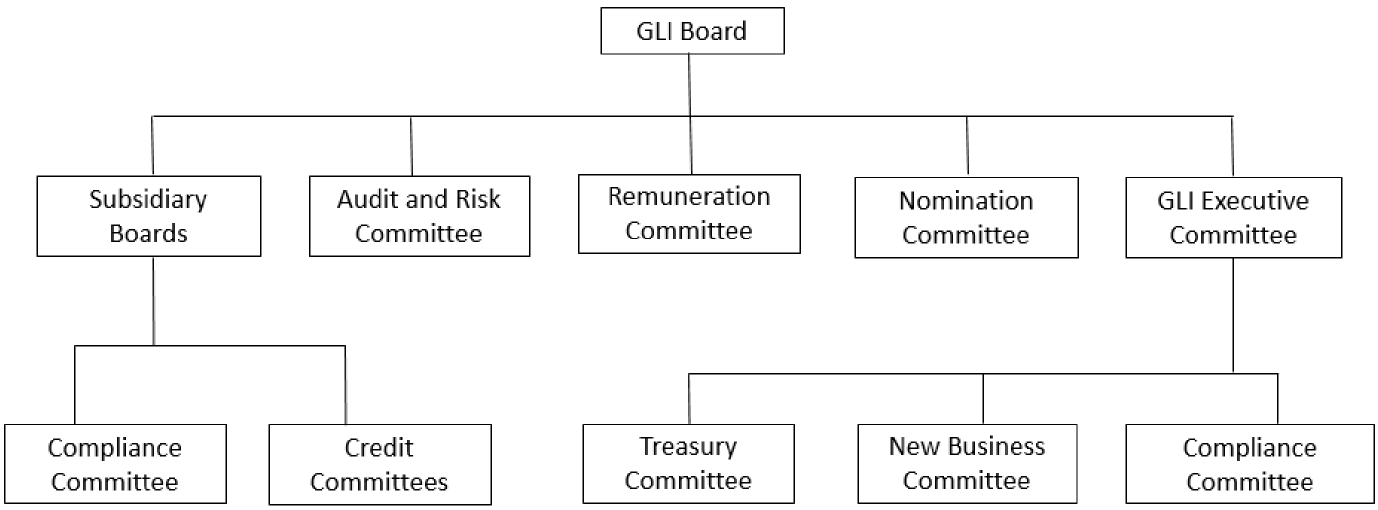
It is the Board's intention to restore an independent majority to the Board through the recruitment of an additional non-executive director with a strong credit, lending and/or trading company background. The Somerston Group may also exercise their right to nominate a candidate for appointment to the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

The Directors remain mindful of the benefits which can flow from increasing the level 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 Aaron Le Cornu (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.

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

Governance Structure



BOARD COMMITTEE STRUCTURE

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

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

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

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

The Audit and Risk Committee is currently chaired by John Whittle and its other member is Patrick Firth. The Board has considered the membership of the Audit and Risk Committee and has determined that the members of the Audit and Risk Committee have recent and relevant financial experience. For the principal duties and report of the Audit and Risk Committee please refer to the Audit and Risk Committee Report on pages 41 to 42.

Remuneration Committee
The Remuneration Committee comprises of John Whittle as Chairman, and Patrick Firth. The key duties include, but are not limited to, agreeing a framework for Director remuneration, ensuring management are appropriately incentivised to enhance performance, and reviewing the effectiveness of the remuneration policy on an on-going basis. Refer to the Remuneration Report on pages 43 and 44 for details of fees paid to the Directors during the year.

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

Meetings

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

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

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

	Board				
	Quarterly	Other	Remuneration Committee	Audit and Risk Committee	Nomination Committee
Patrick Firth *(Chairman)*	4 of 4	8 of 10	1 of 1	3 of 3	None held
John Whittle	4 of 4	5 of 10	1 of 1	3 of 3	None held
Andrew Whelan	4 of 4	8 of 10	-	-	-
Emma Stubbs	4 of 4	8 of 10	-	-	-

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 93.

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

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

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

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

The Board is also responsible for deciding on whether the nature and extent of risks taken within the Group are within its risk appetite. Such risks have been formally defined (refer page 40), setting the basis for the design and implementation of the Group's internal control framework.

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

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

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

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

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

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

The Group's Risk Definitions	Governance Committees
1. Investment Risk The risk that an investment's actual return will be different to that expected. Investment risk primarily arises from the FinTech Ventures portfolio.	GLI Executive Committee GLI New Business Committee
2. Capital and Liquidity Risk The risk that we fail to maintain sufficient reserves to support growth or repay obligations as they fall due.	GLI Treasury Committee
3. Credit Risk **Direct credit risk** is the risk of default of an on-balance sheet debt that may arise from a borrower failing to make payments in accordance with agreed terms. **Indirect credit risk** is defined as the potential impact on the Group of defaults in loans arranged and managed by GLI's subsidiaries which are funded by third party co-funders who carry the credit risk on these exposures. Subsidiaries do not carry direct credit risk in these circumstances, but may be negatively impacted by consequential reputational risk.	GLI New Business Committee Sancus Credit Committees BMS Credit Committees
4. **Strategic Risk** The risk of loss arising from the pursuit of an unsuccessful business plan, failure to respond well to changes in the business environment or inappropriate allocation of scarce resources.	GLI Executive Committee Sancus BMS Executive Committee
5. Market Risk The risk that market movements adversely impact the Group. 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 failure of or inadequate internal processes, systems or human error, or from external events (including legal risk).	GLI Executive Committee Sancus BMS Executive Committee
7. Regulatory and Compliance Risk The risk of legal or regulatory sanctions, material financial loss as a result of a failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct. This also includes the risk of material changes to the regulatory environment applicable to the Group's activities.	GLI Executive Committee GLI Compliance Committee GDPR Committee High AML Risk Committee Sancus BMS Executive Committee Sancus BMS Compliance Committee

The Audit and Risk Committee

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

Chairman and Membership

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

Duties

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

External Audit

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

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

Financial Reporting

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

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

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

The Committee approved the change in accounting policy for the disclosure of investments in associated companies in 2016. The Committee remains 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 those assets in the FinTech Ventures investment portfolio.

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

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

External Auditor

The Committee assessed the effectiveness of the external auditor and the external audit process for 2017 through a number of steps, including:

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

For the audit for the year ended 31 December 2017, 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.

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

During 2017, £6,000 was paid for non-audit services to Deloitte for by Sancus BMS Group (31 December 2016: £5,500) and for audit related services being the half year review, £26,000 was paid by GLI to Deloitte (31 December 2016: £41,000). There is no perceived threat to auditor independence given the nature of the services provided and the safeguards in place.

Risk Management and Internal Control Systems

During 2017, management continued to enhance its reporting on risk management to the Board and the Audit and Risk Committee, which cover the operation of the Company and its wholly owned subsidiaries. The Committee has received and considered these reports on three occasions, which has been the basis for its conclusion below.

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

During 2017, the Committee did not receive any reports relating to whistleblowing across the Group.

On behalf of the Audit and Risk Committee

John Whittle
Chairman
Audit and Risk Committee
26 March 2018

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 2018.

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.

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

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

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

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

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

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

Remuneration

<u>Non-executive Directors</u>
As at 31 December 2017, 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 2017	**31 December 2016**
	£	**£**
Patrick Firth (Chairman)	50,000	50,000
John Whittle	42,500	40,000
Frederick Forni (1)	-	37,500
James Carthew (1)	-	40,000

(1) Resigned on 23 September 2016

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

There was no increase in Directors' fees during the year ended 31 December 2017. Total Directors fees charged to the Company for the year ended 31 December 2017 were £92,500 (31 December 2016: £150,722) with £nil (31 December 2016: £nil) remaining unpaid at the year end.

Executive Team

For the year ended 31 December 2017, 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 2017		31 December 2016	
	Fixed Salary £	**Option Scheme** £	**Fixed Salary** £	**Executive Bonus Scheme** £
Andrew Whelan	240,000	-	240,000	-
Russell Harte (1)	150,000	-	150,000	-
Aaron Le Cornu (2)	150,000	-	-	
Emma Stubbs (3)	150,000	-	120,000	-
Marc Krombach (4)	-	-	130,000	-
Louise Beaumont (5)	-	-	85,000	-

(1) Annual salary of £150,000. Mr Harte ceased employment on 1 July 2017.
(2) Annual salary of £150,000. Mr Le Cornu joined the Company on 1 May 2017.
(3) Annual salary of £150,000 increased from £120,000 with effect from 1 January 2017.
(4) Annual salary of £130,000. Mr Krombach ceased employment on 29 April 2016.
(5) Annual salary of £85,000. Ms Beaumont ceased employment on 27 September 2016.

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

In addition to fixed salary payments, in 2017 the Executive Team members received pension contributions of £36,000 (Andrew Whelan), £11,250 (Russell Harte), £22,500 (Emma Stubbs), (Aaron Le Cornu) £9,375. (2016: £28,375 (Andrew Whelan), £3,750 (Russell Harte), £15,000 (Emma Stubbs), £19,010 (Louise Beaumont)).

Discretionary Executive Bonus Payments
In addition to their fixed salaries and participation in the Option Scheme, the Executive Team members were awarded the following discretionary executive bonus payments, by the Remuneration Committee, for duties performed during the year ended 31 December 2017:

	Total £	**Paid in Cash** £	**Paid in GLI Shares** £
Andrew Whelan	240,000	120,000	120,000
Russell Harte	60,000	60,000	-
Aaron Le Cornu	100,274	50,137	50,137
Emma Stubbs	150,000	75,000	75,000

Shares that were awarded to Executives were made from Treasury shares held by the Group, and were charged against income in 2017.

On behalf of the Remuneration Committee

John Whittle
Remuneration Committee Chairman
26 March 2018

GLI Finance Limited
For the year ended 31 December 2017
DIRECTORS' REPORT

The Directors present their Annual Report and Audited Consolidated financial statements (the "financial statements") for the year ended 31 December 2017.

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 2017, 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 £10m 7% unsecured corporate bonds due 2021 (the "Bonds"). The Bonds were admitted to the Official List of the Cayman Islands Stock Exchange on 2 November 2016.

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

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

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

The Group
As at 31 December 2017, 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 32 and 33.

Results and Dividends
The Group results for the year are set out on page 55. Dividends of £1,717,829 were paid during the year (31 December 2016: £6,116,697).

Substantial Shareholdings
As at 31 December 2017, the Company was aware of the following substantial shareholders who held more than 3 percent of issued share capital of the Company:

	Number of Ordinary Shares held*	Percentage of total ordinary shares issued held
Somerston Group	80,859,734	25.91%
Artemis Investment Management	22,749,969	7.29%
Brooks Macdonald Group plc	14,215,015	4.56%
Investec Wealth & Investment	13,569,673	4.35%
AXA Investment Managers	13,188,000	4.23%
Philip J Milton & Company plc	12,288,163	3.94%
Chelverton Asset Management	9,800,000	3.14%

GLI Finance Limited
For the year ended 31 December 2017
DIRECTORS' REPORT (Continued)

Directors' Interests
As at 31 December 2017, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2017		31 December 2016	
	No. of Ordinary Shares Held	**% Ordinary Shares**	**No. of Ordinary Shares Held**	**% of Ordinary Shares**
Patrick Firth *(Chairman)*	278,669	0.09	271,049	0.09
John Whittle	104,550	0.03	-	N/A
Andrew Whelan	8,051,921	2.58	3,800,000	1.23
Emma Stubbs	1,005,485	0.32	179,640	0.06

See Note 21 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 2017, there were 10,000,000 unexercised share options for Ordinary Shares of the Company (31 December 2016: 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.

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

Internal Controls Review
Taking into account the ongoing work of the Audit Committee in monitoring the risk management and internal control systems on behalf of the Board the Directors have conducted a robust assessment of the principal risks and uncertainties faced by the Group as set out on page 39 and is satisfied that each of these has been properly identified and is being effectively managed through the operation of appropriate internal controls and risk management systems, within the constraints of the resources of the Group.

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

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

Auditor

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

Fair value accounting for FinTech Ventures' Platform Investments

In preparing the consolidated financial statements for the year ended 31 December 2017 the Directors have applied the exemption available under IAS 28.18 which states that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure investments in those associates and joint ventures at fair value through profit or loss in accordance with IAS 39 Financial Instruments.

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

Going Concern

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

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 page 40. The assessment has been performed over a three year period to 31 December 2020 for the following reasons:

- This period includes 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. A robust assessment has also been made on the internal controls which forms part of the ongoing monitoring of the Board.

At maturity, there are a number of options being considered with regard to the ZDPs, the success or failure of which represent a significant sensitivity to the longer term viability assessment. They could potentially be rolled, refinanced with more traditional institutional debt, or repaid from the proceeds of asset sales, such as investments in FinTech Ventures, or maturities within the loan book. Whilst no decision has been taken, the Board's current preference would be to refinance or roll the ZDPs, leaving greater flexibility around the timing of asset sales to ensure the maximum value can be secured.

The Directors Note that the credit facility with the syndicated co-funders of £11.9m was repaid on 15 March 2017 from the proceeds of the sale of the SSIF 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 2018.

FINANCIAL STATEMENTS

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- **give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.**

We have audited the financial statements of GLI Finance Limited and its subsidiaries (the 'Group') which comprise:

- the Group Statement of Comprehensive Income;
- the Group Statement of Financial Position;
- the Group Cash Flow Statement;
- the Group Statement of Changes in Equity; and
- the related notes 1 to 24.

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

Basis for opinion

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of FinTech Ventures' investments; • Impairment of goodwill; and • Impairment and recoverability of loans. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used for the Group financial statements was £1.49 million which was determined on the basis of approximately 2% of the Group's net asset value ("NAV").
Scoping	We performed a full scope audit to respond to the risks of material misstatement for the whole group. The subsidiaries forming the Sancus BMS segment accounted for 55% of the Group's net assets and 89% of the Group's revenue for the year. The Parent and FinTech Ventures subsidiary (and its investments) accounted for 45% of the Group's net assets and 11% of the Group's revenue.

Significant changes in our approach	Last year our audit report included a key audit matter relating to accounting for acquisition and disposal of associates and subsidiaries. This is not included in the current year as the transactions completed in 2016. Impairment and recoverability of loans is a new key audit matter as the Group has more fully established its Sancus BMS segment as a SME and property backed lending business.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

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

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

Valuation of FinTech Ventures' investments	
Key audit matter description	The FinTech Ventures' investment portfolio represents 26% (2016: 25%) of total assets in the financial statements, amounting to £29.6m (2016: £36.1m). 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 also represent investments in early stage companies and as such valuations will be sensitive to the assumptions made, as described in the sensitivity disclosures in note 19. In the current year, valuations have been prepared by management with some input from an independent valuation expert. Recent fundraising activity has also formed a key basis for determining the valuation of investments. 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, discount for lack of marketability of investments and completion risk factors for transactional based valuations. 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. Note 2f) and note 3 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, with note 19 setting out details of valuation techniques applied and describing the related sensitivities.

How the scope of our audit responded to the key audit matter

We have obtained an understanding of how valuations are performed and the Board's process to recognise and measure investments. This was performed in consultation with our valuation specialists. For a sample of valuations we have:

- engaged with our internal valuation specialists to challenge the methodologies used to assess whether these were in accordance with the requirements of IFRS and to benchmark discount rates applied;
- reviewed and challenged the key inputs to discounted cash flow projections to identify any inconsistencies;
- held meetings with management, our internal valuation specialists and the Group's independent valuation expert to discuss the matters arising from our audit procedures;
- reviewed the performance of the underlying businesses against previous expectations and challenged the cash flow forecasts and growth assumptions in light of these facts;
- agreed inputs to supporting evidence where appropriate;
- recalculated valuations determined using transactional evidence after considering whether the terms of any fundraising activity represented an appropriate benchmark; and
- reviewed the disclosures made to assess whether these were in accordance with IFRS 13.

As part of our work, we have also assessed the design and implementation of controls relating to the valuation process.

Key observations

Having carried out the procedures above, we have concluded the valuations fell within an acceptable range.

Impairment of goodwill

Key audit matter description

As at 31 December 2017, the Group has recorded goodwill of £25.0m (2016: £25.0m) representing 22% (2016: 18%) of Group total assets at year end. A discounted cash flow model is prepared to assist the Board and Audit Committee in determining whether indicators of impairment exist.

Management is required to make a number of significant assumptions and judgements including determination of appropriate discount rates, cash flow forecasts and growth models. There is a risk that assumptions made may be inappropriate, either as a result of errors or deliberate manipulation of inputs, which could result in material misstatement of the goodwill balance in the financial statements.

The risk is explained further in the strategic report where this is included as a significant issue. Note 2h) and note 3 set out the associated accounting policy and disclosure in respect of critical judgement and key source of estimation uncertainty, with note 10 setting out details of the impairment tests and goodwill valuation sensitivities.

How the scope of our audit responded to the key audit matter

We have obtained an understanding of how the discounted cash flows are prepared and the Board's process to identify and recognise impairment. This was performed in consultation with our valuation specialists. In respect of the discounted cash flow models we have:

- reviewed the model prepared by management in light of the requirements of IAS 36;
- engaged with our internal valuations specialists to benchmark the discount rates applied;
- reviewed and challenged the key inputs to the cash flows including revenue growth, financing and expenditure to identify any inconsistencies with our understanding of the business model;
- reviewed the performance of the underlying businesses against previous expectation and challenged the inputs in light of these facts;
- agreed inputs to supporting evidence where appropriate;
- challenged the disclosures made in light of the requirements of IAS 36; and
- assessed the design and implementation of controls relating to the impairment assessment process.

Key observations	Having carried out the procedures above, we have concluded that the results of impairment tests prepared by management demonstrated headroom above the carrying value of goodwill balances.
Impairment and recoverability of loans	
Key audit matter description	As at 31 December 2017 the aggregate value of Sancus BMS loans and loan equivalents amounted to £46.3m (2016: £38.8m) representing 41% of total assets (2016: 27%). The loan portfolio comprises property backed (Sancus) and SME loans (via the BMS funds). Through Sancus, the Group has direct exposure to loans through co-investment alongside third-party lenders. The exposure to BMS loans is through the Group's investment in the loan notes of two funds. The Sancus Loan Note structures are investments in SPVs, the value of which is supported by the underlying loan book. Management is required to assess loans and loan equivalents for impairment and recoverability. In making this assessment, management makes a number of significant judgements including the determination of the appropriate assumptions underlying the impairment analysis and the impact of loan-specific matters including cash flow forecasts and covenant compliance. As a result, errors or deliberate manipulation of these determining factors could result in material misstatement of the financial statements. The risk is explained further in the strategic report where this is included as a significant issue. Note 2f) and note 3 set out the associated accounting policy and disclosure in respect of critical judgements and key sources of estimation uncertainty, with note 19 setting out details of the associated risk factors, including credit risk.

How the scope of our audit responded to the key audit matter	For a sample of loans we have evaluated management's assumptions used to assess the recoverability of the loans and whether impairment indicators existed at 31 December 2017. We have:
	• assessed the design and implementation of key controls regarding impairment of loans;
	• inspected loan agreements to understand the contractual terms, key covenants and existence of non-standard terms (including prepayment options);
	• assessed whether the borrower has breached the loan covenants or defaulted on any loan interest payments due;
	• evaluated the collateral and considered other financial information available on the borrower to assess their ability (or otherwise) to meet future payment commitments;
	• reviewed due diligence in respect of loans sampled;
	• challenged any assumptions made and evaluated the monitoring data gathered in assessing the value of loans at the balance sheet date. This included, but was not limited to:
	  - review and scrutinisation of summary financial and non-financial information provided by the borrower; and
	  - review of progress against original business plans.

Key observations	Having carried out the procedures above and based on the evidence obtained, we determined that the impairment assumptions were reasonable and the resulting estimate of impairment is in accordance with accounting standards.

Our application of materiality

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

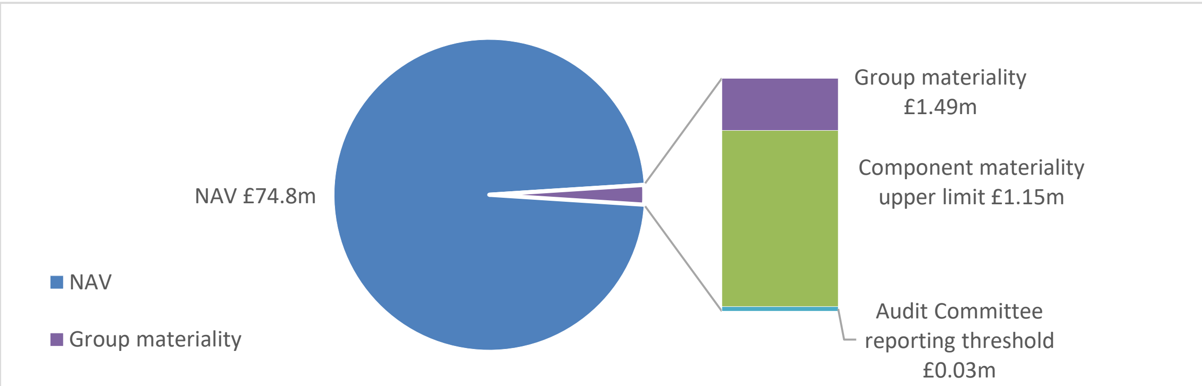
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GLI FINANCE LIMITED (Continued)

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

	Group financial statements
Materiality	£1.49 million (2016: £1.82 million)
Basis for determining materiality	2% of the Group's net asset value ("NAV").
Rationale for the benchmark applied	This benchmark is considered the most appropriate given the significance of the FinTech Ventures' investment portfolio, goodwill and on-balance sheet lending.

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

The lower level materiality threshold applied was £227,000 being approximately 2% of total revenue. We agreed with the Audit Committee that this was appropriate as Statement of Comprehensive Income balances are relatively low compared to our overall Group materiality set out above, yet there is increasing focus on the these as performance measures.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £29,800 (2016: £36,000) for the group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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

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

*98.2% ownership

Audit work performed for the above subsidiaries was executed by the Group audit team at levels of materiality applicable to each subsidiary, which in all instances was lower than Group materiality and ranged between £7k and £1,147k.

These subsidiaries (forming the Sancus BMS segment) accounted for 55% of the Group's net assets and 89% of the Group's revenue.

The Parent and FinTech Ventures Limited (and its investments) accounted for 45% of the Group's net assets and 11% of the Group's revenue for the year. There were no material changes in the overall composition of the Group during the year.

We tested the consolidation inputs and adjustments.

Other information

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

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

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

David Becker
For and on behalf of Deloitte LLP
Recognised Auditor
St Peter Port, Guernsey
26 March 2018

GLI Finance Limited
For the year ended 31 December 2017
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	31 December 2017 £'000	31 December 2016 * £'000
Interest on loans		4,573	4,650
SSIF dividends		303	2,393
Fee and other income	5	6,758	4,985
Total revenue		11,634	12,028
Interest costs		(2,178)	(3,774)
Other cost of sales		(270)	(78)
Gross profit		9,186	8,176
Operating expenses			
Administration and secretarial fees		233	672
Legal and professional fees		635	2,071
Other expenses	6	8,217	8,266
Total operating expenses		9,085	11,009
Net operating profit/(loss)		**101**	**(2,833)**
Losses on financial assets at fair value through profit and loss			
SSIF loss on disposal / fair value adjustment	7	(953)	(1,529)
Net loss on de-recognition of SSIF as a subsidiary		-	(1,208)
Share of loss of associates and joint ventures	8	(454)	(22)
FinTech Ventures fair value adjustment	22	(13,459)	(7,432)
Other net (losses)/gains		(399)	718
Losses on financial assets at fair value through profit and loss		(15,265)	(9,473)
Goodwill impairment	10	-	(4,146)
Loss before tax		(15,164)	(16,452)
Income tax expense	15	(20)	(83)
Loss for the year after tax		**(15,184)**	**(16,535)**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Foreign exchange on consolidation		-	163
Total comprehensive loss for the year		**(15,184)**	**(16,372)**
Loss for the year after tax attributable to:			
Equity holders of the Company		(15,164)	(17,593)
Non-controlling interest		(20)	1,058
		(15,184)	**(16,535)**
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(15,164)	(17,430)
Non-controlling interest		(20)	1,058
		(15,184)	**(16,372)**
Basic and Diluted Loss per Ordinary Share	9	(5.01)p	(6.49)p

* Other cost of sales was netted off Fee and other income in the prior year.

All losses are from continuing operations in both 2017 and 2016.

The accompanying Notes on pages 59 to 92 form an integral part of these financial statements.

GLI Finance Limited
As at 31 December 2017
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31 December 2017 £'000	31 December 2016 * £'000
Non-current assets			
Property and equipment		63	98
Goodwill	**10**	25,033	25,033
Other intangible assets	**11**	530	520
Sancus BMS loans	**19**	24,238	19,216
Investment in Sancus Loan Notes	**19**	3,000	7,500
Total Sancus BMS loans and loan equivalents		27,238	26,716
FinTech Investments	**19, 22**	29,598	36,104
Other investments	**19**	542	873
Investments in joint ventures and associates	**8, 19**	2,266	528
Total Non-current assets		85,270	89,872
Current assets			
Investment in SSIF		-	23,781
Loans through platforms	**19**	908	4,034
Sancus BMS loans	**19**	8,560	3,900
Investment in Sancus Loan Notes	**19**	7,907	-
Loan equivalents	**19**	2,621	8,205
Total Sancus BMS loans and loan equivalents		19,088	12,105
Trade and other receivables	**12**	4,170	2,712
Cash and cash equivalents		3,016	9,616
Total Current assets		27,182	52,248
Total assets		**112,452**	**142,120**
EQUITY			
Share premium	**13**	112,557	111,942
Treasury shares	**13**	(1,162)	(1,734)
Distributable reserve	**13**	-	34,803
Retained earnings		(36,588)	(54,268)
Capital and reserves attributable to equity holders of the Group		74,807	90,743
Non-controlling interest		(4)	125
Total equity		74,803	90,868
LIABILITIES			
ZDP shares	**14**	24,714	23,436
Corporate bond	**14**	10,000	8,500
Non-current liabilities	**14**	34,714	31,936
Current liabilities			
Syndicated loan	**14**	-	11,920
Trade and other payables	**14**	2,935	7,396
Total current liabilities	**14**	2,935	19,316
Total liabilities		37,649	51,252
Total equity and liabilities		**112,452**	**142,120**

* Reclassified. See Note 11.

The financial statements were approved by the Board of Directors on 26 March 2018 and were signed on its behalf by:

Director: Patrick Firth   Director: John Whittle

The accompanying Notes on pages 59 to 92 form an integral part of these financial statements.

GLI Finance Limited

For the year ended 31 December 2017

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	**Share Premium**	**Treasury Shares**	**Distributable **Reserve**	**Foreign Exchange Reserve**	**Retained **Earnings/ (Losses)**	**Capital and reserves attributable to equity holders of the Company**	**Non-controlling Interest**	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**	**£'000**
Balance at 31 December 2016	-	**111,942**	**(1,734)**	**34,803**	**-**	**(54,268)**	90,743	125	90,868
Transferred to management (Note 13)	-	**-**	**572**	**-**	**-**	**-**	572	-	572
Transfer of distributable reserves to retained earnings (Note 13)	-	**-**	**-**	**(34,803)**	**-**	**34,803**	-	-	-
Acquisition of non-controlling interest in Sancus Finance	-	**-**	**-**	**-**	**-**	**(241)**	(241)	(109)	(350)
Dividends paid*	-	**615**	**-**	**-**	**-**	**(1,718)**	(1,103)	-	(1,103)
Transactions with owners	-	**615**	**572**	**(34,803)**	**-**	**32,844**	(772)	(109)	(881)
Total comprehensive loss for the year	-	**-**	**-**	**-**	**-**	**(15,164)**	(15,164)	(20)	(15,184)
Balance at 31 December 2017	-	**112,557**	**(1,162)**	**-**	**-**	**(36,588)**	74,807	(4)	74,803
Balance at 31 December 2015	-	**87,405**	**-**	**34,803**	**(163)**	**(28,953)**	93,092	13,791	106,883
Net proceeds from Ordinary Shares issued (Note 13)	-	**24,537**	**-**	**-**	**-**	**-**	24,537	-	24,537
Treasury shares (Note 13)	-	**-**	**(1,734)**	**-**	**-**	**-**	(1,734)	-	(1,734)
Dividends paid	-	**-**	**-**	**-**	**-**	**(6,117)**	(6,117)	-	(6,117)
Other reserves movement		**-**	**-**	**-**		**1,973**	1,973	130	2,103
Acquisition of non-controlling interest in Sancus Finance	-	**-**	**-**	**-**	**-**	**416**	416	(416)	-
Acquisition of NCI without change in control in SBHL	-	**-**	**-**	**-**	**-**	**(4,096)**	(4,096)	(1,745)	(5,841)
Disposal of non-controlling interest	- -	**-**	**-**	**-**	**-**	**102**	102	(12,693)	(12,591)
Transactions with owners	-	**24,537**	**(1,734)**	**-**	**-**	**(7,722)**	15,081	(14,724)	357
Profit /(loss) for the year	-	**-**	**-**	**-**	**-**	**(17,593)**	(17,593)	1,058	(16,535)
Foreign exchange on consolidation	-	**-**	-	-	**163**	**-**	163	-	163
Total comprehensive income/(loss) for the year	-	**-**	-	-	**163**	**(17,593)**	(17,430)	1,058	(16,372)
Balance at 31 December 2016	-	**111,942**	**(1,734)**	**34,803**	**-**	**(54,268)**	90,743	125	90,868

* During the year ended 31 December 2017, the Company made one dividend payment, totalling 0.625 pence per Ordinary Share in relation to Q4 2016.

** Distributable Reserves have been combined with retained earnings/(losses) to simplify the presentation of reserves (Note 13).

GLI Finance Limited
For the year ended 31 December 2017
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2017 £'000	31 December 2016 * £'000
Cash flows (used in)/from operations	**16**	(1,649)	5,565
Increase on Sancus BMS loans		(5,384)	(6,727)
Decrease on loans through platforms		2,726	-
Investment in Sancus Loan Notes		(3,000)	(7,500)
Net Cash flows used in operating activities		(7,307)	(8,662)
Investing activities			
Net cash on disposal of subsidiaries		-	12,621
Net cash acquired on acquisition of subsidiaries		-	4,477
Acquisition of non-controlling interest and connected entities		(849)	(528)
Purchase of investments – Fintech Ventures		(6,949)	(8,678)
Sale of investments/repayment of loans in FinTech Ventures		414	1,412
Other cost of investment		(180)	-
Sale of SSIF investment		22,675	-
Property, equipment and other intangibles acquired		(298)	(321)
Net cash inflow from investing activities		14,813	8,983
Financing activities			
Proceeds from issue of Ordinary Shares		-	7,036
Repayment of syndicated loan	**14**	(11,920)	(9,520)
Interest paid on debt facilities	**14**	(868)	-
Dividends paid		(1,318)	(5,799)
Net cash used in financing activities		(14,106)	(8,283)
Net decrease in cash and cash equivalents		(6,600)	(7,962)
Cash and cash equivalents at beginning of year		9,616	17,415
Effect of foreign exchange rate changes during the year		-	163
Cash and cash equivalents at end of year		3,016	9,616

* The increase in Sancus BMS loans has been reclassified to operating cash flows, having been disclosed as a financing activity in the prior year statutory accounts.

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

The accompanying Notes on pages 59 to 92 form an integral part of these financial statements.

GLI Finance Limited
For the year ended 31 December 2017
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

GLI Finance Limited (the "Company"), and together with its subsidiaries, ("the Group") was incorporated, and domiciled in Guernsey, Channel Islands, as a company limited by shares and with limited liability, on 9 June 2005 in accordance with The Companies (Guernsey) Law, 1994 (since superseded by The Companies (Guernsey) Law, 2008). Until 25 March 2015, the Company was an Authorised Closed-ended Investment Scheme and was subject to the Authorised Closed-ended Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission ("GFSC"). On 25 March 2015, the Company was registered with the GFSC as a Non-Regulated Financial Services Business, at which point the Company's authorised fund status was revoked. The Company's Ordinary Shares were admitted to trading on the AIM market of the London Stock Exchange on 5 August 2005 and its issued 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 2017, 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 and are set out below. Comparative information in the primary statements is given for the year ended 31 December 2016.

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 2017 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.

Refer the Viability Statement on page 47 for further comment on the solvency and liquidity of the Group.

(b) Basis of consolidation

The financial statements comprise the results of GLI Finance Limited and its subsidiaries for the year ended 31 December 2017. 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.

(c) Cash and cash equivalents

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

(d) Dividends

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

(e) Expenditure

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

(f) Financial assets and liabilities

Recognition and initial measurement

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

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

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

Fair value measurement

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

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

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 19.

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.

(f) Financial assets and liabilities (continued)

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 £ nil.

Debt and Equity Instruments

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

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

Derecognition

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

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

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

(g) Foreign currency translation

Functional and presentation currency

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

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.

(g) Foreign currency translation (continued)

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 2017	31 December 2016
£1: USD1.3508	£1: USD1.2340
£1: EUR1.1258	£1: EUR1.1731

(h) Goodwill

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

(i) Interest costs

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

(j) Other intangible assets

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

Computer hardware and software

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

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

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

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

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

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

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

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

(l) Investment in Joint Venture and associates

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

An investment in a joint venture or associate is accounted for by the Group using the equity method except for certain FinTech Ventures associates as described in Note 3.

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

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

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

(m) Non-Current Liabilities

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

The 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.

(n) Property and equipment

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

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

Furniture and fittings	3 years
Computer equipment	2 to 4 years

(o) Revenue recognition

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

Interest on loans

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

(o) Revenue recognition (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 position of the Group.

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

Fee income earned by peer-to-peer subsidiary platforms

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

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

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

Advisory fees

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

(p) Share based payments

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

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

(q) Taxation

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

(q) Taxation (continued)

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

(r) Trade and other receivables

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

(s) Trade and other payables

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

(t) Treasury shares

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

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

(u) Warrants

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

(v) Adoption of new and revised Standards

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 2017. These have been listed below and their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IAS 7 *Disclosure Initiative*
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IFRS 12 *Annual Improvements to IFRSs 2014-2016 Cycle*

Amendments to IFRSs that are in issue but not yet effective

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'*

  IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after 1 January 2018.

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

- *Key requirements of IFRS 9*

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

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

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

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

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

- *Impact of IFRS 9 – Classification and measurement*

Based on an analysis of the Group's financial assets and liabilities as at 31 December 2017 the directors have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

Sancus BMS loans, loan equivalents and loans through platforms are held solely for the collection of contractual cash flows, being interest, fees and payments of principal. As such these assets are expected to continue to be held at amortised cost upon the application of IFRS 9.

Fintech Ventures investments relate to equity, preference shares and some working capital loans. Whilst some of these investments do attract interest the assets are held primarily to assist the development of the entities involved. These investments are currently held at fair value through profit and loss using 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. As such these assets will continue to be measured at fair value through profit and loss upon the application of IFRS 9.

Trade payables, financial liabilities and trade receivables are held solely for the collection and payment of contractual cash flows, being payments of principal and interest where applicable. As such these assets will continue to be held at amortised cost under IFRS 9.

- *Impact of IFRS 9 – Impairment*

Sancus BMS loans and loan equivalents will be assessed for credit risk on initial recognition. Credit Risk will be categorized into stage 1, Stage 2 and Stage 3 with stage 1 being to recognise 12 month Expected Credit Losses (ECL), Stage 2 being to recognise Lifetime ECL not credit impaired, and Stage 3 being to recognise Lifetime ECL credit impaired. A loan is considered to be in default when there is a failure to meet the legal obligation of the loan agreement. Having regards for the principles of IFRS 9 this would also include provisions against loans that are considered by management as unlikely to pay their obligations in full without realisation of collateral. Provision for ECL will be made at initial recognition calculated using the credit risk, the probability of default and the probability of loss, all underpinned by the Loan to Value (LTV), historical position and on occasion subsequent events, and the subjective judgement of the Board. At each reporting period-end loans will be re-assessed for credit risk and provision for ECL will be updated appropriately.

With respect to the loans to the UK SARL and Ireland SARL there is no direct exposure to individual loans. As a result these two loans will be assessed for credit risk based upon the Net Asset Value of the SARLS, and their ability to repay the loans. Should the Net Asset Value of the SARLS fall materially then the loans will have deemed to have fallen into Stage 2, with a further significant drop in Net Asset Value pushing the loans into Stage 3. Provision for ECL will then be made according to the credit risk and the deemed ability of the SARL to repay the loan.

Given historical and current levels of LTV historical losses have been negligible the directors anticipate that the application of the ECL model will not result in any material earlier recognition of credit losses. In respect of the Group's trade and other receivables, the directors intend to apply the simplified approach to recognise lifetime expected credit losses.

- *Impact of IFRS 9 - Hedge Accounting*

The Group has not used any hedging instruments during 2016 or 2017 although exposure is monitored on a regular basis and the Board reviews this approach quarterly. As a result, unless there is a change in approach, IFRS 9 will have no impact.

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

- *Overall Impact of IFRS*

  Overall the directors do not expect the implementation of IFRS 9 to have a material impact on the financial statements.

- *IFRS 16 'Leases'*

  IFRS 16 was published in January 2016 and 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. There are a number of operating leases for premises occupied by the Group which will lead to bringing a right of use asset onto the balance sheet and corresponding lease liability. Current lease obligations are stated in note 23. The overall profit and loss impact is expected to be immaterial.

- *IFRS 15 'Revenue from Contracts with Customers'*

  IFRS 15 was published in May 2016 and 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. Material revenue streams have been reviewed and it is not anticipated that there will be a material impact on timing of recognition or gross up for principal/agent considerations.

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

- *IFRS 17 'Insurance Contracts'*
- *IFRS 2 (amendments) 'Classification and Measurement of Share-based Payment Transactions'*
- *IFRS 4 (amendments) 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'*
- *IAS 40 (amendments) 'Transfers of Investment Property'*
- *IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'*
- *Annual Improvements to IFRSs 2014-2016 Cycle 'Amendments to IFRS 1 First-time Adoption of Inetrnational Financial Reporting Standards and IFRS 28 Investments in Associates and Joint Ventures'*
- *IFRIC 22 'Foreign Currency Transactions and Advanced Consideration'*
- *IFRIC 23 'Uncertainty over Income Tax Treatments'*

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. There is no change in applying accounting policies for critical accounting estimates and judgments from the prior year. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the group's accounting policies

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

Fair value accounting for FinTech Ventures' investments

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING 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. Furthermore, the most appropriate point in time for exit from such investments is being actively monitored as part of the Group's investment strategy.

The Group therefore designates those investments in associates which qualify for this exemption as fair value through profit or loss. Refer to Note 22 for fair value techniques used. If the Group had not applied this exemption the investments would be accounted for using the equity method of accounting. This would have the impact of taking a share of each investment's profit or loss for the year and would also affect the carrying value of the investments.

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

IFRS 10 Control Judgements

Judgement is sometimes required to determine whether after considering all relevant factors, the Group has control, joint control or significant influence over an entity or arrangement. Other companies may make different judgements regarding the same entity or arrangement. The Directors have assessed whether or not the Group has control over Sancus Loan Notes Limited, Sancus Loan Notes 2 Limited and Sancus Loan Notes 3 Limited based on whether the Group has the practical ability to direct the relevant activities unilaterally. In making their judgement, the directors considered the rights associated with its investment in preference shares. After assessment, the directors concluded that the Group does not have the ability to affect returns through voting rights (the preference shares do not have voting rights) or other arrangements such as direct management of these entities (the Group does not have control over the investment manager).

If the Directors had concluded that the ownership of preference shares was sufficient to give the Group control, these entities would instead have been consolidated with the results of the Group.

Key sources of estimation uncertainty

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

Impairment of goodwill

As detailed in Note 10, the Directors will review the carrying value of goodwill and carry out an impairment review annually to assess whether goodwill is impaired. In doing so, the Directors have assessed the value in use of each cash generating unit through an internal discounted cash flow analysis, details of which are set out in Note 10. Given the nature of the Group's operations, the calculation of value in use is sensitive to the estimation of future cash flows and the discount rates applied, the impact of which is also disclosed in note 10. Refer Notes 2 (h) and (k) for accounting policies relating to the valuation and impairment of goodwill.

Impairment of Loans

Loans made by the Group may, after funding, become non-performing for a wide variety of reasons including non-payment of principal or interest, as well as covenant violations by the borrower in respect of the underlying loan documents. In such circumstances, the Directors will make an assessment as to whether this indicates objective evidence of impairment having taken into account other factors including, but not limited to:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- a substantial reduction in performance of the underlying business;
- a substantial fall in the value of the underlying security; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss. For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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 22. 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.

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

4. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the manner in which the Executive Team reports to the Board, which is regarded to be the Chief Operating Decision Maker (CODM) as defined under IFRS 8. The Executive Team is responsible for allocating resources and assessing performance of the Group, as well as making strategic investment decisions, subject to the oversight of the Board of Directors. The Executive Team is responsible for the entire Group and considers it to have two operating segments in addition to Group Treasury. There has been one minor change in the period which has been to move Sancus Funding from FinTech Ventures to Sancus BMS as this now has an established business model and work has begun to integrate into the Sancus BMS Group. The segments are as follows:

Sancus BMS
- Platforms with an established business model (now including Sancus Funding, a wholly owned subsidiary)
- Amberton - fundraising for Sancus BMS
- Investments in the BMS loan funds

FinTech Ventures
- Eleven platform investments

Group Treasury
- Group Treasury - Primarily includes cash balances and related expenses to manage the Group's listed holding company
- SSIF (sold in March 2017, however is included in prior year comparatives)

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.

GLI Finance Limited
For the year ended 31 December 2017
NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SEGMENTAL REPORTING (continued)

£'000	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2017	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2016
Revenue								
Interest on loans	3,280	1,293	-	4,573	4,237	413	-	4,650
SSIF dividends	303	-	-	303	2,393	-	-	2,393
Fee and other income	6,758	-	-	6,758	4,770	215	-	4,985
Total revenue	10,341	1,293	-	11,634	11,400	628	-	12,028
Interest costs	(2,178)	-	-	(2,178)	(3,774)	-	-	(3,774)
Other cost of sales	(270)	-	-	(270)	(78)	-	-	(78)
Gross profit	7,893	1,293	-	9,186	7,548	628	-	8,176
Total operating expenses	(6,340)	(1,673)	(1,072)	(9,085)	(6,320)	(2,875)	(1,814)	(11,009)
Net operating profit/(loss)	**1,553**	**(380)**	**(1,072)**	**101**	**1,228**	**(2,247)**	**(1,814)**	**(2,833)**
Losses on financial assets at fair value through profit and loss								
SSIF loss on disposal / fair value adjustment	-	-	(953)	(953)	(1,529)	-	-	(1,529)
Net loss on / de-recognition of SSIF as a subsidiary	-	-	-	-	(1,208)	-	-	(1,208)
Share of profit/(loss) of associates and Joint ventures	(454)	-	-	(454)	(22)	-	-	(22)
FinTech Ventures fair value adjustment	-	(13,459)	-	(13,459)	-	(7,432)	-	(7,432)
Other net gains / (losses)	54	(453)	-	(399)	167	553	(2)	718
Losses on financial assets at fair value through profit or loss	(400)	(13,912)	(953)	(15,265)	(2,592)	(6,879)	(2)	(9,473)
Goodwill impairment	-	-	-	-	(3,408)	(738)	-	(4,146)
Profit/(loss) before tax	1,153	(14,292)	(2,025)	(15,164)	(4,772)	(9,864)	(1,816)	(16,452)
Income tax expense	(20)	-	-	(20)	(83)	-	-	(83)
Profit/(loss) for the year after tax	**1,133**	**(14,292)**	**(2,025)**	**(15,184)**	**(4,855)**	**(9,864)**	**(1,816)**	**(16,535)**
Other comprehensive income								
Items that may subsequently be reclassified to profit or loss:								
Foreign exchange on consolidation	-	-	-	-	-	163	-	163
Total comprehensive income/(loss) for the year	**1,133**	**(14,292)**	**(2,025)**	**(15,184)**	**(4,855)**	**(9,701)**	**(1,816)**	**(16,372)**
Operating (loss)/profit attributable to:								
Equity holders of the Company	1,153	(14,292)	(2,025)	(15,164)	(5,913)	(9,864)	(1,816)	(17,593)
Non-controlling interest	(20)	-	-	(20)	1,058	-	-	1,058
	1,133	**(14,292)**	**(2,025)**	**(15,184)**	**(4,855)**	**(9,864)**	**(1,816)**	**(16,535)**
Total comprehensive (loss)/income attributable to:								
Equity holders of the Company	1,153	(14,292)	(2,025)	(15,164)	(5,913)	(9,701)	(1,816)	(17,430)
Non-controlling interest	(20)	-	-	(20)	1,058	-	-	1,058
	1,133	**(14,292)**	**(2,025)**	**(15,184)**	**(4,855)**	**(9,701)**	**(1,816)**	**(16,372)**

4. SEGMENTAL REPORTING (Continued)

£'000	Sancus BMS*	FinTech Ventures	Group Treasury	31 December 2017	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2016
ASSETS								
Non-current assets								
Property and equipment	60	-	3	63	82	5	11	98
Goodwill	25,033	-	-	25,033	25,033	-	-	25,033
Other intangible assets	530	-	-	530	520	-	-	520
Sancus BMS Loans	24,238	-	-	24,238	19,216	-	-	19,216
Investment in Sancus Loan Notes	3,000	-	-	3,000	7,500	-	-	7,500
Total Sancus BMS loans and loan equivalents	27,238	-	-	27,238	26,716	-	-	26,716
FinTech Ventures Investments	-	29,598	-	29,598	-	36,104	-	36,104
Other Investments	542	-	-	542	873	-	-	873
Joint Ventures and associates	2,266	-	-	2,266	528	-	-	528
Total Non-current assets	55,669	29,598	3	85,270	53,752	36,109	11	89,872
Current assets								
Investment in SSIF	-	-	-	-	23,781	-	-	23,781
Loans through platforms	69	839	-	908	-	4,034	-	4,034
Sancus BMS Loans	8,560	-	-	8,560	3,900	-	-	3,900
Investment in Sancus Loan Notes	7,907	-	-	7,907	-	-	-	-
Loan equivalents	2,621	-	-	2,621	8,205	-	-	8,205
Total Sancus BMS loans and loan equivalents	19,088	-	-	19,088	12,105	-	-	12,105
Trade and other receivables	2,796	616	758	4,170	1,854	748	110	2,712
Cash and cash equivalents	926	-	2,090	3,016	5,619	480	3,517	9,616
Total Current assets	22,879	1,455	2,848	27,182	43,359	5,262	3,627	52,248
Total assets	**78,548**	**31,053**	**2,851**	**112,452**	**97,111**	**41,371**	**3,638**	**142,120**
EQUITY								
Share premium	-	-	112,557	112,557	-	-	111,942	111,942
Treasury shares	-	-	(1,162)	(1,162)	-	-	(1,734)	(1,734)
Distributable reserve	-	-	-	-	-	-	34,803	34,803
Retained earnings	41,514	31,051	(109,153)	(36,588)	46,933	41,253	(142,454)	(54,268)
Capital and reserves attributable to equity holders of the Group	41,514	31,051	2,242	74,807	46,933	41,253	2,557	90,743
Non-controlling interest	(4)	-	-	(4)	125	-	-	125
Total equity	41,510	31,051	2,242	74,803	47,058	41,253	2,557	90,868
LIABILITIES								
Non-current liabilities								
ZDP shares	24,714	-	-	24,714	23,436	-	-	23,436
Corporate bond	10,000	-	-	10,000	8,500	-	-	8,500
	34,714	-	-	34,714	31,936	-	-	31,936
Current liabilities								
Syndicated loan	-	-	-	-	11,920	-	-	11,920
Trade and other payables	2,324	2	609	2,935	6,197	118	1,081	7,396
	2,324	2	609	2,935	18,117	118	1,081	19,316
Total liabilities	37,038	2	609	37,649	50,053	118	1,081	51,252
Total equity and liabilities	**78,548**	**31,053**	**2,851**	**112,452**	**97,111**	**41,371**	**3,638**	**142,120**

5. FEE AND OTHER INCOME

	31 December 2017	31 December 2016
	£'000	£'000
Co-Funder fees	1,220	543
Earn out (exit) fees	1,062	207
Advisory fees	1,287	1,186
Transaction fees	2,782	2,516
Sundry income	407	533
	6,758	4,985

6. OTHER EXPENSES

	31 December 2017	30 December 2016
Other expenses:	£'000	£'000
Audit fees	122	294
Amortisation and depreciation	322	270
Corporate Insurance	90	72
Directors Remuneration	117	203
Employment costs	5,664	5,298
Independent valuation fees	64	149
Investor relations expenses	96	183
Marketing expenses	169	286
NOMAD fees	96	55
Other office and administration costs	1,089	1,176
Pension costs	175	97
Registrar fees	33	109
Sundry	180	74
	8,217	8,266

7. DISPOSAL OF SSIF (formerly The SME Loan Fund)

On 8 March 2017, the company sold its shares in SSIF at 90p per share, valuing its holding at £22.7m. As part of this sale the company agreed to purchase certain performing loans from SSIF for cash in the amount of £5.27m (including accrued interest to 8 March 2017). Of the net proceeds £11.9m was used to repay the syndicated loan.

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2017 £'000	31 December 2016 £'000
At beginning of year	528	-
Additions	2,192	550
Share of profit of associate	3	-
Share of loss in joint venture	(457)	(22)
At end of year	2,266	528

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

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Details of material associates

	Principal Activity	Place of Incorporation	Proportion of ownership interest/voting rights held by the group 31 December 2017	31 December 2016
Sancus (Isle of Man) Holdings Limited	Holding Company for Sancus (IOM) Limited	Guernsey	29.3%	7.1%

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

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

	31 December 2017 £'000	31 December 2016 £'000
Current assets	11,935	15,641
Current liabilities	(388)	(175)
Non-current liabilities	(6,885)	(11,000)
Equity attributable to owners of the company	4,662	4,466
Revenue	630	395
Profit or loss from continuing operations	195	123

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

	31 December 2017 £'000	31 December 2016 £'000
Net assets of associate	4,662	4,466
Proportion of the Group's ownership interest in the associate	1,366	-
Goodwill arising on acquisition	754	-
Carrying amount of the Group's interest in the associate	2,120	-

In 2016 the Group's interest in Sancus (Isle of Man) Holdings was accounted for as an investment. During 2017, 22.2% of the Sancus Isle of Man shares were acquired from the Directors of Sancus Group taking the holding at the end of 2017 to 29.3%.

9. LOSS PER ORDINARY SHARE

Consolidated loss per Ordinary Share has been calculated by dividing the consolidated loss for the year after tax attributable to Ordinary Shareholders of £15,164,402 (31 December 2016: loss of £17,593,313) by the weighted average number of Ordinary Shares (excluding treasury shares) outstanding during the period of 302,673,708 (31 December 2016: 270,934,270). There was no dilutive effect for potential Ordinary Shares during the current or prior periods.

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. Share options as noted in Note 20 are also out of the money and have therefore not been considered to have a dilutive effect on the calculation of Loss per Ordinary Share.

9. LOSS PER ORDINARY SHARE (continued)

	31 December 2017	31 December 2016
No. of shares	312,065,699	309,298,113
Weighted average no. of shares in issue throughout the year	302,673,708	270,934,270
Loss per share	(5.01)p	(6.49)p

10. GOODWILL

	31 December 2017 £'000	31 December 2016 £'000
Brought forward	25,033	14,255
Additions:		
Acquisition of Sancus Finance	-	5,547
Acquisition of Sancus Funding	-	738
Acquisition of Sancus Gibraltar	-	8,639
Impairment:		
- Sancus Finance	-	(3,408)
- Sancus Funding	-	(738)
Carried forward	25,033	25,033

Goodwill comprises:		
Sancus Jersey	14,255	14,255
Sancus Gibraltar	8,639	8,639
Sancus Finance	2,139	2,139
	25,033	25,033

Impairment tests

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

The value in use of Sancus Jersey was based on an internal Discounted Cash Flow ("DCF") valuation analysis using cash flow forecasts for the years 2018 to 2022. The starting point for the cash flows was the 2018 budget which was produced by Sancus Jersey management and ratified by its board. Management's revenue forecast applied a compound annual growth rate (CAGR) to revenue of 15%. A cost of equity discount rate of 13.5% (as determined by independent valuation experts), which is reflective of Sancus's cost of equity, was employed in the valuation model. The resultant valuation indicated that no impairment of goodwill was required, with significant headroom.

The value in use of Sancus Finance was also determined using a similar DCF basis starting from the 2018 budgets, but using a revenue CAGR of 36% (which reflects accelerated near term growth, reducing from 25% to 10% throughout the years 2019 to 2022) and a cost of equity discount rate of 18.1%, 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 resultant valuation indicated that no impairment of goodwill was required, with significant headroom. This surplus was not considered a reversal of previous impairments.

The value in use of Sancus Gibraltar was also determined on a similar DCF basis starting from the 2018 budgets, but using a CAGR of 13% and a cost of equity discount rate of 14.0%. The resultant valuation indicated that no impairment of goodwill was required, again with significant headroom.

Goodwill valuation sensitivities

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

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

10. GOODWILL (continued)

Sensitivity Applied	Reduction in headroom implied by sensitivity			
	Sancus Jersey £'000	**Sancus Finance £'000**	**Sancus Gibraltar £'000**	**Total £'000**
10% decrease in revenue per annum	3,822	1,406	2,644	7,872
3% increase in cost of Equity discount rate	5,108	817	4,097	10,022

Neither scenario results in an implied reduction of Goodwill.

11. INTANGIBLE ASSETS

	£'000
Cost	
At 1 January 2017	1,050
Additions from internal development	262
At 31 December 2017	**1,312**

	£'000
Amortisation	
At 1 January 2017	530
Charge for the year	252
At 31 December 2017	**782**
Net book value 31 December 2017	**530**
Net book value 1 January 2017	520

Intangible assets comprise capitalised contractors' costs and other costs related to core systems development. In the prior year these were disclosed within Property and equipment but have now been separately disclosed with the prior year reclassified. No impairment provision has been recorded. The amortisation charge has been recorded in Other expenses.

12. TRADE AND OTHER RECEIVABLES

	31 December 2017	**31 December 2016**
	£'000	**£'000**
Dividend income receivable	68	371
Loan fees and similar receivable	930	121
Loan interest receivable	1,973	940
Preference share dividends receivable	607	415
Other trade receivables and prepaid expenses	592	865
	4,170	2,712

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 year the Company issued the following additional Ordinary Shares:

2017

Date	No of shares issued	Share Premium £	Reason for issue
21 April 2017	2,767,586	615,239	2016 fourth quarter scrip dividend
	2,767,586	**615,239**	

2016

Date	No of shares issued	Share Premium £	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
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**	

Share Capital	**31 December 2017**	**31 December 2016**
Ordinary Shares – nil par value	Shares in issue	Shares in issue
Balance at start of year	309,298,113	229,917,364
Issued during the year	2,767,586	79,380,749
Balance at end of the year	312,065,699	309,298,113

Share Premium	**31 December 2017**	**31 December 2016**
Ordinary Shares – nil par value	**£'000**	**£'000**
Balance at start of year	111,942	87,405
Issued during the year	615	24,537
Balance at end of the year	112,557	111,942

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

Treasury Shares

As at 31 December 2017 a total of 6,154,102 (2016: 8,632,619) Ordinary Shares, with an aggregate value of £1,161,975 (2016: £1,733,283) were held by a Subsidiary, Sancus BMS Group Limited and eliminated on consolidation. These shares were part consideration for this company's minority shareholding in Sancus Gibraltar purchased by the Group in June 2016.

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

	31 December 2017	31 December 2016
	£'000	£'000
Balance at start of the year	1,734	-
Acquired through Group restructure in June 2016	-	1,900
GLI shares transferred to key members of management	(572)	(166)
Balance at end of year	1,162	1,734

The GLI shares transferred to key members of management relate, in the main, to discretionary bonus paid in shares.

Warrants in Issue

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

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

These warrants expire on 25 February 2020.

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

As at 31 December 2017, the above warrants were in issue but not yet exercised. On issue of these warrants, no provision has been made for a fair value adjustment, as following the Board's assessment of the fair value it was not deemed to be materially different to the current carrying value of £Nil.

Distributable Reserve

As at 31 December 2017, the Distributable Reserve stood at £Nil, following a transfer of this balance to retained earnings in the year. (31 December 2016, the Distributable Reserve stood at £34,802,740).

Whilst UK Legislation only permits companies to pay dividends out of profits for distribution (i.e. realised profits), under the Companies (Guernsey) Law 2008, this operates on a solvency model and therefore does not have any impact on dividend distribution.

14. LIABILITIES

	31 December 2017	31 December 2016
Non-current liabilities	£'000	£'000
ZDP shares (1)	24,714	23,436
Corporate Bond (2)	10,000	8,500
	34,714	31,936

14. LIABILITIES (continued)

Current liabilities	31 December 2017 £'000	31 December 2016 £'000
Syndicated Loan (3)	-	11,920
Accounts payable	319	2,582
Accruals and other payables	1,432	1,624
Dividend payable	-	215
Other staff costs	234	375
Payable to related party*	950	2,400
Preference shares	-	200
	2,935	19,316

*Relates to the amount owing by Sancus BMS Group Limited to Sancus IOM Holdings Limited for its subscription for preference shares, which is due in respect of issued but uncalled preference shares and does not bear interest.

Interest costs on debt facilities	31 December 2017 £'000	31 December 2016 £'000
ZDP Shares (1)	1,279	1,275
Corporate Bond (2)	648	298
Syndicated Loan (3)	220	1,597
	2,147	3,170

(1) ZDP shares

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

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

During the year, the interest costs accrued on the ZDPs amounted to £1.3m (31 December 2016: £1.3m), at an average interest rate of 5.5% (31 December 2016: 5.5%).

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

At 31 December 2017 the Company was in compliance with these covenants as Cover Test A was 3.26 (minimum of 1.7) and Cover Test B was 4.09 (minimum of 3.25).

At the year end senior debt borrowing capacity amounted to £20m after the repayment of the syndicated Loan (see Note 14.3).

14. LIABILITIES (continued)

(2) Corporate Bond

On 30 June 2016 GLI Finance issued £10m corporate bonds as part of the acquisition of Sancus Gibraltar. As at 31 December 2017 Sancus BMS Group Limited holds £Nil of these (31 December 2016: £1.5m leaving a balance on consolidation of £8.5m). The bond maturity date is 30 June 2021 and they bear interest at 7%.

During the year the interest costs to the Group on the bonds amounted to £0.6m (31 December 2016: £0.3m).

(3) Syndicated Loan Facility

On 15 March 2017, the Syndicated Loan Facility of £14.9m was repaid. £11.9m was repaid to external parties and £3.0m was paid to Sancus BMS Group Limited to settle their participation in the loan.

In the period to 15 March 2017 interest costs to the Group on the Loan Facility amounted to £0.2m (year to 31 December 2016: £1.6m).

15. TAXATION

The Company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989. A fixed annual fee of £1,200 (31 December 2016: £1,200) is payable to the States of Guernsey in respect of this exemption.

Reconciliation of tax charge

	31 December 2017 £'000	31 December 2016 £'000
Accounting loss before tax	(15,164)	(16,452)
Accounting profit/(loss) before tax relating to non Guernsey resident companies	685	(1,403)
UK Corporation Tax at 19% (2016: 20%)	(118)	134
Gibraltar Corporation Tax at 10%	138	83
Utilisation of tax losses and other adjustments	-	(134)
Tax expense	20	83

Certain of the Group's subsidiaries have losses available for carry forward and offset against future trading profit of £15,065,000 (31 December 2016: £7,340,000).

	31 December 2017 £'000	31 December 2016 £'000
Consolidated loss		
Losses brought forward restricted to UK	(7,158)	(7,826)
Losses brought forward restricted to Guernsey	(182)	(116)
Losses (in year)/utilised in UK	(7,693)	668
Losses (in year)/utilised in Guernsey	(32)	(66)
Losses carried forward UK	(14,851)	(7,158)
Losses carried forward Guernsey	(214)	(182)

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 2017 £'000	31 December 2016 £'000
Loss for the year	(15,184)	(16,535)
Adjustments for:		
Net losses on FinTech Ventures	13,459	7,432
Net losses on fair value of SSIF	953	1,529
Net loss on associate of SSIF	-	1,208
Other net losses/(gains)	399	(718)
Non-cash item on finance costs on ZDPs	1,278	1,275
Amortisation/depreciation of fixed assets	322	272
Other non-cash	1,136	1,358
Goodwill write off	-	4,146
Changes in working capital:		
Trade and other receivables	(1,533)	1,949
Trade and other payables	(2,479)	3,649
Cash (outflow)/inflow from operations	(1,649)	5,565

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 ("SBMS")	27 December 2013	Guernsey	Directly held -Equity Shares	100%
Sancus BMS Holdings Limited ("SBHL") (formerly 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%
Sancus Services Limited (formerly GLI Finance (UK) Limited)	21 October 2014	United Kingdom	Indirectly held -Equity Shares	100%
Sancus (Jersey) Limited	1 July 2013	Jersey	Indirectly held -Equity Shares	100%
Sancus (Guernsey) Limited	18 June 2014	Guernsey	Indirectly held -Equity Shares	100%
Sancus (Gibraltar) Limited	10 March 2015	Gibraltar	Indirectly held -Equity Shares	100%
Sancus Funding Limited (formerly Funding Knight Limited)	17 February 2011	United Kingdom	Indirectly held -Equity Shares	100%
Sancus Finance Limited	7 January 2011	United Kingdom	Indirectly held -Equity Shares	98.2%
FinTech Ventures Limited	9 December 2015	Guernsey	Directly held -Equity Shares	100%

18. FINTECH VENTURES AND OTHER INVESTMENTS

The Directors consider the following entities as associated undertakings of the Group as at 31 December 2017.

Name of Investment:	Nature of holding	Country of incorporation	Percentage holding	Measurement
FinTech Ventures:				
LiftForward Inc.	Indirectly held - Equity	United States of America	18.40%	Fair Value
Finexkap	Indirectly held - Equity	France	29.80%	Fair Value
Ovamba Solutions Inc.	Directly held - Equity	United States of America	20.48%	Fair Value
The Credit Junction Holdings	Indirectly held - Equity	United States of America	22.24%	Fair Value
Funding Options Limited	Indirectly held - Equity and Preference Shares	United Kingdom	28.90%	Fair Value
TradeRiver Finance Limited	Directly held - Equity and Preference Shares	Guernsey	43.9%	Fair Value
TradeRiver USA Inc	Directly held - Equity and Preference Shares	United States of America	30.25%	Fair Value
Open Energy Group Inc	Directly held - Equity	United States of America	23.10%	Fair Value
MytripleA	Directly held - Equity	United Kingdom	15.00%	Fair Value
UK Bond Network Limited	Directly held - Equity	United Kingdom	21.11%	Fair Value
Finpoint Limited	Directly held - Equity	United Kingdom	21.12%	Fair Value
Other Investments:				
BMS Finance (Ireland) Sarl	Indirectly & Directly held - Equity	Luxembourg	30.25%	Fair Value
BMS Finance (UK) Sarl	Indirectly held - Equity	Luxembourg	25.24%	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.

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 investment in loans. Such risks are categorised as capital risk, liquidity risk, investment risk, credit risk, and market risk (market price risk, interest rate risk and foreign currency risk).

Comments supplementary to those on risk management in the Corporate Governance section of this report 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 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 46% (31 December 2016: 48%).

(2) Liquidity risk

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

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

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

	Current	**Non-current**
31 December 2017	**Within 12 months £'000**	**1 to 5 years £'000**
Assets		
Sancus BMS loans and loan equivalents	11,181	24,238
Loan notes	7,907	3,000
FinTech Ventures Investments	3,508	26,090
Other Investments at Fair value	-	542
Joint ventures and associates	-	2,266
Loans through Platforms	908	-
Trade and other receivables	4,170	-
Cash and cash equivalents	3,016	-
Total assets	30,690	56,136
Liabilities		
ZDP Shares	-	24,714
Corporate Bond	-	10,000
Trade and other payable	2,935	-
Total liabilities	2,935	34,714
Net Liquidity	27,755	21,422

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:

31 December 2017	**Floating rate Financial Instruments £'000**	**Fixed Rate Financial Instruments £'000**	**Total £'000**
Assets			
BMS Loans and loan equivalents	1,064	45,262	46,326
Financial assets at fair value through profit and loss	-	3,128	3,128
Loans through Platforms	-	908	908
Cash and cash equivalents	3,016	-	3,016
Total assets	4,080	49,298	53,378
Liabilities			
ZDP shares payable	-	24,714	24,714
Corporate Bond	-	10,000	10,000
Total liabilities	-	34,714	34,714
Total interest sensitivity gap	4,080	14,584	18,664
31 December 2016			
Assets (restated)			
Sancus BMS Loans and loan equivalents	563	38,258	38,821
Financial assets at fair value through profit and loss	-	2,040	2,040
Loans through Platforms	-	4,034	4,034
Cash and cash equivalents	9,616	-	9,616
Total assets	10,179	44,332	54,511
Liabilities			
Loans payable	-	11,920	11,920
ZDP shares payable	-	23,436	23,436
Corporate Bond	-	8,500	8,500
Total liabilities	-	43,856	43,856
Total interest sensitivity gap	10,179	476	10,655

Interest rate sensitivities

Given that the majority of financial assets and liabilities are at fixed rates the Group is not materially exposed to changes in interest rates in relation to existing assets/liabilities (2016: similar exposure).

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

19. FINANCIAL RISK MANAGEMENT (Continued)

(4) Investment risk

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

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

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

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

Investment valuation sensitivities

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

Valuation technique and key inputs	**Fair Value £'000**	**Fair Value £'000**	**Reason for any changes in valuation techniques from prior years**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	At 31 December 2017	**At 31 December 2016**			
Market comparable transaction based on recent fundraising activity, adjusted for any relevant risk	15,346	-	Equity raises completing Q4 17/Q1 18	Transaction price negatively adjusted by a range of 0-50% for completion risk, nature of fundraising and other risks	A smaller adjustment for these factors would increase the fair value
Discounted cashflow forecasts	11,961	27,597	There has been no change in valuation techniques. Recent market comparable transaction data became available (see above).	Cashflows are discounted by a range of 18.1-26.1% for cost of equity and 15-17.5% for illiquidity of the investment. Significant internal sensitivities are also applied to the forecasts, creating high and low cases used in the weighted average output	A smaller adjustment for these factors would increase the fair value- see sensitivity analysis noted below
Fair value based on cost and adjusted for FX movement and any new investment (WC loan, convertible note etc)	2,291	8,507	None	None	None
Investment in redeemable preferences shares of the loan notes is valued on fair value	10,907	7,500	None	Fair value which closely approximates the net asset value of the Loan Note Special purpose vehicles	None
	40,505	43,604			

19. FINANCIAL RISK MANAGEMENT (Continued)

When the discounted cash flow ("DCF") valuation methodology is utilised, the variables which influence the resultant valuations most significantly are the discount rates applied to the future cash flows, the revenue forecasts and the illiquidity discounts. 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 18.1%-26.1%)
Increasing and decreasing illiquidity discounts by 5% (discounts applied in valuation models vary between 15% and 17.5%)

	Consolidated Statement of Comprehensive Income 31 December 2017 £'000
10% pa increase in revenue	3,268
10% pa decrease in revenue	(3,268)
3% increase in discount rate	(1,570)
3% decrease in discount rates	2,154
5% increase in illiquidity discount	(411)
5% decrease in illiquidity discount	411

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

With regards to market comparable transactions, a total discount of £900k was applied to reflect completion risk of transactions not yet finalised.

(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.

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 BMS is secured. The credit committee reports to the Sancus BMS Board on a quarterly basis.

Credit risk exposure is set out in the table below. At the year end there is no accrued interest which is considered uncollectable (31 December 2016: £nil).

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

31 December 2017 Credit Risk (£'000)	**Amounts advanced**	**Provisions / Write offs**	**Net exposure**
Sancus BMS loans and loan equivalents	46,326	-	46,326
FinTech Ventures Investments	5,918	(2,790)	3,128
Loans through Platforms	908	-	908
Total	53,152	(2,790)	50,362

19. FINANCIAL RISK MANAGEMENT (Continued)

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 typically, put in place covering up to 90% of the funders' exposure.

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 indicate that the policies and processes are proving effective.

(6) Market price risk

Following the sale of the investment in SSIF the Group has no exposure to market price risk of financial assets valued on a Level 1 basis as disclosed in Note 22.

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 were primarily the investment in SSIF. As at 31 December 2017 the Group had no investment in Level 1 financial instruments.

	Consolidated Statement of Comprehensive Income	
	31 December 2017	**31 December 2016**
	£'000	**£'000**
5% increase in market prices	-	1,189
5% decrease in market prices	-	(1,189)

(7) Foreign exchange risk

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

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

31 December 2017

Balance sheet exposure (000)	Assets	Liabilities	Net	In £	Rates applied	% of Group total assets
Euro	9,298	**-**	9,298	8,259	1.12579	7.34%
USD	20,840	**-**	20,840	15,428	1.35077	13.72%

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

Currency	31 December 2017	30 June 2017	31 December 2016	30 June 2016	31 December 2015
USD	1.3508	1.3027	1.2340	1.3311	1.4736
EUR	1.1258	1.1402	1.1731	1.1984	1.3571

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 2017	**31 December 2016**
	£'000	**£'000**
15% decrease in foreign exchange rates	4,180	5,712
15% increase in foreign exchange rates	(3,090)	(4,222)

19. FINANCIAL RISK MANAGEMENT (Continued)

The Treasury Committee Team monitors the Group's currency position on a regular basis, and the Board of Directors reviews it on a quarterly basis. Although this risk may be hedged, the current approach is not to do. No hedging instruments were used during either 2017 or 2016.

20. SHARE-BASED PAYMENTS

On 26 September 2017, the Company granted a total of 10,00,000 options over ordinary shares of no par value to certain directors of the Company. The Options will vest in three equal tranches on the first, second and third anniversaries of the Grant with exercise prices of 25p, 30p and 35p respectively. The options are not subject to performance conditions.

The expense recognised for these share-based payments during the year to December 2017 is £8,475 (2016: £Nil).

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

	31 December 2017		31 December 2016	
	Number of share options	Weighted average exercise price p	Number of share options	Weighted average exercise price p
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	10,000,000	30	-	-
Outstanding at the end of the year	10,000,000	30	-	-
Exercisable at the end of the year	-	-	-	-

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

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

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

21. RELATED PARTY TRANSACTIONS

Transaction with the Directors/Executive Team

Non-executive Directors

As at 31 December 2017, 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:

21. RELATED PARTY TRANSACTIONS (Continued)

	31 December 2017 £	31 December 2016 £
Patrick Firth (Chairman)	50,000	50,000
John Whittle	42,500	40,000
Frederick Forni (1)	-	37,500
James Carthew (1)	-	40,000

(1) Resigned on 23 September 2016

There was no increase in the Directors' base fees during the year ended 31 December 2017, but Mr Whittle received an additional £2,500 as Chairman of the Audit Committee. Total Directors' fees charged to the Company for the year ended 31 December 2017 were £92,357 (31 December 2016: £86,380) with £Nil (31 December 2016: £Nil) remaining unpaid at the year end.

<u>Executive Team</u>

The Executive team consists of Andrew Whelan, Russell Harte (ceased employment on 1 July 2017), Emma Stubbs, Aaron Le Cornu (commenced employment 1 May 2017), Marc Krombach (ceased employment 29 April 2016) and Louise Beaumont (ceased employment 27 September 2016).

For the year ended 31 December 2017, the Executive Team members' remuneration from the Company, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

	31 December 2017 £'000	31 December 2016 £'000
Aggregate remuneration in respect of qualifying service – fixed salary	565	500
Aggregate amounts contributed to Money Purchase pension schemes	79	66
Aggregate bonus paid (shares and cash)	550	394

See remuneration report for further details.

All amounts have been charged to Other Expenses.

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

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

As at 31 December 2017, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	31 December 2017		31 December 2016	
	No. of Ordinary Shares Held	% of Ordinary Shares	No. of Ordinary Shares Held	% of Ordinary Shares
Patrick Firth *(Chairman)*	278,669	0.09	271,049	0.09
John Whittle	104,550	0.03	-	N/A
Andrew Whelan	8,051,921	2.58	3,800,000	1.23
Emma Stubbs	1,005,485	0.32	179,640	0.06
Aaron Le Cornu	445,790	0.15	-	-

During the year, Mr Firth, Mr Whittle, Mr Whelan and Mrs Stubbs received total amounts of £1,694, £Nil, £43,506 and £2,022 (31 December 2016: £6,390, £Nil, £95,000 and £3,026) respectively from the Company by way of dividends on their Ordinary Share holdings in the Company.

See Note 24 for details of the Directors' interests in the Ordinary Shares of the Company as at the date of this report.

21. RELATED PARTY TRANSACTIONS (Continued)

As at 31 December 2017, there were 10,000,000 unexercised share options for Ordinary Shares of the Company (31 December 2016: Nil Ordinary Shares) (Note 20).

During the year Mr Whelan received £41,475 in relation to the coupon on his holding of £800,000 GLI Bonds.

Transactions with connected entities

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

	31 December 2017		31 December 2016	
	Balance £'000	**Interest accrued in the year £'000**	**Balance £'000**	**Interest accrued in the year £'000**
Platform loans & corresponding interest				
GLIF and investments in Fintech Ventures	3,128	668	3,288	360
Platform preference shares & corresponding interest				
GLIF and investments in Fintech Ventures	1,916	739	3,405	50
(Payable)/receivable to/from related parties				
Intercompany with Sancus (IOM) Holdings Limited	(950)	-	(2,400)	-
Intercompany with Sancus (IOM) Holdings Limited	2	-	-	-
Intercompany with Sancus (IOM) Limited	24	-	-	-

	31 December 2017 £'000	31 December 2016 £'000
Office and staff costs recharges		
Amberton Asset Management	47	163

There is no ultimate controlling party of the Company.

All platform loans bear interest at a commercial rate.

All preference shares bear interest at a commercial rate.

22. FINANCIAL INSTRUMENTS

Fair Value Estimation

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

	31 December 2017		31 December 2016	
Assets	**Level 1 £'000**	**Level 3 £'000**	**Level 1 £'000**	**Level 3 £'000**
Investment in SSIF	-	-	23,781	-
FinTech Ventures investments	-	29,598	-	36,104
Investments in Sancus Loan Notes	-	10,907	-	7,500
Other investments at Fair Value		2,808	-	873
Total assets at Fair Value	-	43,313	23,781	44,477

22. FINANCIAL INSTRUMENTS (Continued)

The classification and valuation methodology remains as noted in the 2016 Annual Report. In relation to the Level 3 valuation methodology for the FinTech Ventures investments the Board assesses the fair value based on either the value at the last capital transaction or valuation techniques, performed internally or by an independent third-party expert. Factors considered in these valuation analyses included discounted cashflows and comparable company and comparable transaction analysis. Key unobservable inputs used in the discounted cashflows include costs of equity and illiquidity discount rates. Other factors included revenue and costs growth rates, interest margins, bad debt expense and tax rates. These are consistent with the inputs described in the 2016 Annual Report and adjusted where necessary. The Board considers all the information presented to it, including indicative bids, internal analysis, and independent valuations, in order to reach, in good faith, their value determination.

The investment in SSIF was sold on the 8 March 2017, raising £22.7m in cash.

FinTech Ventures' Investments

31 December 2017	**Equity £**	**Loans £**	**Total £**
Opening fair value	34,699	1,405	36,104
New investments/loans advanced	1,455	5,494	6,949
Reclassification of loan	-	418	418
Disposals/loan repayments	-	(414)	(414)
Losses recognised in profit and loss:			
- Realised	-	-	-
- Unrealised	(9,684)	(3,775)	(13,459)
Closing fair value	26,470	3,128	29,598

31 December 2016	**Equity £**	**Loans £**	**Total £**
Opening fair value	34,028	4,778	38,806
New investments/loans advanced	4,601	4,077	8,678
Transfer from Associate to Subsidiary – Sancus Finance	(2,536)	-	(2,536)
Disposals/loan repayments	(500)	(912)	(1,412)
Losses recognised in profit and loss:			
- Realised	(500)	(1,001)	(1,501)
- Unrealised	(394)	(5,537)	(5,931)
Closing fair value	34,699	1,405	36,104

Assets at Amortised Cost

	31 December 2017 £'000	**31 December 2016 £'000**
Sancus BMS loans and loan equivalents	35,419	31,321
Loans through platforms	908	4,034
Trade and other receivables	4,170	2,712
Cash and cash equivalents	3,016	9,616
Total assets at amortised cost	43,513	47,683

Sancus BMS loans and loan equivalents has increased in the year largely due to the participation by BMS and GLI in the UK and Irish Funds. Loans through the platforms has reduced in the year from net repayments and loan provisions.

22. FINANCIAL INSTRUMENTS (Continued)

Liabilities at Amortised Cost

	31 December 2017	31 December 2016
	£'000	**£'000**
ZDP Shares	24,714	23,436
Syndicated Loan	-	11,920
Corporate Bond	10,000	8,500
Trade and other payables	2,935	7,396
Total liabilities at amortised cost	37,649	51,252

Refer to Note 14 for further information on liabilities.

23. COMMITMENTS AND CONTINGENCIES

As at 31 December 2017, the Group had the following aggregate unrecognised commitments to loans denominated in Sterling, Euro and US Dollar, due to its Associates and other underlying investments:

Aggregate loan commitment by currency	31 December 2017	31 December 2016
	£'000	**£'000**
Sterling	60	1,066
Euro	255	703
US Dollar	-	1,297
	315	3,066

Operating lease commitments	31 December 2017	31 December 2016
	£'000	**£'000**
Within one year	328	96
Between two and five years	883	235
Over 5 years	107	-
	1,318	331

All lease commitments relate to office space.

24. POST YEAR END EVENTS

Directors and PDMR Interests

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

	No. of Ordinary Shares Held	% of Ordinary Shares
Patrick Firth *(Chairman)*	278,669	0.09
John Whittle	104,550	0.03
Andrew Whelan	8,051,921	2.58
Emma Stubbs	1,005,485	0.32
Aaron Le Cornu	1,105,790	0.35

Subsidiary - Name Change

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

24. POST YEAR END EVENTS (continued)

HIT Funding Facility

On 29 January 2018 it was announced that a special purpose loan vehicle called Sancus Loans Limited which is non-recourse to GLI has been established with a £50m funding capacity. This has been backed by a £45m credit facility from HIT, with a term of 3 years, of which £17.5m had been drawn and deployed immediately.

Repayment of Sancus Loan Note 1

On 29 January 2018 it was announced that Sancus Loan Note 1 (the "SPV") would be repaid early using the “HIT” funding facility noted above. The SPV was launched in November 2016 with a 2 year life and £17.55m in size; £7.5m of which were redeemable preference shares subscribed for by Sancus. £5m of the c.£7.5m repaid to Sancus, will be used as security under the terms of the new funding facility.

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

ADDITIONAL INFORMATION

OFFICERS AND PROFESSIONAL ADVISERS

Directors

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

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

Executive Team:

Chief Executive Officer:	Andrew Whelan
Chief Financial Officer:	Emma Stubbs
Chief Operating Officer:	Aaron Le Cornu *(appointed 1 July 2017)* Russell Harte *(appointed 1 July 2016, resigned 1 July 2017)*
Registered office:	1st Floor 10 Lefebvre Street St Peter Port Guernsey, GY1 2PE Channel Islands
Nominated Adviser and Broker:	Liberum Capital Limited Ropemaker Place 25 Ropemaker Street London, EC2Y 9LY United Kingdom
Company Secretary:	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey, GY1 1GR Channel Islands
Legal Advisers in the Channel Islands:	Carey Olsen P.O. Box 98 Carey House Les Banques St Peter Port Guernsey, GY1 4BZ Channel Islands

GLI Finance Limited
For the year ended 31 December 2017
OFFICERS AND PROFESSIONAL ADVISERS (Continued)

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