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GLI Finance Limited
07 April 2020

7 April 2020

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

GLI Finance Limited

("the Group" or "GLI")

Final Results for the Year Ended 31 December 2019

GLI Finance (AIM: GLIF) announces its audited final results for the year ended 31 December 2019.

Andy Whelan, Chief Executive Officer of GLI Finance Limited, commented: "We reported an overall loss for 2019, in spite of making good progress in our core business, with continued growth in the Sancus loan book and loan deployments, and a continued reduction in Group costs, resulting in improvements towards our long-term strategic targets.

"We are pleased that Sancus BMS, the key operating unit within the Group, has delivered positive results during the year. The lending businesses that comprise Sancus are strong, well managed, and have the ability to deliver a very attractive return on capital. Our good relationship with Pollen Street Capital, who manage the Honeycomb Investment Trust (HIT), has helped us significantly grow the loan book via their £45m credit facility as well as lending alongside the facility on larger loans. The new management team in the UK is making excellent progress in integrating the businesses and delivering synergies.

"We have taken a further material write-down on the FinTech Ventures portfolio. The FinTech sector continues to grow strongly, but increased competition is making it difficult for smaller players, particularly those that are loss making, to raise further equity. Several of our platforms are looking to raise equity over the next 12 months, and given the material write-downs incurred, we believe there is upside potential if these raises are successful.

"The Board is optimistic but acknowledges we still have a way to go to reach our targets. I am pleased that we are making continued progress on the execution of our strategy and expect the strong Sancus BMS growth rates to continue into 2020."

Group Highlights

- Group revenue for the year was £13.1m (2018: £13.2m);
- Group loss for the year was £9.9m (2018: £23.2m), impacted by material write downs within the FinTech Ventures portfolio (leaving the carrying value of the portfolio at £6.3m (2018: £13.8m));
- Focus on cost control has achieved a £1.5m reduction in Group operating costs over the last 12 months, largely linked to a reduction in headcount from 42 to 34 employees across the Group;
- The Zero Dividend Preference shares ("ZDPs") were extended for a further year on 5 December 2019, with the Group buying back 22% of the ZDPs in issue and a further loan swap for 621,586 shares ZDP in March 2020, reducing the amount due for repayment on 5 December 2020 to £13.3m; and
- Nick Wakefield was appointed to the Board as Non-Executive Director in June 2019.

Sancus BMS Highlights

- Over the last 18 months, we have scrutinised capital allocation and we have been divesting assets where return on capital, on a risk adjusted basis, is below other areas of the business. This has led to a reduction in our SME lending activities where loans tend to attract a higher risk weighting and require significant use of our own balance sheet. We have redirected resources to our core asset backed secured lending activities where third-party funding is more accessible and our balance sheet less utilised;
- Costs have been managed well during the year and we have seen a reduction in Sancus BMS operating expenses by £0.9m largely in savings on employment costs;
- The combination of better asset utilisation and better cost control have delivered an improvement in return on tangible assets *("ROTA") to positive 0.9% in 2019, (2018: negative 0.4%);
- Strong growth has been delivered across the asset backed secured lending businesses. Over the last year we have delivered an 18% increase in the asset backed loan book to £199m in 2019 (2018: £168m);
- A key growth initiative for the Group has been the establishment of the UK business in April 2019 and Irish business in December 2018. These have significantly larger markets than in our traditional offshore islands, and we expect the future growth of the Group to be driven by these jurisdictions which are gaining traction and building strong pipelines of new business;
- In line with our focus to improve asset efficiency and the quality of our earnings, during 2019 on-balance sheet loan exposure excluding loans consolidated in HIT, reduced by 31% compared to 2018, with revenue falling by far less, 17% to £9.6m (2018: £11.7m);
- Proforma operating profit for the year was £0.4m (2018: loss £0.2m). Results are impacted by a £1.5m IFRS 9 provision in the year (2018: £1.2m). £1.1m of this movement relates to an SME loan within the BMS UK Fund where the underlying SME business is facing financial difficulties. Sancus is focussed on asset backed lending and is exiting business/working capital lending with the BMS Finance loan book in run-off; and
- We continue to diversify and grow our sources of capital and lending capacity. At the end of 2019, Sancus had loans outstanding of £199m with Co-Funders providing £187m, equating to a co-funding ratio of 94% (2018: 89%).

** A proforma reconciliation to Statutory Results is noted in Table 3 and performance measurement calculations are included in Note 27.*

Enquires:

GLI Finance Limited	via Instinctif Partners
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CHAIRMAN'S STATEMENT

Positioning the business for the future

Our focus remains on maximising the earning potential of our two distinct business units, whilst recognising that Sancus is the key focus for GLI.

Sancus BMS comprises the Group's property backed and SME lending businesses. FinTech Ventures represents the Group's investments in a portfolio of SME focussed lending platforms. Over the last few years we have seen the valuation of FinTech Ventures become a much smaller part of the Group's assets as certain platforms within the portfolio have not been successful and numerous valuations in the sector have reduced. We are in a difficult position as a minority investor with limited financial resources to continue to support the platforms, but we continue to work hard to maximise the value from this portfolio.

Sancus BMS is our core trading business and continues to show good growth with an 18% increase in the asset backed loan book from £168m at 31 December 2018 to £199m at 31 December 2019. Sancus BMS revenue on a statutory reporting basis was £12.6m (2018: £13.3m). £3.7m of this revenue related to Sancus Loans Limited ("SLL") which increased by 96% in comparison to the prior year, highlighting the demand we have seen in loan origination. In our view, to show the true economic performance of the Group, all Co-Funders should be assessed in the same way. However, as SLL is 100% owned by Sancus BMS Group Limited (as it was required to be set up as an SPV for the HIT facility) it is consolidated into the Group's results. In our proforma statements on Table 3 the SLL results have been deducted from the consolidated statement of comprehensive income ("SOCI") and we show the results on a net basis which is the same for all our other syndicated arrangements.

Sancus BMS revenue on a proforma basis has not moved in line with the loan book growth with a reduction of 17% (£2.0m) compared to 2018. This is predominantly due to the sale of the Irish BMS Fund mandate last year, which resulted in a reduction in admin fee income and interest income of £1.4m. Interest income did reduce within the Sancus entities as expected as we reduced our on-balance sheet loan book to use funds to repay the ZDPs and reduce our debt. This is in line with our long-term strategy to increase return on tangible assets over time with reduced on-balance sheet loan risk.

The growth in the loan book is a factor of growth in Co-Funder appetite, which includes the £45m HIT facility. It is the Directors intention this facility will renew at the end of the term for a further three years. In addition to this facility and regular participation by other Co-Funders, we also have the Sancus Loan Note programme that has proven very successful and provides Co-Funders with the option of participating in a wider pool of loans with a fixed rate of return. As seen by the HIT facility this diversification of funding has allowed us to grow the Sancus BMS loan book and we continue to look at other similar debt providers to aid expansion plans.

ZDPs

The repayment of our ZDPs has been at the forefront of our mind during the last year and on the 5 December 2019, these were extended for a further year at an increased coupon of 8% following shareholder approval. This extension was sought as the timing of the repayment of some of the larger loans on our balance sheet have taken longer to repay than previously expected. As part of the extension we noted our intention to make a tender offer in March 2020 and on the 6 March 2020, shareholder approval was received to buyback 25% of the total ZDP shares in issue (excluding treasury shares) (of which 22% was taken up) and to approve a loan swap in exchange for a shareholders entire holding of 621,586 ZDP shares. This represented £3.8m in cash repaid to ZDP shareholders and a loan transfer for £0.8m, reducing our liability now due on 5 December 2020 to £13.3m.

We remain focussed on the repayment of the remaining ZDPs on 5 December 2020. Based on current cash reserves plus the loan maturity profiles of the Sancus and BMS Fund loan books as well as forecast sales of our real estate assets during 2020, the Going Concern model indicates there will be sufficient cash available to meet the repayment of the ZDPs at the end of 2020. However, as we have seen in the past, timings of the repayment of loans can vary and deviate from expectations as development loans may run over and in the case of the BMS Fund, the refinance of some of the loans may not occur as planned. In the past year especially, we have seen this occur with the impact of Brexit playing some part, but this risk is now heightened by COVID-19 which we go into more detail in the section below. Should there be a shortfall on 5 December 2020 for the repayment of the ZDPs in full, the Directors' intention is either to obtain a commercial loan at a similar rate or, subject to Shareholder consultation may seek approval to extend the ZDPs on similar terms or may offer a swap into GLI Bonds. Taking into account the various possible outcomes and assumptions as part of the Going Concern model, these constitute a material uncertainty that may cast significant doubt over the Company's and Group's ability to continue as a Going Concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors note that the HIT facility expires in January 2021 and it is the intention to seek an extension of this facility. The Directors further note that the £10m bond is repayable on 30 June 2021, which we will look to refinance if there are

not sufficient cash assets to repay on the maturity date. The Directors expect that if they are able to action the mitigations being considered above, the material uncertainties will be extinguished. Refer Note 2(a) for further details.

Coronavirus COVID-19

At the time of writing this report we are faced with a truly stressful global event created by the emergence of COVID-19, which is a coronavirus that emanated from Wuhan in China. The World Health Organisation has confirmed the virus is now a pandemic (meaning it has spread worldwide) and unfortunately at this stage we cannot truly understand the impact and the duration of the damage caused to the global economy, financial markets and humanity. We have remained convinced that the world economy was close to global recession and COVID-19 has certainly pushed us closer to this reality. Andy goes into more detail in his report about how we think this may impact the Group, but at this time it is hard to estimate with absolute certainty.

Overview

We have made significant strides to lay the foundations for growth and operational improvements to create and build shareholder value in the Sancus BMS Group. The funding facility, the Loan Note Programme and Co-Funder network help to support this growth, but we are also continuing to secure a steady flow of new Co-Funders due to the attractive risk-adjusted returns that are available on our lending opportunities. Our focus for the foreseeable future is growing the UK and Irish operations and continuing to expand the offshore jurisdictions.

We shall continue to carefully manage the FinTech Ventures portfolio and explore options to maximise the return to Shareholders, although we note the continuing challenges on these investments and the extremely poor performance to date.

We are also pleased to welcome Nick Wakefield as a Director of the Company. Nick was proposed as a representative of our largest shareholder and brings significant experience to the Board.

Following the resignation of Aaron Le Cornu, Dan Walker has taken on the role of Chief Operating Officer with effect from 1 January 2020 and will continue to be the UK Managing Director of Sancus. We thank Aaron for his contribution to the business over the last two and a half years.

Following shareholder feedback at the 2019 AGM a new Company Remuneration Policy has been approved and details of this are included in the Remuneration Report.

Dividend and Shareholders

In line with our dividend policy, it is not proposed to declare a dividend for this year. We expect the Sancus offices in Ireland and the UK, together with a further focus on operational matters to drive free cash flow in future years. We fully intend to recommence the dividend program but only at such time as the Company is in a strong enough position to make such payments. We are mindful of the Bond repayment in June 2021 and no dividend would be paid before this Bond is successfully refinanced or repaid. I am grateful to all our shareholders who have kept confidence with the Group through what continues to be a challenging period as reflected in the depressed share price. We believe that the share price is trading well below the inherent value of the business and we look forward to seeing it recover in due course on the back of the strong growth delivered by the Executive Team within Sancus BMS.

Patrick Firth
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

During the year we have been focussed on reducing our on-balance sheet exposure and repaying our ZDPs as they become available in the market which in turn will increase our return on tangible assets over time. As noted in the Chairman's Statement, we received shareholder approval to extend the repayment date of the ZDPs by a further year to 5 December 2020 at 8% and bought back 22% (£3.8m) as part of the tender offer post year-end, along with a loan swap of £0.8m.

We remain focussed on our core business, Sancus BMS and have been working hard to drive loan origination and our loan book, and as a result we have seen loan deployment growth of 7% over the last year and 18% growth in the Sancus asset backed lending book. Total loan origination for Sancus BMS has now surpassed £1billion. We have reduced costs further across the Group by £0.9m in Sancus BMS but our 2019 results have suffered further write downs in the FinTech Ventures portfolio which materially impact the overall results.

Our main focus is on asset backed lending and we believe there is exciting growth potential in the UK through Sancus Funding which is FCA regulated. This is an area we know well and in which we have experience. Over time we expect this to be our largest market. Sancus Ireland was also launched in the second half of 2018 and we anticipate this will add to our growth plans and importantly provides a Euro denominated loan offering to our Co-Funders who are currently earning a negative return in holding Euro cash.

We have seen an improvement in our KPI targets over the last 12 months, and whilst we still have a way to go to reach the targets, we have set ourselves I am pleased that we are making continued progress on the execution of the strategy. I expect the strong Sancus BMS growth rates to continue into 2020 and beyond with a healthy pipeline of loan origination. Whilst we expect COVID-19 to negatively impact us in the short term, we are still also seeing many lending opportunities that we would hope to be able to benefit from during the remainder of the year. The FinTech Ventures portfolio has been a disappointment and the write downs overshadow the good results seen in Sancus BMS Group. However, we will continue to work hard on this portfolio and explore exits where we can realise appropriate value for shareholders.

Summary of Financial Performance

We are reporting a statutory operating loss of £0.6m for the Group for the year (2018: loss of £2.3m). However, the operating profit before changes in expected credit losses ("ECLs") and realised losses was £1.1m (2018: £0.7m). The increase in the operating profit before expected credit losses demonstrates the strong progress that we have made across the business during the year in particular to cost savings whilst still driving growth in the new operations in the UK and Ireland where we have not yet hit revenue levels that we believe they are capable of. The change in ECLs in the year was £1.5m (2018: £1.2m), £1.1m of this relates to an SME loan within the BMS UK Fund where the underlying SME business is facing financial difficulties. Total provisions on our balance sheet amounted to £3.2m (£2.9m against loans and £0.3m against interest receivable) at the end of 2019 (2018: £2.6m). As was noted in our trading update on 4 February 2020, we had previously made a £1.5m provision against a development loan, the outcome of which is highly contingent on a proposed refinancing. £1.2m of this provision still remains on our balance sheet and we continue to closely monitor this. Should the proposed refinancing be successful this year, we expect to release this provision in 2020. We continue to grow our market share and as the Sancus brand is becoming increasingly well known, we are receiving a healthy flow of new lending opportunities and have a strong pipeline of new Co-Funders. In addition, we have had fair value write downs totalling £7.5m on the FinTech Ventures portfolio which is disappointing.

We are confident of building on this performance by improving profits and getting 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 operating costs by a further £1.5m in the year, totalling over £2.0m savings over the last two years. This has been achieved by insourcing more functions and reducing headcount primarily in the UK and at head office.

Sancus BMS

The Sancus BMS loan book is now at £199m, an 18% increase on last year (2018: £168m) and we have seen a 7% increase in loan deployment to £123m (2018: £115m). This is on the back of reduced headcount and a reduction in operating costs of £0.9m during the year. This is testament to the hard work of the senior management team to build our profile in the markets in which we operate and secure a strong pipeline of new lending opportunities whilst also deepening our base of Co-Funders. Our relationship with Pollen Street Capital and the HIT facility has also strengthened our ability to fund larger loan opportunities and helped contribute to the increase in revenues.

The Sancus Loan Notes ("SLNs") comprise a planned series of Special Purpose Vehicles ("SPVs") designed to act like securitisation vehicles to help offset capital constraints and enable additional Co-Funder participation in loan opportunities. These are attractive to clients that want to participate in a pooled diversified vehicle, delivered across a number of loans, rather than via direct participation in individual loans. During the year SLN4 repaid and we now have two Loan Notes in place (SLN5 was initially launched with £7.6m and has a maximum raise of £50m) and SLN6 which was launched 30 December 2019. As part of the structure of the Loan Notes, in the past Sancus BMS has provided first loss positions but the latest loan note launched does not have a first loss position. This reduces further the Company's risk exposure. Further details are outlined in Note 26 to the accounts.

Following the sale of the BMS Irish Fund loans in 2018, the BMS UK Fund entered into run-off in 2019, with BMS now representing just £8.2m (2018: £10.0m) of Sancus BMS gross loans on balance sheet with £1.1m IFRS9 provision (2018: £Nil). During 2019, £1.8m was repaid in cash and we expect to receive some material repayments before the end of 2020 which will be used to buy back ZDPs in the market as they become available and subject to cash flow requirements.

The Group continues to invest in its technology, further enhancing the online reporting platform for offshore Co-Funders and during the year launched a fully transactional, online platform in the UK.

FinTech Ventures

The FinTech Ventures portfolio continues to disappoint with a further write down of £7.5m during 2019. FinTech Ventures now represents 5.8% of our gross assets, down from 14% in 2018. As detailed in our 2019 interim report, one of our larger platforms, The Credit Junction, ceased trading in September 2019 following an enforcement from their debt provider. Another of our platforms, UK Bond Network, also completed a prepack administration during 2019 on the back of failing to raise fresh equity, and our equity holding was wiped out. As we have previously outlined, we are largely a passenger on this journey and due to capital constraints, we have not been able to follow our money and participate in the latest capital raisings where platforms have been able to complete them. Whilst FinTech as a sector continues to grow, the increased competition is making it difficult for smaller players, particularly those that are loss making, to raise further equity. However, two of our FinTech platforms were successful in raising fresh capital from third party investors during 2019.

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 is consistent with prudent capital and liquidity management, covered by cash earnings and realised profits on the sale of investments. In line with this dividend policy, no dividend is being declared for this period.

Related Party Transactions

Related party transactions are disclosed in Note 24. There have been no material changes in the related party transactions described in the last annual report.

Governance, Risk Management and Operations

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

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

Long-term strategy and business objectives

Since the end of 2016 we have made good progress in delivering against the objectives we agreed as a Board. We have this year updated these objectives, which we believe will shape the business going forward with the focus on value creation, creating a capital efficient business that in turn will enable us to pay dividends.

Sancus BMS is our core operating unit and we have seen this continue to grow strongly. The coordination across the executive and senior management team, complemented with strong new business development expertise, is delivering a healthy flow and pipeline of lending opportunities. COVID-19 has not so far slowed down this pipeline but has created positive pricing opportunities for new loans. 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 Programme and the credit facility from HIT. We note the HIT facility matures on 28 January 2021 and we expect to renew this facility on maturity for a further three years.

We are looking at our options for the FinTech Ventures portfolio and we will communicate any developments to shareholders as appropriate. It has certainly been a difficult and challenging journey over the years with the FinTech Ventures portfolio. Many of the platforms have reached key points in their development and the market for raising equity and debt financing is challenging, which has had a material impact on the latest valuations. Clearly COVID-19 will have an impact on these Companies' abilities to perform, the outcome of which is difficult to predict.

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

Brexit

Geopolitical tensions and the impact of Brexit on the property market across all Sancus related jurisdictions (the UK and Gibraltar in particular) remains to be ascertained. As the UK economy moves closer to a heightened risk of recession, we expect the banking sector to focus more on the potential impact to their Tier 1 capital ratios, which may have a negative impact on their appetite for lending.

This creates further opportunity for alternative lenders in terms of both loan origination and the interest rate margin charged. However, the potential downside is increased risks associated with more volatile property valuations, demand from buyers of properties contracting and the potential for more risks of loan defaults.

Outlook

2019 was a year of reorganisation as we built out the Sancus BMS entities and focused on core business capable of creating significant value for shareholders. Our target was to deleverage our balance sheet and become a capital efficient business, which in turn will enable us to start paying dividends again. Management remains focussed on these objectives which it expects to translate into improved profitability and ROTA in 2020 and beyond albeit we are acutely aware 2020 will have its challenges which undoubtedly will arise as a consequence of COVID-19.

Coronavirus COVID-19

We have entered an unprecedented period of global disruption, the likes of which have not been seen since World War II. The World Health Organisation confirmed that COVID-19 is a pandemic (meaning it has spread worldwide) and unfortunately at this stage the situation is changing so rapidly that we cannot yet understand the full impact. We have previously highlighted that we believed the world economy was close to global recession and COVID-19 has certainly pushed us closer to this. The only real question now is how deep and how long a global recession could last.

As a Group we already have practiced recovery plans in place for business disruption with a workforce fully equipped with remote access to enable working from home. We are confident that even if we are all required to work from home for a prolonged period we can function as normal and our high level of service shall not be disrupted. With regard to our lending practices, we had already tightened our credit criteria last year in anticipation of an increased possibility of a global recession, but we are applying even more stringent criteria during this difficult time. We have seen an increased number of lending opportunities; however, we will focus on Sancus's core philosophy on lending to "asset rich cash poor" borrowers.

As the majority of our lending exposure is asset/property backed and only a small percentage of the portfolio exposed to the most vulnerable sectors such as commercial and retail lending, we do not anticipate any real difficulties in the short term. Our loan book is exposed primarily to development and bridge financing. One key concern is the effect on the supply chain in the event of this current pandemic lasting longer than currently forecast - UK government health announcement is expecting the peak of infections to be within 10/12 weeks. Clearly property values may be affected and thus for development loans, Loan to Values (LTV), Gross Development Costs (GDC) and Gross Development Values (GDV) may be impacted in the short term, longer term it truly depends on the depth and duration of a recession and the impact this will have on our Borrowers. Bridge financing may be affected as potential buyers sit on the side lines until we have clarity on the unfolding health crisis and the Government and Central Bank (globally) response in terms of fiscal and monetary support to businesses adversely affected.

We continue to stress test our loan book and the possible impact this may have on delinquencies (interest and principal) and on technical covenant defaults (for example on the valuation of security). On the Sancus asset backed lending book we have reviewed the loan portfolio's ability to perform under the current and unprecedented Coronavirus COVID-19 pressure that we are facing globally. We have kept our focus on a Borrower's Loan to Value (LTV). We have tested this in two ways:

- Taking a discount on the valuation of the security;
- Projecting forward any delay and the impact this has on the accrued interest on roll up loans.

Obviously, there are other sensitivity indicators, we can and do consider and monitor, but these two metrics are the most important in terms of the loan liquidity and recoverability in accordance with contractual due dates. From our analysis we can quickly identify which loans could become an issue and thus ensure these loans receive more frequent updates and monitoring of with the Borrower. We can also adjust either the valuation discount and / or the delay period. On the analysis we have carried out to date there are currently no incurred loss events or defaults that require immediate action, but we will continue to monitor this closely and update loss allowances in consideration of any significant increase in credit risk or objective evidence of impairment.

Communication with our stakeholders is a high priority and we are in frequent contact with all our Co-Funders to provide an update on the loans they are invested in and how we expect COVID-19 may impact them.

For the BMS Fund, which is exposed to working capital lending, the management team have been in close contact with the underlying borrowers (SMEs) and are receiving updated cash flow forecasts and projections. At the time of writing this report there are no immediate loan loss events or defaults, but cash flow will remain key to these SMEs. The BMS Fund received £0.9m at the end of March 2020 on one loan which repaid on time. This cash will be retained by the Fund for the immediate future. We expect the anticipated repayment dates of some of the underlying loans may be delayed.

With interest rates and bond yields at historic lows the Sancus syndicated loan model will remain attractive to investors and may create opportunities for the alternative sector as a whole. One potential advantage for our industry is that Bank lending will probably contract further, thus creating more opportunity for the alternative sector. Secondly, we don't think this will affect our pricing model, if anything this should remain as is and may be an opportunity to increase pricing on certain lending opportunities. Thirdly, with interest rates and bond yields at historic lows we don't believe that our Co-Funding model will be adversely affected as there are very few places you can find attractive risk-adjusted income plays such as direct lending.

In respect of our FinTech Ventures portfolio the current market unrest and economic uncertainties due to COVID-19 represent rapid developments which might have a material impact on the operations and also on the valuations of the FinTech investments. It is possible that some of our FinTech companies are unable to survive through this COVID-19 crisis, but we have already written several of the platforms down to zero. However, the Government's support package and launch of the Coronavirus Business Interruption Loan Scheme (CBILS) could create additional opportunities for those FinTech companies providing or promoting lending to SMEs. Short term cash flow is critical and we desire to work closely with all the FinTech portfolio companies to assist them through this challenging period.

We will continue to monitor the situation closely and consider the effect it may have on recoverability of loans advanced in the future and the impact this may have to our FinTech Ventures portfolio.

Andrew Whelan
Chief Executive Officer

FINANCIAL REVIEW

Group Overview

The business is split into 2 operating units, Sancus BMS and FinTech Ventures. In addition, there are Group operating costs, which are split out separately in Note 4.

While the headline financial results for the year ended 31 December 2019 remain disappointing, they mask some crucial developments in asset efficiency and cost controls that have led to a significant improvement in return on tangible assets in our core business. Impressive loan growth in asset backed secured lending in our offshore jurisdictions, together with the establishment of offices in our future growth markets in the UK and Ireland are where operations have barely begun, lay the foundations for improved financial results in the years ahead.

Statutory Group revenue remained stable at £13.1m for the year (2018: £13.2m) however as noted below in the Sancus BMS section the HIT revenue is consolidated into these numbers, excluding this, Sancus BMS revenue decreased by 17%.

A focus on cost control has achieved a further £1.5m reduction in Group operating costs over the last 12 months, largely linked to a reduction in headcount from 42 to 34 employees. Over the past 2 years £2.0m has been saved in total operating costs.

The Group loss for the year is £9.9m (2018: loss £23.2m) and Group net assets are £40.4m (2018: £50.2m).

The overall result is once again impacted by material write downs within the FinTech portfolio. The carrying value of the FinTech Ventures portfolio is £6.3m (31 December 2018: £13.8m). The portfolio now consists of nine investments. The movement on this portfolio is detailed later on in this report.

2019 has seen a focus on the repayment of the Zero Dividend Preference shares ("ZDPs") which were due on 5 December 2019. Due to some of the loan maturities not repaying as expected by this date, shareholder approval was granted to extend this for a further year, to 5 December 2020 at an increased rate of 8% from 5.5%. During 2019 prior to the extension the Group had been selling down some of our on-balance sheet loan exposure and using cash assets to repay the ZDPs as funds become available. In 2019 the Group acquired back 6.4m ZDPs at a cost of £7.6m. The amount due at 31 December 2019 was £16.8m (2018: £26.7m).

As approved at the EGM on the 6 March 2020, 22% of the ZDPs in issue have been repaid in cash (£3.8m) and a loan swap of £0.8m for ZDPs, reducing the amount that will be due on 5 December 2020 to £13.3m. As loans repay and cash allows during 2020, the Group will continue to look to acquire further ZDPs as they become available in the market.

Group Results - Statutory Results (Table 1)	2019 £'000	2018 £'000	Movement %	Movement £'000
Revenue	13,140	13,221	(1%)	(81)
Total Cost of Sales	(5,126)	(3,983)	(29%)	(1,143)
Gross profit	**8,014**	**9,238**	**(13%)**	**(1,224)**
Operating expenses	(6,953)	(8,493)	18%	1,540
Net operating profit before ECLs	**1,061**	**745**	**42%**	**316**
Changes in expected credit losses ("ECLs") (IFRS 9)	(1,524)	(1,247)	(22%)	(277)
Incurred losses on financial assets	(116)	(1,763)	93%	1,647
Net operating loss	**(579)**	**(2,265)**	**74%**	**1,686**
FinTech Ventures fair value including fx movement	(7,543)	(18,706)	60%	11,163
Other net (losses) / gains	(1,566)	189	(929%)	(1,755)
Goodwill impairment	-	(2,139)	100%	2,139
Tax	(232)	(243)	5%	11
Loss for the period	**(9,920)**	**(23,164)**	**57%**	**13,244**

Cash management and debt costs

The focus during 2019 and ongoing into 2020 has been the repayment plan for the ZDPs. We have been managing cash carefully and have been buying back ZDPs as they become available in the market and will continue to do so in 2020 by managing the cash returned on the maturing Sancus and BMS loans, subject to cash flow requirements.

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

Total cost of sales of £5.1m for 2019 (2018: £4.0m) includes: debt interest costs on the ZDPs and Bond of £1.7m (2018: £1.8m); £3.0m interest on the HIT facility (2018: £1.6m) and broker fees of £0.4m (2018: £0.6m).

At the year end, interest bearing debt comprised:

- £10m 5-year Bond (7%) matures 30 June 2021, interest paid half yearly;
- £16.8m 2019 ZDPs (8%) income entitlement and principal due on expiry 5 December 2020 (£18.1m); and
- £44.2m HIT facility expires 28 January 2021 (7.25%) (total facility £45m), interest paid monthly.

Commentary on the repayment and/or extension plans of the debt instruments listed above are included in the Going Concern commentary.

Financial Position (Table 2)

£'000	31 December 2019	31 December 2018
Sancus BMS on Balance Sheet loans and loan equivalents	18,347	26,678
HIT Loans	45,885	25,639
Goodwill	22,894	22,894
FinTech Ventures Loan and loan equivalents	-	883
FinTech Ventures Investment Portfolio	6,299	13,804
Sancus Properties Limited	3,336	4,404
Trade and other receivables	5,909	5,656
Other assets	4,086	3,784
Cash and cash equivalents	7,244	5,863
Total Assets	**114,000**	**109,605**
ZDPs payable	(16,825)	(24,059)
Bond payable	(10,000)	(10,000)
HIT Debt	(44,191)	(22,684)
Other Liabilities	(2,611)	(2,635)
Total Liabilities	**(73,627)**	**(59,378)**
Group net assets	**40,373**	**50,227**

The Group's net assets have decreased in the year by £9.8m to £40.4m. The majority of this movement is due to the £7.5m write down on the FinTech Ventures portfolio, and IFRS 9 loan impairment adjustments and incurred losses on financial assets of £1.6m.

The Group's liabilities are £73.6m, £44.2m relating to the HIT facility. Excluding HIT, liabilities are £29.4m (2018: £36.7m). The reduction is due to a series of ZDP buybacks during the year.

Cash Flow

Cash generated from operating activities, excluding loan movements, for the year was £0.6m compared to cash generated of £0.1m in 2018. The major operating cash flows during the year included £1.8m divested in BMS Finance Loans (2018: £11.5m), £20.4m invested in Sancus Loans Limited loans (2018: £25.6m), and £3.3m received from the repayment of Sancus Loan Notes (2018: £8.1m). In respect of investing activities nothing has been invested in FinTech Ventures in the year (2018: £3.0m). £0.95m has repaid in respect of preference shares in Sancus IOM (2018: £0.95m invested) and £0.9m has been received from the sale of 2 properties held in Sancus Properties Limited (2018: £Nil). In respect of financing activities £21.4m (after costs) was received from the drawdown of the HIT facility (2018: £22.6m (after costs)) and £7.7m was used to purchase ZDP shares (2018: £1.8m).

Sancus BMS

The key focus of the business is to lend money safely. To do this Sancus BMS relies on obtaining funding from its Co-Funders to provide loans to borrowers. The ability to provide this money is crucial to the business and availability of funds is a key area to enable future growth. Sancus BMS has a number of Co-Funders, which include the HIT line, Sancus Loan Notes, individual Co-Funders which may be high net worth individuals ("HNWI") or Trust Companies for example and Sancus BMS's own capital, although we have been reducing our own on balance sheet exposure.

The ability to find borrowers is also key to the business and something the business has invested in employing highly experienced business development teams who are highly experienced in the sector with good connections.

Pricing is another key area as we work in a competitive environment and we are constantly assessing how we compare to other lenders in the market. Our pricing strategy is to be competitive, but we are able to price at a premium as we are a small and efficient team who can turn around loans in a matter of weeks rather than what is currently seen in the banking sector, which can be many months.

Over the last few years we have reduced the headcount in the UK office as the unprofitable supply chain finance offering was closed with the focus now in the UK on asset backed lending. We have invested in a strong team in the UK as we view this as a key growth area. Revenue in the UK has taken longer to get up to the levels we were targeting a year ago. We saw a slowdown in deals from the Brexit effect, but we also focussed on quality review as opposed to volume. This means this year cost income ratios are still high as we set the foundations but expect to see improvements on this over the coming years.

The Board reviews the economic performance for Sancus BMS by referring to our proforma statement of comprehensive income ("SOCI"). In our view, all Co-Funders should be assessed in the same way. However, as Sancus Loans Limited ("SLL") is 100% owned by Sancus BMS Group Limited (as it was required to be set up as an SPV for the HIT facility) it is consolidated into the Group's results. In our proforma statement the SLL results have been deducted from the consolidated SOCI noted below and we show the results on a net basis which is the same for all our other Co-Funder arrangements. We show the reconciliation of the proforma SOCI with accounting statements below.

Financial Results for the year ended 2019 (Table 3) - Sancus BMS Group

Sancus BMS SOCI Proforma Results	**2019 £'000**	**2018 £'000**	**Movement %**	**Movement £'000**
Sancus BMS interest on loans	2,504	2,750	(9%)	(246)
Sancus BMS Fees and Other Income	6,408	8,606	(26%)	(2,198)
Sancus Loans Limited Fees and Other Income	722	308	134%	414
Revenue	**9,634**	**11,664**	**(17%)**	**(2,030)**
Interest costs	(1,680)	(1,834)	8%	154
Other cost of sales	(419)	(552)	24%	133
Total Cost of Sales	**(2,099)**	**(2,386)**	**12%**	**287**
Gross profit	**7,535**	**9,278**	**(19%)**	**(1,743)**
Operating expenses	(5,523)	(6,449)	14%	926
Changes in expected credit losses ("ECLs") (IFRS 9)	(1,524)	(1,247)	(22%)	(277)
Incurred losses on financial assets	(116)	(1,763)	93%	1,647
Operating profit (loss)	**372**	**(181)**	**306%**	**553**
Other net losses	(1,625)	(121)	(1,243%)	(1,504)
Goodwill impairment	-	(2,139)	100%	2,139
Tax	(232)	(243)	5%	11
Loss for the year after tax	**(1,485)**	**(2,684)**	**45%**	**1,199**

Reconciliation to SOCI - Revenue	**2019 £m**	**2018 £m**	**Movement %**	**Movement £'000**
Revenue per proforma Sancus BMS SOCI	9,634	11,664	(17%)	(2,030)
Less Sancus Loans Limited Fee and Other Income	(722)	(308)	(134%)	(414)
Sancus Loans Limited Revenue	3,737	1,905	96%	1,832
Revenue per Sancus BMS SOCI (Note 4)	**12,649**	**13,261**	**(5%)**	**(612)**

Reconciliation to SOCI - Cost of Sales (includes debt and other cost of sales)	**2019 £m**	**2018 £m**	**Movement %**	**Movement £'000**
Cost of sales per proforma Sancus BMS SOCI	(2,099)	(2,386)	12%	287
Sancus Loans Limited interest costs	(3,015)	(1,597)	(89%)	(1,418)
Cost of Sales per Sancus BMS SOCI (Note 4)	**(5,114)**	**(3,983)**	**(28%)**	**(1,131)**

Financial Results of the operating entities in Sancus BMS (Table 4)

£'000	**2019**					**2018**					**%**
	Sancus offshore	**BMS**	**UK & Ireland**	**SLL**	**Total**	**Sancus offshore**	**BMS**	**UK & Ireland**	**SLL**	**Total**	
Proforma Revenue	6,622	1,537	753	722	**9,634**	7,180	2,890	1,286	308	**11,664**	(17%)
Other Cost of Sales	(341)	-	(78)	-	**(419)**	(124)	-	(428)	-	**(552)**	24%
Operating Expenses	(2,849)	(692)	(1,966)	(16)	**(5,523)**	(2,819)	(1,349)	(2,271)	(10)	**(6,449)**	14%
Change in ECLs	(414)	(1,110)	-	-	**(1,524)**	(1,247)	-	-	-	**(1,247)**	(22%)

Impairment charges on financial assets	(116)	-	-	-	**(116)**	(1,763)	-	-	-	**(1,763)**	93%
Debt costs					**(1,680)**					**(1,834)**	8%
Net Operating Profit/(loss)	2,902	(265)	(1,291)	706	**372**	1,227	1,541	(1,413)	298	**(181)**	306%
Loan Book £m	161	33	2	37	**232**	142	40	0.1	26	**208**	12%
On-balance sheet loans £m gross of IFRS 9 (Table 5)	13	8	0	5	**26.3**	19	10	0.1	5	**34.3**	(23%)
Headcount	14	4	11	-	**29**	15	5	15	-	**35**	(17%)

Revenue

Sancus BMS Group revenue on a proforma basis was £9.6m for 2019 (2018: £11.7m). On a statutory basis revenue was £12.6m (2018: £13.3m). A reconciliation between the proforma and statutory results is included in Table 3. On a proforma basis the £2m reduction in revenue in the year is partly within the BMS business where we saw a £1.4m decrease following the sale of the BMS Irish Fund in May 2018 which in turn led to a reduction in interest income and a reduction in admin fees received during 2019. The UK saw a £0.8m reduction in revenue as the supply chain finance offering closed in 2018 but in turn the UK operating expenses decreased as the UK team reduced in head count.

The UK and Ireland asset backed lending businesses are our primary focus going forward. The UK office only became fully operational in April 2019 and we are expecting to report an improvement of this revenue stream in 2020. During 2019 we did experience a negative Brexit impact on our revenue expectations which we hope to see recover. Revenues from interest income on loans relates to the Sancus BMS on-balance sheet loans. These have reduced in the period by 9% as on-balance sheet loans have reduced.

Total Cost of Sales

Total cost of sales which includes interest and other direct costs, has reduced by 12% in the year with lower interest costs (reducing our capital intensity) and lower broker costs which is as a result of reduced UK revenue in comparison to last year.

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

We continue to manage costs carefully and within the Sancus BMS Group £0.9m of cost savings were achieved in the year with operating expenses falling from £6.4m to £5.5m. Savings relate predominantly to employment costs in the UK following the restructure of the team to focus solely on asset backed lending.

IFRS 9

IFRS 9 was introduced on 1 January 2018 and at 31 December 2019 we have a year-end provision of £3.2m following the methodology as set out in Note 22, which applies an expected credit loss model. £2.9m of the provision relates to the loan portfolio and £0.3m to interest receivable. We have seen a £1.5m charge to the profit and loss this year. £1.1m of this has been applied to the BMS UK loan instrument where one of the underlying SME businesses is facing financial difficulties. The remainder of the movement in expected credit losses (£0.4m) relates to our Sancus asset backed lending loan portfolio where for example the secured loans have gone into default and we are actively working on to resolve (Refer Note 22.) Our actual loss rate to date still remains low across the Sancus BMS portfolio at less than 1% reflecting our strong underwriting criteria and procedures. As highlighted by the IFRS 9 provision, there is always the risk of further defaults and potential losses as lending is clearly not risk free, however the expected risk adjusted return is considered very attractive.

Other net losses and gains

We have reported a £1.6m other net loss in the period (2018: gain £0.2m). This balance includes revaluations of our associate holdings in Amberton Asset Management and Sancus Isle of Man ("IOM"), but the largest movement was due to additional costs associated with Sancus Properties Limited which accounted for £1m of the loss. These costs relate to security previously held by a former borrower. During the year unbudgeted remediation expenses were incurred to enable them to be sold at the highest possible value.

Sancus Properties Limited

In August 2018 a 100% owned SPV called Sancus Properties Limited (previously Sancus Developments Limited) was incorporated to hold assets previously held by a former borrower. The intention is to realise these assets via orderly transactions, the timing of which will be determined so as to best maximise shareholder value. These are reported as other assets and accounted for under IAS 2 Inventories whereby they are held at the lower of cost or net realisable value. At 31 December 2019, these assets which consist of a combination of houses, apartments and a large plot of land have a carrying value of £3.3m (2018: £4.4m) During the year 2 houses were sold for £0.9m and we expect to realise further cash sales over the course of 2020.

Honeycomb Investment Trust (HIT) Facility

A special purpose loan vehicle called Sancus Loans Limited ("SLL"), which is non-recourse to GLI, was established during 2018 with a £50m funding capacity. This has been backed by a £45m credit facility from HIT, with a term of 3 years ending on 28 January 2021. It is the intention of the Directors to extend this facility. Sancus has £5m equity invested in this vehicle. Although non-recourse to GLI the SPV is 100% owned by the Group and is therefore consolidated. As a result, both the Sancus Loans Limited loans and HIT facility appear on the consolidated balance sheet but deducted from our proforma results as noted earlier.

Revenue within Sancus Loans Limited has increased by £1.8m in the year from £1.9m to £3.7m. This reflects the increased draw down of the facility from £22.7m at 31 December 2018 to £44.2m at end of 2019 (maximum facility £45m). At the year end, interest bearing debt comprised:

- £44.2m HIT facility ends 28 January 2021 (7.25%) (maximum facility £45m), interest paid monthly.

Sancus BMS on-Balance Sheet Loans and loan equivalents (Table 5)

On-balance sheet loan and loan equivalents have decreased in the period from £26.7m to £18.3m. As previously noted, the disinvestment from SME lending is allowing asset utilisation to improve, which will drive an improvement in ROTA and shareholder value over time. As we have also seen from our loan book funding, our access to capital has also improved allowing funding of asset backed secured loans from other sources such as the HIT facility, SLNs and Co-Funders.

£'000	**31 December 2019**	**31 December 2018**
Jersey	8,434	8,219
Gibraltar	3,274	6,268
Guernsey	1,074	310
BMS - Investment in the fund and other loans	8,273	10,074
Sancus UK	60	143
Sancus Loan Notes	-	3,311
IOM preference shares	-	950
Ireland	100	-
IFRS 9 Provision	(2,868)	(2,597)
Total Sancus BMS on-Balance Sheet Loans and loan equivalents (ex SLL)	**18,347**	**26,678**

KPIs

We set out in our 2018 Annual Report that we will be reporting our KPIs going forward to demonstrate the progress we are making over time. We are committed to driving shareholder value through judicious growth, improving asset utilisation and cost controls. We believe the share price will positively reflect improvement in these metrics overtime (Refer to Note 27 Performance Measures).

The Directors consider the following financial indicators as KPIs:

- Lending - loan deployment and loan book growth;
- Return on tangible assets (ROTA);
- Profitability.

The table below gives a breakdown of Sancus BMS KPIs. This also includes those items not considered KPI's, but which give a better understanding of the figures.

Sancus BMS - KPIs (Table 6)	**2019**	**2019 v 2018 var**	**2018**	**2017**
BMS managed loan book	£34m	(15%)	£40m	£82m
Sancus asset backed lending book	£199m	18%	£168m	£119m
Total Sancus BMS Loan Book*	£233m	12%	£208m	£201m
Loan Deployments	£123m	7%	£115m	£102m
Return on Tangible Assets	0.9%	325%	(0.4%)	2.9%
Net operating profit/(loss)	£0.4m	300%	(£0.2m)	£1.6m
Cost Income Ratio	96%	6%	102%	85%
On balance sheet loans before IFRS9	£21.2m	(18%)	£26.0m	£35.4m
Revenue (proforma)	£9.6m	(17%)	£11.7m	£10.0m
Operating expenses	£5.5m	14%	£6.4m	£6.3m
Gross Profit	£7.5m	(19%)	£9.3m	£7.9m
Cost of borrowing	£1.7m	8%	£1.8m	£2.2m

* Previous total Sancus BMS loan book numbers quoted included supply chain finance loan book (£18m in 2017 and £11m in 2018). As this has now closed, these figures are no longer included in the totals noted above.

Lending - loan deployment and loan book growth

Sancus asset back lending has increased by 18% in the year from £168m at the end of 2018 to £199m at the end of 2019. We have stated that we would be reducing our own on balance sheet loan exposure and so this growth has been driven by Co-Funder lending. The total asset backed lending book was made up of 94% of Co-Funder money compared to 89% at the end of 2018 and 81% at the end of 2017. Of this, the HIT facility made up £37m at the end of 2019, a 76% increase from 2018 when it was £21m. Co-funder participation, excluding HIT and Sancus Loan Notes increased by 24% in the year, demonstrating the continued support and enthusiasm for asset backed lending.

As previously mentioned, the BMS loan book is in runoff and we will utilise the cash coming back into the business for the repayment of the ZDPs on 5 December 2020.

Loan deployment in 2019 rose by a further 7% to £123m from £115m in 2018. Loan deployments are classified as new loans written in the year and a key target for the sales teams to focus on.

Return on Total Assets ("ROTA") (Refer Note 27 for performance measure calculations)

We have seen an improvement in this ratio during 2019 from (0.4%) in 2018 to a positive 0.9% return for the year ended 2019. This improvement is as a result of net operating profits increasing and the total tangible assets figure has reduced following the reduction of our on-balance sheet loans and concurrent reduction in our liability to purchase the ZDPs in the market.

Cost Income Ratio ("CIR") (Refer Note 27 for performance measure calculations)

The total costs include operating expenses, debt costs and broker costs as set out in Note 27. CIR for 2019 has reduced to 96% from 102% for the full year 2018. Cost efficiencies have been delivered across a number of areas, but primarily in employment costs. The Group is focused on improving this ratio which we believe will be achievable as we see an increase in revenue in our growth markets. Following extensive cost savings over the past few years and reduction in headcount we do not expect to continue to reduce the operating costs to such a large extent in future years.

Asset Backed Lending

Sancus
www.sancus.com

Sancus has loaned in total £719m since it became fully operational in January 2014, including the Isle of Man.

On average, the profile of the loan book is as follows:
- Loans size is £2.2m;
- Duration is 21 months;
- Interest rates charged are 10.4%; and
- Loan to Values (LTV) are 59%.

Loan Book

The total loan book has increased by 18% from £168m at the end of December 2018 to £199m at the end of December 2019, with HIT contributing 36% to this increase. Co-Funder participation increased by 32% from last year. The Sancus on balance sheet loans have decreased from £18m to £13m as cash has been released to acquire back our ZDPs in line with our corporate strategy.

Revenue

Sancus BMS Group revenue for 2019 was £12.6m compared to £13.3m in 2018. In line with our ZDP repayment strategy we have been utilising cash as it becomes available from loans on balance sheet to acquire ZDPs, so we would not expect to see the same revenue growth we have seen previously. The Sancus revenue of £6.9m represents the asset backed lending from the Sancus Group, a decrease from £7.2m in 2018 as a result of lower on balance sheet loans. During the year we have seen a large increase from revenue consolidated into the Group results from Sancus Loans Limited (the HIT facility) from £1.9m to £3.7m. We have also seen a decline in the BMS revenue from £2.9m to £1.5m from the sale of the Irish BMS fund last year and a decline in the balance in the UK fund. As these have been running off, cash has been deployed into acquiring ZDPs. Following the closure of the supply chain finance business at the start of the year we have ceased to receive income from this revenue stream, but overtime we expect Sancus revenue to increase as the UK and Irish ABL offering grows.

Sancus Loan Note Programme - Table 8

The Sancus Loan Notes provide Sancus BMS with another pool of funders who wish to be part of a group of assets rather than 1 specific loan. These are managed by Amberton Asset Management which is a joint venture with Somerston Group and is regulated by The Protection of Investors (Bailiwick of Guernsey) Law, 1987 ("POI") License. Since the programme was launched in November 2016, 6 have been launched to date. The table below shows the history of the loan notes to date.

There are currently 2 live loan notes and the Group has a total guarantee of £1.9m, being 10% of SLN5. The latest launched loan note 6 does not include a first loss position.

Loan Note	Date Launched	Term (years)	Maturity/ redemption date	Coupon %	Sancus Guarantee £'000	Total Loan Note at 31 December 2019 £'000
SLN 1 - repaid	7/11/2016	2.0	28/2/2018	8%	£7,500	-
SLN 2 - repaid	12//2017	2.0	7/2/2019	7%	£3,000	-
SLN 3 - repaid	4/10/2017	1.1	8/11/2018	6%	20% first loss	-
SLN 4 - repaid	9/7/2018	1.25	30/9/2019	6%	20% first loss	-
SLN 5 - live	8/11/2018	3.0	8/11/2021	7%	10% first loss	19,400
SLN 6 - live	30/12/2019	2.0	31/12/2021	8%	No first loss	2,250

SME Finance

BMS Finance (www.bms-finance.com) provides UK loans funded by long term committed capital from investors including circa 49% being subscribed by the government investment vehicle, namely British Business Investments (formerly British Business Bank Investments). Following the departure of certain key individuals in 2018, the fund is in managed run-off and the loan book has amortised (total capital committed is now at £36m). GLI holds 25.25% of total capital commitments.

Sancus Finance ceased to offer working capital finance in 2019, with the UK team now focussed on core Sancus asset-backed lending activities.

FinTech Ventures

As highlighted in the CEO report, it is disappointing that the FinTech Ventures portfolio has suffered further material write downs during the year. The portfolio is now valued at £6.3m, plus £0.2m for interest.

The interest income revenue has reduced compared to previous years as we are only making selective new investments to protect our position on certain platforms. During 2019, we have made a fair value adjustment against accrued interest on loans and preference shares where we have concerns around potential recoverability.

Operating expenses are allocated to FinTech Ventures on a percentage basis of Group overall costs. Following the resignation of Aaron Le Cornu who leaves the Company in April 2020, the responsibility for the various FinTech platforms are being allocated out among other members of the Executive Team, and operating costs allocated to FinTech Ventures will reduce accordingly.

FinTech Ventures Portfolio Asset Split (Table 9)

£'000	**31 December 2019**	**31 December 2018**
Equity	4,500	11,608
Debt	1,799	2,196
Total FinTech Ventures portfolio	**6,299**	**13,804**
Total Number of Platforms	9	11

The total fair value at 31 December 2019 of £6.3m is made up of investments in the following instruments: £4.5m of Equity, and £1.8m of Debt mainly in the form of convertible loan notes where we retain the potential upside from being able to convert on favourable terms should the platforms deliver a successful opportunity for us to exit. Given the difficult market conditions, some tough decisions have been made to write down the valuations of several of the platforms in the portfolio.

At the time that these minority stakes in the various platforms were acquired by the Group back in 2014 and 2015, it was expected that they would achieve profitability far quicker than they have. In practice, the plethora of FinTech start-ups has created a very competitive market and scale has been harder to achieve. As a portfolio of early stage businesses, it is perhaps inevitable that some platforms have either failed or have underperformed to the point where it has been appropriate to take write-downs. Whilst investment risk related to this portfolio will remain an ongoing feature, we hope that there is significant potential to secure enhanced valuations from those platforms which are performing well.

The valuation methodology employed by the Group is unchanged and remains compliant with IFRS 13, based on a fair value approach and taking into account the International Private Equity and Venture Capital Valuation Guidelines ("IPEV"), which provides guidance on fair value valuation practices.

For commercial reasons we do not disclose the carrying value of each platform.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**31 December 2019 £'000**	**31 December 2018 £'000**
Revenue	5	13,140	13,221
Cost of sales	6	(5,126)	(3,983)
Gross profit		**8,014**	**9,238**
Operating expenses	7	(6,953)	(8,493)
Operating profit before credit losses		**1,061**	**745**
Changes in expected credit losses	22	(1,524)	(1,247)
Incurred losses on financial assets	22	(116)	(1,763)
Operating Loss		**(579)**	**(2,265)**
FinTech Ventures fair value movement	22	(7,493)	(19,634)
FinTech Ventures foreign exchange (loss)/gain	22	(50)	928
Other net (losses)/gains	8	(1,566)	189

Impairment of goodwill	12	-	(2,139)
Loss for the year before tax		(9,688)	(22,921)
Income tax expense	18	(232)	(243)
Loss for the year after tax		**(9,920)**	**(23,164)**
Items that may be reclassified subsequently to profit and loss			
Foreign exchange gain arising on consolidation		21	1
Other comprehensive income for the year after tax		**21**	**1**
Total comprehensive loss for the year		**(9,899)**	**(23,163)**
Loss for the year after tax attributable to equity holders of the company		**(9,920)**	**(23,164)**
Total comprehensive loss attributable to equity holders of the company		**(9,899)**	**(23,163)**
Basic and Diluted Loss per Ordinary Share	10	(3.26)p	(7.57)p

The accompanying Notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	**Notes**	**31 December 2019 £'000**	**31 December 2018 £'000**
Non-current assets			
Fixed assets	11	1,018	31
Goodwill	12	22,894	22,894
Other intangible assets	13	334	571
Sancus BMS loans and loan equivalents	22	8,950	14,916
FinTech Ventures investments	22	6,299	13,804
Other investments		-	327
Investments in joint ventures and associates	9	2,703	2,855
Total Non-current assets		42,198	55,398
Current assets			
Loans through platforms	22	31	883
Other assets	14	3,336	4,404
Sancus BMS loans and loan equivalents	22	55,282	37,401
Trade and other receivables	15	5,909	5,656
Cash and cash equivalents		7,244	5,863
Total Current assets		71,802	54,207
Total assets		**114,000**	**109,605**
EQUITY			
Share premium	16	112,557	112,557
Treasury shares	16	(1,099)	(1,162)
Retained earnings		(71,085)	(61,168)
Capital and reserves attributable to equity holders of the Group		40,373	50,227
Total equity		**40,373**	**50,227**
LIABILITIES			
Non-current liabilities	17	54,870	32,684
Current liabilities	17	18,757	26,694
Total liabilities		73,627	59,378
Total equity and liabilities		**114,000**	**109,605**

The financial statements were approved by the Board of Directors on 6 April 2020 and were signed on its behalf by:

Director: Patrick Firth Director: John Whittle

The accompanying Notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	**Share Premium**	**Treasury Shares**	**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**
Balance at 31 December 2018		112,557	(1,162)	1	(61,169)	50,227	-	50,227
Adjustments in respect of IFRS 16		-	-	-	(18)	(18)	-	(18)

Restated at 1 January 2019		112,557	(1,162)	1	(61,187)	50,209	-	50,209
Transferred to/from management	16	-	63	-	-	63	-	63
Transactions with owners		-	63	-	-	63	-	63
Total comprehensive loss for the year		-	-	21	(9,920)	(9,899)	-	(9,899)
Balance at 31 December 2019		**112,557**	**(1,099)**	**22**	**(71,107)**	**40,373**	**-**	**40,373**

Balance at 31 December 2017		112,557	(1,162)	-	(36,588)	74,807	(4)	74,803
Adjustments in respect of IFRS 9	22	-	-	-	(1,350)	(1,350)	-	(1,350)
Restated at 1 January 2018		112,557	(1,162)	-	(37,938)	73,457	(4)	73,453
Acquisition of non-controlling interest in Sancus Finance		-	-	-	(67)	(67)	4	(63)
Transactions with owners		-	-	-	(67)	(67)	4	(63)
Total comprehensive loss for the year		-	-	1	(23,164)	(23,163)	-	(23,163)
Balance at 31 December 2018		112,557	(1,162)	1	(61,169)	50,227	-	50,227

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 December 2019 £'000	31 December 2018 £'000
Cash inflow from operations, excluding loan movements	19	556	73
Decrease/(Increase) on Sancus BMS loans		946	(7,714)
Decrease on loans through platforms		846	22
Increase on Sancus Loans Limited loans		(20,380)	(25,639)
Decrease in loans to UK and Irish SARLs		1,795	11,483
Divestment in Sancus Loan Notes		3,311	8,062
Net Cash flows used in operating activities		(12,926)	(13,713)
Investing activities			
Acquisition of non-controlling interest and connected entities		-	(413)
Purchase of investments - FinTech Ventures		-	(2,995)
Sale of investments/repayment of loans - FinTech Ventures		89	376
Divestment/(Investment) in Sancus (IOM) preference shares		950	(950)
Divestment in UK and Irish SARLs		83	-
Expenditure on SPL Properties		(720)	-
Sale of SPL Properties		929	-
Property, equipment and other intangibles acquired		(181)	(275)
Net cash inflow/(outflow) from investing activities		1,150	(4,257)
Financing activities			
Drawdown of HIT facility	19	21,395	22,591
Purchase of own shares	16	(336)	-
Capital element of lease payments	19	(190)	-
Repayment of ZDPs	19	(7,712)	(1,774)
Net cash generated by financing activities		13,157	20,817
Net increase in cash and cash equivalents		1,381	2,847
Cash and cash equivalents at beginning of year		5,863	3,016
Cash and cash equivalents at end of year		7,244	5,863

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

The accompanying Notes form an integral part of these financial statements.

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 ZDPs were listed and traded on the Standard listing Segment of the main market of the London Stock Exchange with effect from 5 October 2015.

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

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

As at 31 December 2019, the Group comprises the Company and its subsidiaries (please refer to Note 20 for full details of the Company's subsidiaries).

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

2. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), and all applicable requirements of Guernsey Company Law. The financial statements have been prepared under the historical cost convention, as modified for the measurement of investment at fair value through

profit or loss. With the exception of any new and amended accounting standards which require policy changes, detailed in note 2(v), 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 2018.

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

Going Concern

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

The assessment has been supported by subjecting the Group's financial forecasts over a period of at least twelve months from the end of the reporting date to severe but reasonable scenarios and reviewing the effectiveness of any mitigating actions. This assessment mainly focused on the maturity of the ZDPs on 5 December 2020. At maturity it is the intention of the Board that the ZDPs will be repaid by using cash reserves of the Group. The Board notes that the Going Concern model indicates that there will be sufficient cash available to meet the repayment of the ZDPs at the end of 2020 and has come to this conclusion by analysing key assumptions. These key assumptions include that Sancus BMS generates positive cash flows in 2020 and the collection of loan principal amounts are received as they mature, and these repayments are not fully redeployed into new loans. We also have £3.3m of real estate assets which we expect to sell during 2020 having recently accepted an offer on one of the property assets which is assumed to complete in the next few months. As disclosed in Note 26 the Group has £21.4m of unfunded commitments which we have modelled to be funded by Co-Funders, the Sancus Loan Notes and the HIT facility relative to current levels of participation in these loans. The Board also notes that the HIT facility expires on 28 January 2021 and we expect to renew this facility then. It was always the intention of the HIT facility to renew on a three-year rolling basis as per the revolver clause in the agreement, as long as the portfolio is performing. Regarding the £10m Bond due on 30 June 2021, it is the Boards intention that this will either be repaid from cash resources through the disposal of loans and/or assets or will be refinanced with another similar debt instrument.

The Board further notes that management have undertaken a detailed review of the loan books and stress tested for the impact of COVID-19. Based on this review and on current available information, it is likely to impact the timing of receipt of the outstanding loan book in the short to medium term, but not the ultimate recoverability of the loans as these are largely asset

backed with an average LTV of 59%. At this stage however we cannot forecast with certainly the full impact COVID-19 will have on the timings of the loan repayments or whether there is a more severe deterioration in the markets for the underlying security which would impact recoverability. As part of the stress testing, the assumptions we have made regarding the operational performance (income and expenditure) driven by loan book growth, remains unchanged and that even under the more conservative scenarios the Group is forecast to generate sufficient income to meet expenses, but this does cause additional risk to the repayment of the ZDPs on 5 December 2020. Should there be a shortfall, as noted below the Company will either seek a commercial loan at a similar rate or, subject to Shareholder consultation may seek approval to extend the ZDP on similar terms or may offer a swap into GLI Bonds.

There are sensitivities around the various assumptions described above which have been stress tested for delays and other risks that the loans may not repay on time, that the unfunded commitments may not all be funded by Co-Funders and that the real estate asset sales may not occur as planned in 2020. Should this transpire, then the Group can also call upon other assets to raise cash, including the sale of shares held in treasury, the sale of the FinTech Ventures portfolio and other assets Although these are not the preferred options of the Board, we note that this is available if required albeit at values which might be significantly different to the 31 December 2019 position. In the event that there is a short fall of cash reserves to repay the ZDPs on the 5 December 2020, it is the Group's intention to obtain a short-term loan at similar interest rates paid in the past or subject to Shareholder consultation may seek approval to extend the ZDP on similar terms or may offer a swap into GLI Bonds.

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

(a) Basis of consolidation

The financial statements comprise the results of GLI Finance Limited and its subsidiaries for the year ended 31 December 2019. The subsidiaries are all entities where the Company has the power to control the investee, is exposed, or has rights to variable returns and has the ability to use its power to affect these returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year is recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation.

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

(b) Cash and cash equivalents

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

(d) Dividends

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

(e) Expenditure

All expenses are accounted for on an accrual's 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

Classification, recognition and initial measurement

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

Given we are a lending business which participates in financing to borrowers Sancus BMS loans, HIT loans, BMS fund investments, loan equivalents and loans through platforms are held solely for the collection of contractual cash flows, being interest, fees and payment of principal. These assets are held at amortised cost using the effective interest rate method, adjusted for any credit loss allowance.

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 held at fair value with charges recognised in profit and loss.

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. Trade receivables are held at amortised cost using the effective interest rate method, adjusted for any credit loss allowance. Trade payables and financial liabilities are held at amortised cost with any interest cost being allocated over the appropriate period.

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 as noted above. Realised gains and losses arising on the derecognition of financial assets and liabilities are recognised in the period in which they arise. The effect of discounting on trade and other receivables is not considered to be material

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 22.

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.

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

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.

Derivative financial instruments

The Group enters into foreign exchange forward contracts in order to manage its exposure to foreign exchange rate movements. Further details can be found in note 22.

Forward contracts are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Resulting gains/losses are recognised in profit or loss immediately. Forward contracts with positive fair value are recognised as financial assets whereas forward contracts with negative fair value are recognised as financial liabilities. Contracts are presented as non-current assets or liabilities if the remaining maturity of the instrument is more than 12 months and is not expected to be settled within 12 months. Other contracts are presented as current assets.

Expected credit losses

Credit risk is assessed at initial recognition of each financial asset and subsequently re-assessed at each reporting period-end. For each category of Credit risk loans have been categorized into Stage 1, Stage 2 and Stage 3 with Stage 1 being to recognise 12 month Expected Credit Losses (ECL), Stage 2 being to recognise Lifetime ECL not credit impaired and Stage 3 being to recognise Lifetime ECL credit impaired. When for example LTV exceeds 65% or amounts become 30 days past due judgement will be used to reassess whether Credit risk has increased significantly enough to move the loan from one stage to another. A loan is considered to be in default when there is a failure to meet the legal obligation of the loan agreement. This would include provisions against loans that are considered by management as unlikely to pay their obligations in full without realisation of collateral.

Sancus BMS loans and loan equivalents are assessed for credit risk based on information available at initial recognition, predominantly (but not solely) using Loan to Value (LTV). With respect to the loan to the UK SARL there is no direct exposure to individual loans. As a result this loan has been assessed for credit risk based upon the Net Asset Value (NAV) of the SARL, and its ability to repay the loan. For trade and other receivables, the Group has applied the simplified approach to recognise lifetime expected credit losses although loan interest receivable is included in the gross carrying value when determining ECL.

Provision for ECL is calculated using the credit risk, the probability of default and the probability of loss given default, all underpinned by the LTV, historical position, forward looking considerations and on occasion subsequent events, and the subjective judgement of the Board. ECL assumes the life of the loan is consistent with contractual term.

(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 the primary currency in which they operate with the exception of Sancus BMS (Ireland) Limited whose primary currency is the Euro.

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

Foreign exchange differences arising on consolidation of the Group's foreign operations are taken direct to reserves. The rates of exchange as at the year-end are £1: USD1.3259 (31 December 2018 USD1.2743) and £1: EUR1.1815 (31 December 2018 EUR1.1094)

(h) Goodwill

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

(i) Interest costs

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

(j) Other intangible assets

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

Computer software

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

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

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

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

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

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

(l) Investment in Joint Venture and associates

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

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

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

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

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

(m) Non-Current Liabilities

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

The ZDPs are contractually required to be redeemed on their maturity date and they will be settled in cash, thus, ZDP shares are classified as liabilities (refer to Note 17) in accordance with IAS 32 Financial Instruments: Presentation. After initial recognition, these liabilities are measured at amortised cost, which represents the initial proceeds of the issuance plus the accrued entitlement to the reporting date. Any ZDPs acquired by the group, as noted in Note 17, are held in Treasury and shown as a reduction in carrying value.

(n) Property and equipment

Tangible fixed assets include computer equipment, furniture and fittings stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of tangible property and computer equipment on a straight-line basis over its expected useful economic life as follows:

Furniture and fittings 3 to 5 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 in accordance with IFRS 9. As such it is only recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income

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

Fee income on syndicated and non-syndicated loans

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

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

The Directors consider that the economic measurement of fee revenues that arise and become due on the completion of a loan (exit fees and warrants) should be accounted for as variable consideration and the exit fee constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Variable consideration is included based on the expected value or most likely amount, with the estimated transaction price associated with syndication services (being the performance obligation to which these fees are attributable) due on collection of the loan, updated at the end of each reporting period to represent the circumstances present and any changes in circumstances during the reporting period. This includes factors such as timing risk, liquidity risk, quantum uncertainty and conditions precedent in the syndicated finance contract. 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.

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) 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.

(s) 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.

(t) Inventories

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

(u) Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate (initially measured using the index or rate at the commencement date), the amount expected to be payable by the lessee under residual value

guarantees, the exercise price of purchase options (if the lessee is reasonably certain to exercise the options) and payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within current and non-current liabilities in the consolidated statement of financial position. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures this liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed or there is a change in the lease payments used on inception to measure the liability as described above.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other operating expenses' in profit or loss.

(v) Adoption of new and revised Standards

The Group has adopted IFRS 16 'Leases' for the first time in this set of financial statements.

This standard has replaced IAS 17, the previous lease accounting standard, and is effective for reporting periods beginning on or after 1 January 2019. As such it has been adopted for the first time in this set of financial statements. The group has chosen to adopt the modified retrospective approach on transition to IFRS 16. Under this approach the lessee does not restate comparative information, instead posting the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2019. The policy on Leases can be found at note 2(u).

IFRS 16 effects on the Financials

As permitted by the standard the group has used the incremental borrowing rate (IBR) as a proxy for the discount rate implicit in the lease. The IBR is defined as the rate that the company would have to pay if it went out into the market and brought a similar asset under a finance arrangement. The IBR is therefore company, asset and length of lease specific. Given it is not possible to go into the market and obtain an IBR for each right of use asset the IBR is a critical accounting estimate.

An IBR of 7.25% has been used to calculate the discounted future lease payments and hence the opening value of each Right-of-use asset. This has been arrived at by reviewing current commercial property rates obtainable in the market adjusted for the particular circumstances of the company which holds the leases, and then comparing to funding that the Group has raised historically. It should be noted that moving the rate by c2% in either direction does not alter the initial value of the asset materially. This has resulted in the recognition of Right-of-use assets amounting to £856,000 and a corresponding Lease Liability of £847,000, together with a credit to prepayments of £27,000 and a debit to equity of £18,000 as at 1 January 2019.

However, as noted above, under the modified retrospective approach comparatives have not been restated. In the 12 months to December 2019 the Group has suffered depreciation charges from Right-of-use assets of £231,000 and interest charges of £70,000. Under IAS 17, the previous accounting standard, the group would have suffered rental charges of £258,000. The impact on transition, taking into account only the leases as they existed at 31 December 2018, is not materially different to that stated in the 2018 Annual report.

Amendments to IFRSs and IASs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs and IASs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. These have been listed below. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments to IFRS 3: *Amendments resulting from Annual Improvements 2015-2017 Cycle*
- Amendments to IFRS 9: *Amendments regarding prepayment features with negative compensation and modifications of financial liabilities*
- Amendments to IFRS 11: *Amendments resulting from Annual Improvements 2015-17 Cycle*
- Amendments to IAS 12: *Amendments resulting from Annual Improvements 2015-17 Cycle*
- Amendments to IAS 19: *Amendments regarding plan amendments, curtailments or settlements*
- Amendments to IAS 23: *Amendments resulting from Annual Improvements 2015-17 Cycle*
- Amendments to IAS 28: *Amendments regarding long-term interests in associates and joint ventures*

IFRSs, IASs and amendments that are in issue but not yet effective.

At the date of approval of these Consolidated Financial Statements, the following IFRSs, IASs and amendments, which have not been applied in these Consolidated Financial Statements and are not envisaged to have a material impact on the financial statements when they are applied, were in issue but not yet effective:

- Amendments to References to the Conceptual Framework in IFRS Standards: *Amendments to IFRS 2, 3, 6, 14, IAS 1, 8, 34, 37, 38, IFRIC 12, 19, 20, 22 and SIC-32*
- Amendments to IFRS 3: *Amendments to clarify the definition of a business*
- Amendments to IFRS 7: *Amendments regarding pre-replacement issues in the context of the IBOR reform*
- Amendments to IFRS 9: *Amendments regarding pre-replacement issues in the context of the IBOR reform*
- IFRS 17: Insurance Contracts
- Amendments to IAS 1: *Amendments regarding the definition of material*
- Amendments to IAS 1: *Amendments regarding the classification of liabilities*
- Amendmnets to IAS 8: *Amedments regarding the definition of material*
- Amendments to IAS 39: *Amendments regarding pre-replacement issues in the context of the IBOR reform*

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

Critical judgements in applying the group's accounting policies

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

Fair value accounting for FinTech Ventures investments

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

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

The Group therefore designates those investments in associates which qualify for this exemption as fair value through profit or loss. Refer to Note 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.

Going Concern

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

IFRS 10 Control Judgements

Judgement is sometimes required to determine whether after considering all relevant factors, the Group has control, joint control or significant influence over an entity or arrangement. Other companies may make different judgements regarding the same entity or arrangement. The Directors have assessed whether or not the Group has control over Sancus Loan Notes 4, 5 and 6 based on whether the Group has the practical ability to direct the relevant activities unilaterally. In making their judgement, the directors considered the rights associated with its investment in preference shares. After assessment, the directors concluded that the Group does not have the ability to affect returns through voting rights (the preference shares do not have voting rights) or

other arrangements such as direct management of these entities (the Group does not have control over the investment manager). If the Directors had concluded that the ownership of preference shares was sufficient to give the Group control, these entities would instead have been consolidated with the results of the Group.

IFRS 9 Credit Risk

Credit risk and determining when a significant increase in credit risk has occurred are critical accounting judgements and are assessed at each reporting period end. Credit risk is used to calculate estimated credit losses (ECL). Further details on credit risk can be found in Note 22.

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 12, 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 12. 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 12. Refer Notes 2(h) and (k) for accounting policies relating to the valuation and impairment of goodwill.

IFRS 9 ECL

Key areas of estimation and uncertainty are the probabilities of default (PD) and the probabilities of loss given default (PL) which are used along with the credit risk in the calculation of ECL. Further details on ECLs, PD and PL can be found in Note 22. Should the estimates of PD or PL prove to be different from what actually happens in the future, then the recoverability of loans could be higher or lower than the accounts currently suggest, although this should be mitigated by the levels of LTV which are, in the main, less than 70%.

Fair Value of the FinTech Ventures investments

The Group invests in financial instruments which are not quoted in active markets and may receive such financial instruments as distributions on certain investments. Fair values are determined by using valuation techniques as detailed in Note 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. See Note 22 for further details. The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting year, although transactional data has become available in some cases, reducing the need for reliance on the discounted cash flow method. All of the FinTech Ventures investments are categorised as Level 3.

Determination of effective interest rate in relation to exit fees

Given the inherent uncertainty, timing and value of the fee paid at the completion of a loan these variable fees are not recognised over the term of the loan and are instead recognised only when earned and they become unconditional. In this respect estimates are made of such variable consideration at each reporting period end. This is contrary to the effective interest rate method outlined in IFRS 9. However, the directors consider that this treatment best reflects the commercial operations of the Group as an administrator of loan arrangements. Were these fees to be recognised across the term of the loan there is a risk that when the loan terminates, they will not materialise or will be of a value significantly different to that included in any effective interest rate calculation. As such exit fees are considered to be a key source of estimation uncertainty.

4. SEGMENTAL REPORTING

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

Sancus BMS

- Platforms with an established business model
- Amberton - fundraising for Sancus BMS
- Investments in the BMS UK and Irish loan funds (Irish investment disposed 14 September 2018)

FinTech Ventures

- Nine platform investments (2018: eleven)

Group Treasury

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

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

	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2019	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2018
							-	
Revenue	**12,649**	**491**	**-**	**13,140**	13,261	(40)	-	13,221
Cost of sales	**(5,114)**	**-**	**(12)**	**(5,126)**	(3,983)	-	-	(3,983)
Gross profit	**7,535**	**491**	**(12)**	**8,014**	9,278	(40)	-	9,238
Operating expenses	**(5,523)**	**(504)**	**(926)**	**(6,953)**	(6,449)	(677)	(1,367)	(8,493)
Operating profit/(loss) before credit losses	**2,012**	**(13)**	**(938)**	**1,061**	2,829	(717)	(1,367)	745
Changes in expected credit losses	**(1,524)**	**-**	**-**	**(1,524)**	(1,247)	-	-	(1,247)
Incurred losses on financial assets	**(116)**	**-**	**-**	**(116)**	(1,763)	-	-	(1,763)
Operating profit/(loss)	**372**	**(13)**	**(938)**	**(579)**	(181)	(717)	(1,367)	(2,265)
FinTech Ventures fair value movement	**-**	**(7,493)**	**-**	**(7,493)**	-	(19,634)	-	(19,634)
FinTech Ventures foreign exchange	**-**	**(50)**	**-**	**(50)**	-	928	-	928
Other net (losses)/gains	**(1,625)**	**59**	**-**	**(1,566)**	(121)	310	-	189
Impairment of goodwill	**-**	**-**	**-**	**-**	(2,139)	-	-	(2,139)
Loss for the year before tax	**(1,253)**	**(7,497)**	**(938)**	**(9,688)**	(2,441)	(19,113)	(1,367)	(22,921)
Income tax expense	**(232)**	**-**	**-**	**(232)**	(243)	-	-	(243)
Loss for the year after tax	**(1,485)**	**(7,497)**	**(938)**	**(9,920)**	(2,684)	(19,113)	(1,367)	(23,164)
Foreign exchange on consolidation	**21**	**-**	**-**	**21**	1	-	-	1

Total comprehensive loss for the year	(1,464)	(7,497)	(938)	(9,899)	(2,683)	(19,113)	(1,367)	(23,163)

All losses for the year and previous year after tax, and the entirety of the total comprehensive loss for the year and previous year is attributable to equity shareholders.

£'000	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2019	Sancus BMS	FinTech Ventures	Group Treasury	31 December 2018
ASSETS								
Non-current assets								
Fixed assets	694	-	324	1,018	31	-	-	31
Goodwill	22,894	-	-	22,894	22,894	-	-	22,894
Other intangible assets	334	-	-	334	571	-	-	571
Sancus BMS loans	3,099	-	-	3,099	11,316	-	-	11,316
Sancus Loans Limited loans	5,851	-	-	5,851	3,600	-	-	3,600
Total Sancus BMS loans and loan equivalents	8,950	-	-	8,950	14,916	-	-	14,916
FinTech Ventures investments	-	6,299	-	6,299	-	13,804	-	13,804
Other investments	-	-	-	-	327	-	-	327
Joint ventures and associates	2,703	-	-	2,703	2,855	-	-	2,855
Total Non-current assets	35,575	6,299	324	42,198	41,594	13,804	-	55,398
Current assets								
Loans through platforms	30	1	-	31	55	828	-	883
Other assets	3,336	-	-	3,336	4,404	-	-	4,404
Sancus BMS Loans	15,145	-	-	15,145	10,975	-	-	10,975
Sancus Loans Limited loans	40,034	-	-	40,034	22,039			22,039
Investment in Sancus Loan Notes	-	-	-	-	3,311	-	-	3,311
Loan equivalents	103	-	-	103	1,076	-	-	1,076
Total Sancus BMS loans and loan equivalents	55,282	-	-	55,282	37,401	-	-	37,401
Trade and other receivables	5,627	282	-	5,909	4,678	972	6	5,656
Cash and cash equivalents	6,568	19	657	7,244	3,856	1	2,006	5,863
Total Current assets	70,843	302	657	71,802	50,394	1,801	2,012	54,207
Total assets	106,418	6,601	981	114,000	91,988	15,605	2,012	109,605
LIABILITIES								
Non-current liabilities								
Corporate bond	10,000	-	-	10,000	10,000	-	-	10,000
HIT facility	44,191	-	-	44,191	22,684	-	-	22,684
Lease liabilities	517	-	162	679	-	-	-	-
	54,708	-	162	54,870	32,684	-	-	32,684
Current liabilities								
Trade and other payables	1,087	12	622	1,721	1,723	7	905	2,635
ZDP shares	16,825	-	-	16,825	24,059	-	-	24,059
Lease liabilities	160	-	51	211	-	-	-	-
	18,072	12	673	18,757	25,782	7	905	26,694
Total liabilities	72,780	12	835	73,627	58,466	7	905	59,378
Net assets	33,638	6,589	146	40,373	33,522	15,598	1,107	50,227

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

5. REVENUE

	31 December 2019 £'000	31 December 2018 £'000
Co-Funder fees	1,903	1,716
Earn out (exit) fees	1,337	1,159
Advisory fees	565	1,418
Transaction fees	2,095	3,872
Total revenue from contracts with customers	**5,900**	**8,165**
Interest on Loans	2,995	2,710
HIT Interest income	3,737	1,905
Sundry income	508	441
Total Revenue	**13,140**	**13,221**

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

6. COST OF SALES

	31 December 2019 £'000	31 December 2018 £'000
Interest costs	1,750	1,834
HIT interest costs	3,015	1,597
Other cost of sales	361	552
Total cost of sales	**5,126**	**3,983**

7. OPERATING EXPENSES

	31 December 2019 £'000	31 December 2018 £'000
Amortisation and depreciation	519	265
Audit fees	231	228

Company Secretarial	132	135
Corporate Insurance	73	61
Employment costs	4,406	5,783
Independent valuation fees	56	5
Investor relations expenses	65	60
Legal & Professional	156	452
Marketing expenses	55	91
NOMAD fees	76	93
Other office and administration costs	818	1,047
Pension costs	321	233
Registrar fees	35	26
Sundry	10	14
	6,953	**8,493**

8. OTHER NET (LOSSES)/GAINS

The £1,566,000 Other net (losses)/gains is predominantly made up of the write down of other assets £987,000 (note 14), net loss on joint ventures and associates £152,000 (note 9) and the write down of equity in the UK Sarl £228,000.

9. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2019 £'000	31 December 2018 £'000
At beginning of year	2,855	2,266
Additions	-	350
Share of profit of associate	103	479
Share of loss in joint venture	(121)	(240)
Write down joint venture	(134)	-
At end of year	2,703	2,855

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

Details of material associates

	Principal Activity	Place of Incorporation	Proportion of ownership interest/voting rights held by the group 31 December 2019	31 December 2018
Sancus (Isle of Man) Holdings Limited	Holding Company for Sancus (IOM) Limited	Guernsey	29.3%	29.3%

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

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

	31 December 2019 £'000	31 December 2018 £'000
Non-current assets	2	2
Current assets	6,675	13,891
Current liabilities	(55)	(739)
Non-current liabilities	-	(6,885)
Equity attributable to owners of the company	6,622	6,269
Revenue	347	597
Profit from continuing operations	233	158

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 2019	31 December 2018 £'000
Net assets of associate	6,622	6,269
Proportion of the Group's ownership interest in the associate	1,940	1,837
Goodwill arising on acquisition	763	763
Carrying amount of the Group's interest in the associate	2,703	2,600

10. 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 £9,920,000 (31 December 2018: loss of £23,164,000) by the weighted average number of Ordinary Shares (excluding treasury shares) outstanding during the period of 304,328,347 (31 December 2018: 305,911,597). There was no dilutive effect for potential Ordinary Shares during the current or prior periods.

Note 16 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 23 were cancelled on 26th November 2019 and have therefore not been considered to have a dilutive effect on the calculation of Loss per Ordinary Share.

	31 December 2019	31 December 2018
Number of shares	312,065,699	312,065,699
Weighted average no. of shares in issue throughout the year	304,328,347	305,911,597
Loss per share	(3.26)p	(7.57)p

11. FIXED ASSETS

	Right-of-use assets £'000	Property & Equipment £'000	Total £'000
Cost			
At 31 December 2018	-	261	261
Amounts recognised on adoption of IFRS 16	856	-	856
At 1 January 2019	856	261	1,117
Additions in the year	233	173	406
Disposals in the year	-	(1)	(1)
At 31 December 2019	1,089	433	1,522

	£'000	£'000	£'000
Accumulated depreciation			
At 31 December 2018	-	230	230
Charge in the year	231	43	274
At 31 December 2019	231	273	504
Net book value 31 December 2019	**858**	**160**	**1,018**
Net book value 31 December 2018	-	31	31

12. GOODWILL

	31 December 2019 £'000	31 December 2018 £'000
Brought forward	22,894	25,033
Impairment of Sancus Finance goodwill	-	(2,139)
Carried forward	22,894	22,894

At 31 December 2019 and 31 December 2018 goodwill comprises:	£'000
Sancus Jersey	14,255
Sancus Gibraltar	8,639
	22,894

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 and Sancus Gibraltar was based on an internal Discounted Cash Flow ("DCF") value in use analysis using cash flow forecasts for the years 2020 to 2024. The starting point for each of the cash flows was the 2020 budget which was produced by Sancus Jersey and Gibraltar management and ratified by its Board. Management's revenue forecasts applied a compound annual growth rate (CAGR) to revenue of 8.5% and 2.2% for Jersey and Gibraltar respectively. A cost of equity discount rate of 12.8% (2018:13.5%) was employed in the valuation model for Sancus Jersey and 13.3% (2018: 14%) for Sancus Gibraltar. The resultant valuation indicated that no impairment of goodwill was required in either Sancus Jersey or Sancus Gibraltar, 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. The current model reveals that a sustained decrease in revenue of 18% for Jersey and 31% for Gibraltar or a sustained increase of 7% in the cost of Equity discount rate for Jersey and 15% for Gibraltar would remove the headroom.

Sensitivity Applied	**Reduction in headroom implied by sensitivity**		
	Sancus Jersey £'000	**Sancus Gibraltar £'000**	**Total £'000**
10% decrease in revenue per annum	5,722	3,841	9,563
3% increase in cost of Equity discount rate	5,192	3,719	8,911

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

13. OTHER INTANGIBLE ASSETS

Cost	£'000
At 31 December 2018	1,576
Additions from internal development	8
At 31 December 2019	**1,584**

Amortisation	£'000
At 31 December 2018	1,005
Charge for the year	245
At 31 December 2019	**1,250**

Net book value 31 December 2019	**334**
Net book value 31 December 2018	571

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

14. OTHER ASSETS

	Properties held for sale £'000	Development properties £'000	Total £'000
At 31 December 2018	1,377	3,027	4,404
Transfers	(509)	509	-
Additions	17	787	804
Disposals	(885)	-	(885)
Write downs	-	(987)	(987)
At 31 December 2019	-	3,336	3,336

Other assets comprise of a number of repossessed properties and developments which were previously held as security against certain loans which have defaulted. The write down in the year is that necessary to bring the assets to the lower of cost and net realisable value. Of the £3.3m development properties £2.9m is held at fair value and £0.4m at cost.

15. TRADE AND OTHER RECEIVABLES

	31 December 2019 £'000	31 December 2018 £'000
Dividend income receivable	68	68
Loan fees and similar receivable	1,093	1,359
Loan interest receivable	4,047	3,646
Receivable from associated companies	13	51
Derivative contracts	156	-
Other trade receivables and prepaid expenses	532	532
	5,909	5,656

16. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE

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

No additional Ordinary shares were issued during the year (2018: nil).

Share Capital **Ordinary Shares - nil par value**	**Shares in issue**
At 31 December 2019 and 31 December 2018	312,065,699

Share Premium **Ordinary Shares - nil par value**	**£'000**
At 31 December 2019 and 31 December 2018	112,557

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

Treasury Shares

	31 December 2019 Number of shares	31 December 2018 Number of shares
Balance at start of the year	6,154,102	6,154,102
GLI shares transferred to key members of management[1]	(2,788,577)	-
GLI shares purchased from BMS management[2]	4,560,474	-
Balance at end of year	7,925,999	6,154,102

	31 December 2019 £'000	31 December 2018 £'000
Balance at start of the year	1,162	1,162
GLI shares transferred to key members of management[1]	(399)	-
GLI shares purchased from BMS management[2]	336	-
Balance at end of year	1,099	1,162

[1] represents bonus amounts paid in shares
[2] represents shares purchased from former members of BMS Finance AB's management team

Warrants in Issue

On 25 February 2016, Shareholders approved special resolutions authorising the issue of warrants to Golf Investments Limited. The warrants expired on 25 February 2020. They conferred 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.

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.

The carrying value of the above warrants is £Nil (31 December 2018: £Nil).

17. LIABILITIES

Non-current liabilities	31 December 2019 £'000	31 December 2018 £'000
ZDP shares (1)	-	-
Corporate Bond (2)	10,000	10,000
HIT Facility (3)	44,191	22,684
Lease creditors (notes 2(u), 2(v) & 25)	679	-

		54,870	32,684

Current liabilities	31 December 2019 £'000	31 December 2018 £'000
ZDP shares (1)	16,825	24,059
Accounts payable	91	278
Accruals and other payables	1,404	1,679
Taxation	221	454
Deferred income	5	67
Lease creditors (notes 2(u), 2(v) & 25)	211	-
Payable to related party	-	157
	18,757	26,694

Interest costs on debt facilities	31 December 2019 £'000	31 December 2018 £'000
ZDP shares (1)	980	1,119
Corporate Bond (2)	700	700
HIT Facility (3)	3,015	1,597
Lease Interest	70	-
	4,765	3,416

(1) ZDP Shares

The ZDP Shares have a maturity date of 5 December 2020 with a final capital entitlement of £1.4115 per ZDP Share.

Under the Companies (Guernsey) Law, 2008 shares in the Company can only be redeemed if the Company can satisfy the solvency test prescribed under that law. Refer to the Company's Memorandum and Articles of Incorporation for full detail of the rights attached to the ZDP Shares. This document can be accessed via the Company's website www.glifinance.com.

The ZDP shares bore interest at an average rate of 5.5% until 5 December 2019. From 5 December 2019 the ZDP shares bear interest at an average rate of 8% (2018: 5.5% throughout the year). 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 2019 the Company was in compliance with these covenants as Cover Test A was 2.92 (minimum of 1.7) and Cover Test B was 3.98 (minimum of 3.25).

At 31 December 2019 senior debt borrowing capacity amounted to £20m. The HIT facility does not impact on this capacity as it is non-recourse to GLI.

During the course of 2019 the Company has been acquiring ZDPs and holding them in Treasury. At 31 December 2019 the Company held 7,934,460 shares (31 December 2018: 1,544,441) with an aggregate value of £10,428,955 (31 December 2018: £1,930,557. Additional ZDPs were acquired post year end as described in note 28.

(2) Corporate Bond

On 30 June 2016 GLI Finance issued £10m corporate bonds as part of the acquisition of Sancus Gibraltar. The bond maturity date is 30 June 2021 and they bear interest at 7% (2018: 7%).

(3) HIT Facility

On 29 January 2018, GLI Finance signed a new funding facility with Honeycomb Investment Trust plc (HIT). The funding line has a term of 3 years and comprises a £45m accordion and revolving credit facility. It is the Directors intention this facility will renew at the end of the term for a further three years. The facility bears interest at 7.25%. The HIT facility has portfolio performance covenants including that actual loss rates are not to exceed 4% in any twelve month period and underperforming loans are not to exceed 10% of the portfolio.

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

18. 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 2018: £1,200) is payable to the States of Guernsey in respect of this exemption.

Reconciliation of tax charge

	31 December 2019 £'000	31 December 2018 £'000
Accounting loss before tax	(9,688)	(22,921)
Accounting profit on which a taxation charge is levied	2,942	2,463
Gibraltar Corporation Tax at 10% (2018: 10%)	186	124
Jersey Corporation Tax at 10% (2018: 10%)	57	124
UK R&D Tax credit	(37)	-
Adjustment in respect of prior years	26	(5)
Tax expense	232	243

Certain of the Group's subsidiaries have an estimated £16.5m of losses available to carry forward to offset against qualifying future trading profits. The Group does not recognise deferred tax assets in respect of losses arising because in the opinion of the directors the quantum and timing of any suitable profits which can utilise these losses is unknown.

19. NOTES TO THE CASH FLOW STATEMENT

Cash generated from operations (excluding loan movements)

	31 December 2019 £'000	31 December 2018 £'000
Loss for the year	(9,920)	(23,164)
Adjustments for:		
Net losses on FinTech Ventures	7,566	18,661
Other net losses/(gains)	87	(664)
ZDP finance costs - Non-cash	980	1,119
Changes in expected credit losses	1,524	1,247
Impairment of financial assets	116	1,565
Amortisation/depreciation of fixed assets	519	265
Amortisation of debt issue costs	118	93
SPL Properties write down	987	-
Goodwill write off	-	2,139
Changes in working capital:		
Trade and other receivables	(537)	(1,794)
Trade and other payables	(884)	606
Cash inflow from operations (excluding loan movements)	556	73

Changes in liabilities arising from financing activities

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

	1 January 2019 £000	Financing cash flows [1] £000	Additions Non-cash £000	Amortisation of debt issue costs Non-cash £000	Interest Accruals Non-cash £000	31 December 2019 £000
ZDP Shares	24,059	(7,712)	-	6	472	16,825
Corporate Bond	10,000	-	-	-	-	10,000
HIT Facility	22,684	21,395	-	112	-	44,191
Lease Liability [2]	847	(190)	233	-	-	890
Total liabilities from financing activities	**57,590**	**13,493**	**233**	**118**	**472**	**71,906**

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

[1] These amounts can be found under financing cash flows in the cash flow statement.

[2] Recognised on adoption of IFRS 16, 1st January 2019.

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

20. CONSOLIDATED SUBSIDIARIES

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

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

[1] The Group submitted an application in February 2020 to dissolve Sancus Services Limited. The activities of this company were to provide the Group with IT services. These services have now been assumed within Sancus Funding Limited.

21. FINTECH VENTURES AND OTHER INVESTMENTS

The Directors consider the following entities as associated undertakings of the Group as at 31 December 2019.

Name of Investment:	Nature of holding	Country of incorporation	Percentage holding	Measurement
FinTech Ventures:				
LiftForward Inc	Indirectly held - Equity	United States of America	18.81%	Fair Value
Finexkap	Indirectly held - Equity	France	10.76%	Fair Value
Ovamba Solutions Inc	Indirectly held - Equity	United States of America	20.18%	Fair Value
Funding Options Limited	Indirectly held - Equity and Preference Shares	United Kingdom	22.78%	Fair Value
TradeRiver Finance Limited	Indirectly held - Equity and Preference Shares	United Kingdom	46.70%	Fair Value
TradeRiver USA Inc	Indirectly held - Equity and Preference Shares	United States of America	24.20%	Fair Value
Open Energy Group Inc	Indirectly held - Equity	United States of America	22.71%	Fair Value
MytripleA	Indirectly held - Equity	Spain	15.00%	Fair Value
Finpoint Limited	Indirectly held - Equity	United Kingdom	13.81%	Fair Value
Other Investments:				
BMS Finance (UK) Sarl	Indirectly held - Equity	Luxembourg	25.25%	Fair Value

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

22. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Sancus BMS loans and loan equivalents	**31 December 2019 £'000**	**31 December 2018 £'000**
Non-current		
Sancus BMS loans	3,099	11,316
Sancus Loans Limited loans	5,851	3,600
Total non-current Sancus BMS loans and loan equivalents	**8,950**	**14,916**
Current		
Sancus BMS loans	15,145	10,975
Investments in Sancus Loan Notes	-	3,311
Loan equivalents	103	1,076
Sancus Loans Limited loans	40,034	22,039
Total current Sancus BMS loans and loan equivalents	**55,282**	**37,401**
Total Sancus BMS loans and loan equivalents	**64,232**	**52,317**

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 2019		31 December 2018	
	Level 2	**Level 3**	**Level 2**	**Level 3**
Assets	**£'000**	**£'000**	**£'000**	**£'000**
FinTech Ventures investments	-	6,299	-	13,804
Investments in Sancus Loan Notes	-	-	-	3,311
Derivative contracts	156	-	-	-
Other investments at Fair Value	-	2,703	-	3,182
Total assets at Fair Value	156	9,002	-	20,297

In relation to the Level 3 valuation methodology for the FinTech Ventures investments the Board assesses the fair value based on either the value at the last capital transaction or valuation techniques, performed internally or by an independent third-party expert. Factors considered in these valuation analyses included discounted cash flows and comparable company and comparable transaction analysis. Key unobservable inputs used in the discounted cash flows include costs of equity and illiquidity discount rates. Other factors included revenue and costs growth rates, interest margins, bad debt expense and tax rates. These are consistent with the inputs described in the 2018 Annual Report and adjusted where necessary. The Board considers all the information presented to it, including indicative bids, internal analysis, and independent valuations, in order to reach, in good faith, their value determination.

FinTech Ventures investments

31 December 2019	**Equity £'000**	**Loans £'000**	**Total £'000**
Opening fair value	11,608	2,196	13,804
New investments/loans advanced	12	26	38
Unrealised losses recognised in profit and loss	(7,115)	(378)	(7,493)
Foreign exchange loss	(5)	(45)	(50)
Closing fair value	4,500	1,799	6,299

31 December 2018	**Equity £'000**	**Loans £'000**	**Total £'000**
Opening fair value	26,470	3,128	29,598
New investments/loans advanced	200	2,419	2,619
Converted from accrued interest	293	-	293
Converted to equity	2,071	(2,071)	-
Unrealised losses recognised in profit and loss	(18,221)	(1,413)	(19,634)
Foreign exchange gain	795	133	928
Closing fair value	11,608	2,196	13,804

Assets at Amortised Cost

	31 December 2019 £'000	**31 December 2018 £'000**
Sancus BMS loans and loan equivalents	64,232	49,006
Loans through platforms	31	883
Trade and other receivables	5,753	5,656
Cash and cash equivalents	7,244	5,863
Total assets at amortised cost	77,260	61,408

Liabilities at Amortised Cost

	31 December 2019 £'000	**31 December 2018 £'000**
ZDP Shares	16,825	24,059
Corporate Bond	10,000	10,000
HIT Facility	44,191	22,684
Trade and other payables	2,611	2,635
Total liabilities at amortised cost	73,627	59,378

Refer to Note 17 for further information on liabilities.

Risk Management

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

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

(1) Capital Risk Management

The Group's capital comprises ordinary shares as well as a number of debt instruments. Its objective when managing this capital is to enable the Group to continue as a going concern in order to provide a consistent appropriate risk-adjusted return to shareholders, and to support the continued development of its investment activities. Details of the Group's equity is disclosed in Note 16 and of its debt in Note 17.

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

The Group monitors the ratio of debt (loans payable, bonds and ZDP Shares) to other capital which, based upon shareholder approval, is limited to 5 to 1 (or 500%). At year-end this ratio increased to 176% (31 December 2018: 113%) due to the HIT facility. The HIT facility is non-recourse to GLI. Excluding HIT, the ratio at year-end was 66% (31 December 2018: 68%).

(2) Liquidity risk

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

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

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

	Current	**Non-current**
31 December 2019	**Within 12 months £'000**	**1 to 5 years £'000**
Assets		
Sancus BMS loans and loan equivalents	55,282	8,950
FinTech Ventures investments	773	5,526
Joint ventures and associates	-	2,703
Loans through Platforms	31	-
Trade and other receivables	5,909	-
Cash and cash equivalents	7,244	-
Total assets	69,239	17,179
Liabilities		
ZDP Shares	16,825	-
Corporate Bond	-	10,000
Sancus Loans Limited	-	44,191
Trade and other payable	1,932	679
Total liabilities	18,757	54,870
Net Liquidity	50,482	(37,691)

Note that whilst it would appear that there is a significant mis-match the Sancus Loans Limited loan is a revolving credit facility so in reality will match the Sancus BMS loans and loan equivalents much more closely.

(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 2019	**Floating rate Financial Instruments £'000**	**Fixed Rate Financial Instruments £'000**	**Total £'000**
Assets			
Sancus BMS Loans and loan equivalents	7,135	57,097	64,232
Financial assets at fair value through profit and loss	-	1,799	1,799
Loans through Platforms	-	31	31
Cash and cash equivalents	7,244	-	7,244
Total assets	14,379	58,927	73,306
Liabilities			
ZDP shares	-	16,825	16,825
Corporate Bond	-	10,000	10,000
Sancus Loans Limited	-	44,191	44,191
Total liabilities	-	71,016	71,016
Total interest sensitivity gap	14,379	(12,089)	2,290
31 December 2018	**£'000**	**£'000**	**£'000**
Assets			
Sancus BMS Loans and loan equivalents	9,948	39,058	49,006
Financial assets at fair value through profit and loss	-	2,196	2,196
Loans through Platforms	-	883	883
Cash and cash equivalents	5,863	-	5,863
Total assets	15,811	42,137	57,948
Liabilities			
ZDP shares	-	24,059	24,059
Corporate Bond	-	10,000	10,000
Sancus Loans Limited	-	22,684	22,684
Total liabilities	-	56,743	56,743
Total interest sensitivity gap	15,811	(14,606)	1,205

Interest rate sensitivities

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

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

(4) Investment risk

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

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 (2019)	Relationship of unobservable inputs to fair value
	At 31 December 2019	At 31 December 2018			
Market comparable transaction based on recent fundraising activity, adjusted for any relevant risk	4,500	12,636	Equity raise completed Q4 2019	Transaction price negatively adjusted by a range of 17%-100% for completion risk, nature of fundraising and other risks	A smaller adjustment for these factors would increase the fair value
Discounted cash flow forecasts	-	1,167	Recent market comparable transaction data became available (see above) so DCF has not been used in 2019.	N/A	N/A
Fair value based on cost and adjusted for FX movement and any new investment (WC loan, convertible note etc)	1,799	-	Based on principal value of the loans	None	None
Investment in redeemable preference shares of the loan notes is valued at fair value	-	3,311	N/A	N/A	N/A
Total	**6,299**	**17,114**			

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:

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

	Consolidated Statement of Comprehensive Income
	31 December 2019
	£'000
10% increase in discount	(84)
10% decrease in discount	84
20% increase in discount	(168)
20% decrease in discount	168

(5) Credit risk

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

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

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

Credit risk is initially evaluated using the LTV and the circumstances of the individual borrower. For the majority of loans security takes the form of real estate. There has been no significant change in the quality of this security over the prior year. When determining credit risk macro-economic factors such as GDP, unemployment rates and other relevant factors are also taken into account. A loan is considered to be in default when there is a failure to meet the legal obligation of the loan agreement. Having regards to the principles of IFRS 9 this would also include provisions against loans that are considered by management as unlikely to pay their obligations in full without realisation of collateral. Once identified as being in default a re-assessment of the credit risk of that loan will be undertaken using the factors as noted above. A decision will then be made as to whether to credit impair that asset.

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

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

Provision for ECL

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

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

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

The following tables provide information on amounts reserved for ECL on loans and loan equivalents as at 31 December 2019 and 31 December 2018 based on the model adopted by management.

Sancus BMS loans and loan equivalents at 31 December 2019	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Closing loans at 31 December 2018	44,602	3,449	4,266	52,317
New Loans	43,513	-	-	43,513
Loans Repaid	(22,399)	(3,605)	(4,266)	(30,270)
Transfers from Stage 1 to Stage 2	(1,610)	1,610	-	-
Transfers from Stage 1 to Stage 3	(9,802)	-	9,802	-
Transfers from Stage 2 to Stage 3	-	(1,200)	1,200	-
Loans written off	(116)	-	(941)	(1,057)
Movement in ECL	-	1,531	(1,802)	(271)
Closing loans at 31 December 2019	**54,188**	**1,785**	**8,259**	**64,232**

Loss allowance at 31 December 2019	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Closing loss allowance at 31 December 2018	-	1,656	941	2,597
Transfer from Stage 2 to Stage 3	-	(1,200)	1,200	-
Increase in provision	-	89	-	89
Individual financial assets transferred to Stage 3	-	-	1,543	1,543
Write Offs	-	-	(941)	(941)
Provision no longer required (loans repaid)	-	(420)	-	(420)
Closing loss allowance at 31 December 2019	**-**	**125**	**2,743**	**2,868**

Assets transferred to Stage 3 relate to a loan to a fund where one of the fund borrowers has trading difficulties and two loans where the security does not cover the outstanding loan value.

Loans written off relates to a loan which was fully provided in the prior year.

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

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

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

(6) Market price risk

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

(7) Foreign exchange risk

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

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

31 December 2019

Balance sheet exposure (000)	Assets	Liabilities	Net	In £'000	Rates applied	% of Group total assets
EUR	1	-	1	1	1.1815	-
USD	1,025	-	1,025	773	1.3259	0.7%

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

Currency	31 December 2019	30 June 2019	31 December 2018	30 June 2018	31 December 2017
EUR	1.1815	1.1170	1.1094	1.1296	1.1258
USD	1.3259	1.2697	1.2743	1.3206	1.3508

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 2019	31 December 2018
	£'000	£'000
15% decrease in foreign exchange rates	136	1,272
15% increase in foreign exchange rates	(101)	(940)

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. During the year the committee and Board have taken the decision to hedge loans denominated in Euros which are taken out through the HIT facility. Forward contracts to sell Euros at loan maturity dates are entered into when loans are drawn in Euros. At 31 December 2019 the following forward foreign exchange contracts were open (31 December 2018: £Nil).

Counterparty	Settlement date	Buy Currency	Buy Amount £'000	Sell currency	Sell amount €'000	Unrealised gain £'000
EWealthGlobal Group Limited	December 2020 to January 2021	GBP	2,252	Euro	2,590	38
Liberum Wealth Limited	February 2020 to November 2020	GBP	3,467	Euro	3,951	118
Unrealised gain on forward foreign contracts						156

No hedging has been taken out against investments in the FinTech Ventures platforms (2018: £Nil).

23. SHARE-BASED PAYMENTS

On 26 September 2017, the Company granted a total of 10,000,000 options over ordinary shares of no par value to certain directors of the Company. These options were cancelled on 26 November 2019.

24. RELATED PARTY TRANSACTIONS

Transactions with the Directors/Executive Team

Non-executive Directors

As at 31 December 2019, 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 2019	31 December 2018
	£	£
Patrick Firth (Chairman)	50,000	50,000
John Whittle	42,500	42,500
Nick Wakefield	35,000	-

On 4 June 2019 Mr Wakefield was appointed as a non-executive Director to the Board. Mr Wakefield's directorships were listed in the RNS issued on 5 June 2019 and can be found on the Group's website. Golf Investments Limited ('Golf'), of which Mr Wakefield is a Director, holds 50,815,167 ordinary shares in the Company, representing 26.6 per cent of the current issued share capital. Other than directors' fees and expenses in relation to Mr Wakefield's appointment as a director the Group does not transact with either Golf or Somerston.

There was no increase in the other Directors' base fees during the year ended 31 December 2019. Total Directors' fees charged to the Company for the year ended 31 December 2019 were £112,589 (31 December 2018: £92,500) with £31,875 (31 December 2018: £Nil) remaining unpaid at the year-end.

Executive Team

The Executive team consists of Andrew Whelan, Emma Stubbs, Aaron Le Cornu and Dan Walker. The Executive Team members' remuneration from the Company, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, was as detailed in the table below:

	31 December 2019	31 December 2018
	£'000	£'000
Aggregate remuneration in respect of qualifying service - fixed salary	727	706
Aggregate amounts contributed to Money Purchase pension schemes	101	95
Aggregate bonus paid (shares and cash)	-	785

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

At the Company's annual general meeting ("AGM") held on 10 May 2017 shareholders approved terms for a revised long-term incentive scheme ('LTIP scheme'), pursuant to which members of the Executive Team would be entitled to receive options to subscribe for new Ordinary Shares in the capital of the Company. A total of 10,000,000 options over ordinary shares of no par value were granted on 26 September 2017. This LTIP scheme was cancelled on 26 November 2019.

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

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

	31 December 2019		31 December 2018	
	No. of Ordinary Shares Held	% of Ordinary Shares	No. of Ordinary Shares Held	% of Ordinary Shares
Patrick Firth *(Chairman)*	278,669	0.09	278,669	0.09
John Whittle	104,550	0.03	104,550	0.03
Andrew Whelan	9,553,734	3.06	8,051,912	2.58
Emma Stubbs	1,380,940	0.44	1,005,485	0.32
Aaron Le Cornu	1,405,790	0.45	1,405,790	0.45
Dan Walker	911,300	0.29	-	-

During the year and prior year no directors received dividends on their Ordinary Share holdings in the Company.

As at 31 December 2019, there were no unexercised share options for Ordinary Shares of the Company (31 December 2018: 10,000,000 Ordinary Shares). All of the 10,000,000 options outstanding at 31 December 2018 were cancelled on 26 November 2019.

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

On 9 July 2019 Tailwind L P, of which Mr Wakefield is a limited partner, sold 475,000 GLI ZDP shares for a consideration of £565,000.

On 16 April 2019 Mr Walker took out a loan from a subsidiary in the amount of £31,053. This amount represented the tax and National Insurance due on the previous year's share award. The loan is interest free.

From time to time members of key management personnel participate as co-funders in loans originated by the Group.

Transactions with connected entities

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

	31 December 2019		31 December 2018	
	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	1,800	448	2,199	413
Platform preference shares & corresponding interest				
GLIF and investments in FinTech Ventures	-	-	-	(496)

	31 December 2019	31 December 2018
	£'000	£'000
(Payable)/receivable (to)/from related parties		
Sancus (IOM) Holdings Limited	-	2
Sancus (IOM) Limited	1	43
Amberton Asset Management Limited	12	(151)

Office and staff costs recharges

Amberton Asset Management Limited	35	39

There is no ultimate controlling party of the Company. All platform loans and preference shares bear interest at a commercial rate.

25. LEASES

The Group as Lessee

Maturity Analysis - contracted undiscounted cash flows

	31 December 2019 £'000	31 December 2018 £'000
Within one year	267	223
In the second to fifth years inclusive	809	677
After five years	-	107
	1,076	1,007

All lease commitments relate to office space.

Lease liabilities included in the statement of financial position

	31 December 2019 £'000	31 December 2018 £'000
Current	211	-
Non-current	679	-
	890	-

Amounts recognised in the statement of comprehensive income (2019)

	31 December 2019 £'000
Depreciation expense on right-of-use assets	231
Interest expense on lease liabilities	70
Expense related to short term leases	192
Income received from sub-leasing right-of-use assets	(19)

Amounts recognised in the statement of comprehensive income (2018)

	31 December 2018 £'000
Rental expense on leases which would have come under the scope of IFRS 16	273
Expense related to short term leases	102
Income received from sub-leasing right-of-use assets	(115)

26. COMMITMENTS AND GUARANTEES

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

HIT Facility

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

Sancus Loan Notes

SLN5 was launched during 2018. Sancus BMS has no capital invested but has a 10% first loss position. At 31 December 2019 the loan note was £19.4m with a maximum raise limit of £50m.

SLN6 was launched on 30 December 2019 with £2.25m with no first loss position.

Commitments

As at 31 December 2019 the Group has unfunded commitments of £21.4m. These unfunded commitments primarily represent the undrawn portion of development finance facilities. Drawdowns are conditional on satisfaction of specified conditions precedent, including that the borrower is not in breach of its representations or covenants under the loan or security documents. The figure quoted is the maximum exposure assuming that all such conditions for drawdown are met. Directors expect the majority of these commitments to be filled by Co-Funders.

27. PERFORMANCE MEASURES

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

Return on Tangible Assets ("ROTA")

This is net operating profit (after IFRS9 adjustments) divided by total assets less goodwill, HIT and the FinTech Ventures portfolio.

Sancus BMS	2019	2018
Net operating profit (Note 4)	£0.372m	(£0.181m)
Total Assets less Goodwill, HIT and FinTech Ventures	£42.5m	£48.5m
Return on Tangible Assets	0.9%	(0.4%)

Cost Income Ratio

Total costs include, operating expenses, debt costs and cost of sales, divided by proforma revenue.

Sancus BMS	2019	2018
Total Costs	£9.3m	£11.8m
Proforma revenue	£9.6m	£11.7m
Cost Income Ratio	96.1%	101.6%

28. POST YEAR END EVENTS

Directors and PDMR Interests

There have been no changes in Directors and PDMRs Interests in shares of the Company in the period 31 December 2019 to the date of signing these accounts.

Notice of Group acquiring own ZDP shares

On 6 March 2020 the Group undertook a tender offer for the repurchase of a maximum of 3,058,843 ZDP shares at 133.3p per share. 2,815,414 shares were repurchased for a consideration of £3,752,947 as a result of this offer.

In addition, on 6 March 2020, 621,586 ZDP shares were repurchased at 133.3p per share, the consideration for which was in the form of a Loan.

Following the implementation of the Tender Offer and Loan Swap Repurchase, the Company has 9,419,958 ZDP Shares in issue (excluding 11,371,460 ZDP Shares, which are held in treasury).

COVID-19

Post year-end we have entered an unprecedented period of global disruption, the likes of which have not been seen since World War II. The World Health Organisation confirmed that COVID-19 is a pandemic (meaning it has spread worldwide) and unfortunately at this stage the situation is changing so rapidly that we cannot yet understand the full impact. We have previously highlighted that we believed the world economy was close to global recession and COVID-19 has certainly pushed us closer to this. The only real question now is how deep and how long a global recession could last.

As a Group we already have practiced recovery plans in place for business disruption with a workforce fully equipped with remote access to enable working from home. We are confident that even if we are all required to work from home for a prolonged period we can function as normal and our high level of service shall not be disrupted. With regard to our lending practices, we had already tightened our credit criteria last year in anticipation of an increased possibility of a global recession, but we are applying even more stringent criteria during this difficult time. We have seen an increased number of lending opportunities however; we will focus on Sancus's core philosophy on lending to "asset rich cash poor" borrowers.

We have carried out stress testing analysis on the business and our analysis has not identified any conditions that were present at the balance sheet date and therefore viewed as a non-adjusting post balance sheet event that we currently cannot quantify given significant uncertainties and assumptions that would need to be made.

As the majority of our lending exposure is asset/property backed and only a small percentage of the portfolio exposed to the most vulnerable sectors such as commercial and retail lending, we do not anticipate any real difficulties in the short term. Our loan book is exposed primarily to development and bridge financing. One key concern is the effect on the supply chain in the event of this current pandemic lasting longer than currently forecast - UK government health announcement is expecting the peak of infections to be within 10/12 weeks. Clearly property values may be affected and thus for development loans, Loan to Values (LTV), Gross Development Costs (GDC) and Gross Development Values (GDV) may be impacted in the short term, longer term it truly depends on the depth and duration of a recession and the impact this will have on our Borrowers. Bridge financing may be affected as potential buyers sit on the side lines until we have clarity on the unfolding health crisis and the Government and Central Bank (globally) response in terms of fiscal and monetary support to businesses adversely affected.

We continue to stress test our loan book and the possible impact this may have on delinquencies (interest and principal) and on technical covenant defaults (for example on the valuation of security). On the Sancus asset backed lending book we have reviewed the loan portfolio's ability to perform under the current and unprecedented Coronavirus COVID-19 pressure that we are facing globally. We have kept our focus on a Borrower's Loan to Value (LTV). We have tested this is two ways:

- Taking a discount on the valuation of the security;
- Projecting forward any delay and the impact this has on the accrued interest on roll up loans.

Obviously, there are other sensitivity indicators, we can and do consider and monitor, but these two metrics are the most important in terms of the loan liquidity and recoverability in accordance with contractual due dates. From our analysis we can quickly identify which loans could become an issue and thus ensure these loans receive more frequent updates and monitoring of with the Borrower. We can also adjust either the valuation discount and / or the delay period. On the analysis we have carried out to date there are currently no incurred loss events or defaults that require immediate action, but we will continue to monitor this closely and update loss allowances in consideration of any significant increase in credit risk or objective evidence of impairment.

Communication with our stakeholders is a high priority and we are in frequent contact with all our Co-Funders to provide an update on the loans they are invested in and how we expect COVID-19 may impact them.

For the BMS Fund, which is exposed to working capital lending, the management team have been in close contact with the underlying borrowers (SMEs) and are receiving updated cashflow forecasts and projections. At the time of writing this report there are no immediate loan loss events or defaults, but cashflow will remain key to these SMEs. The BMS Fund received £0.9m at the end of March 2020 on one loan which repaid on time. This cash will be retained by the Fund for the immediate future. We expect the anticipated repayment dates of some of the underlying loans may be delayed.

With interest rates and bond yields at historic lows the Sancus syndicated loan model will remain attractive to investors and may create opportunities for the alternative sector as a whole. One potential advantage for our industry is that Bank lending will probably contract further, thus creating more opportunity for the alternative sector. Secondly, we don't think this will affect our pricing model, if anything this should remain as is and may be an opportunity to increase pricing on certain lending opportunities. Thirdly, with interest rates and bond yields at historic lows we don't believe that our Co-Funding model will be adversely affected as there are very few places you can find attractive risk-adjusted income plays such as direct lending.

In respect of our FinTech Ventures portfolio the current market unrest and economic uncertainties due to COVID-19 represent rapid developments which might have a material impact on the operations and also on the valuations of the FinTech investments. It is possible that some of our FinTech companies are unable to survive through this COVID-19 crisis, but we have already written several of the platforms down to zero. However, the Government's support package and launch of the Coronavirus Business Interruption Loan Scheme (CBILS) could create additional opportunities for those FinTech companies providing or promoting lending to SMEs. Short term cashflow is critical and we desire to work closely with all the FinTech portfolio companies to assist them through this challenging period.

We will continue to monitor the situation closely and consider the effect it may have on recoverability of loans advanced in the future and the impact this may have to our FinTech Ventures portfolio.

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