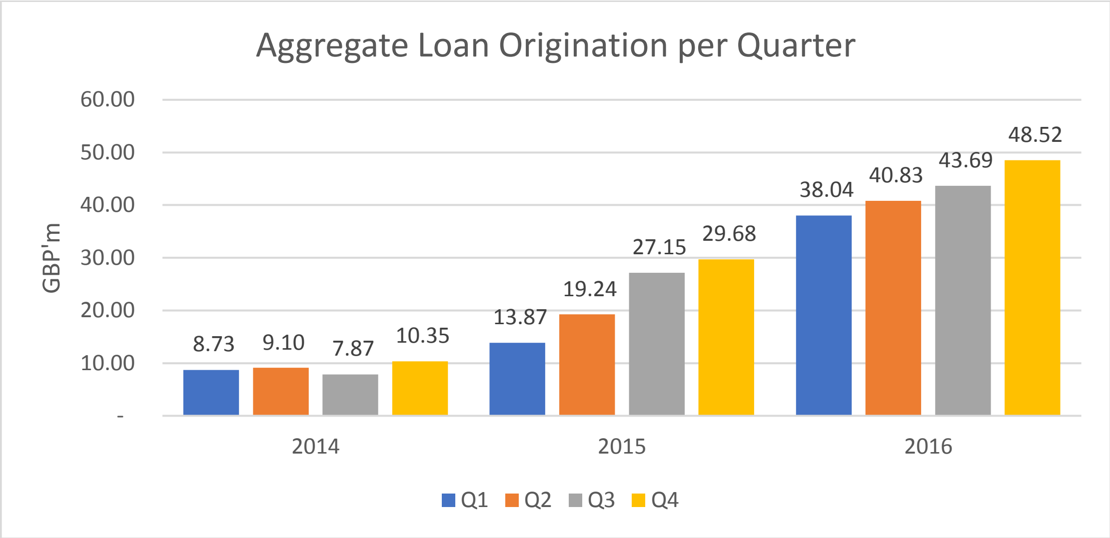
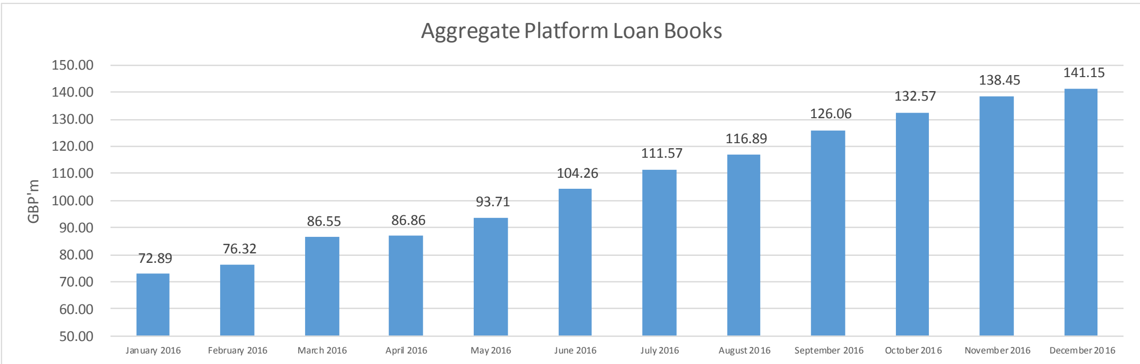
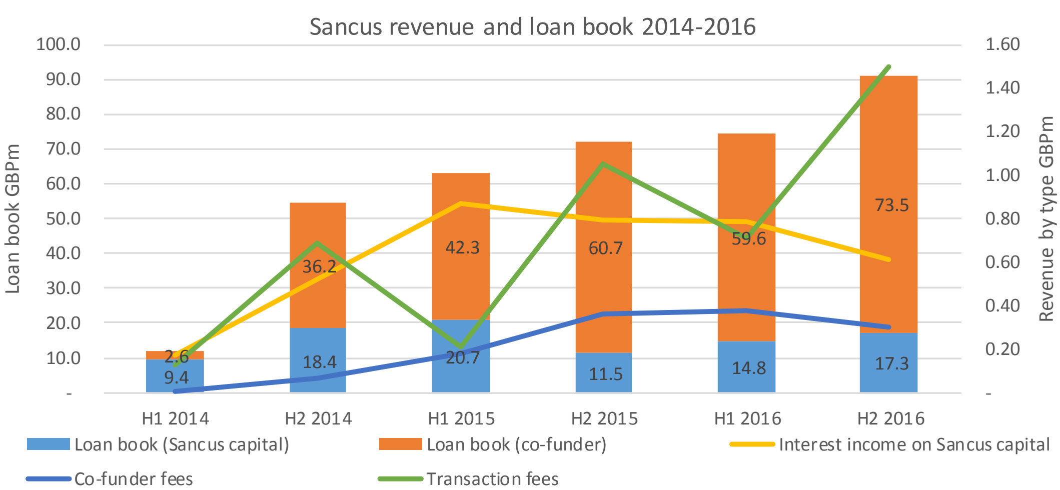
Graph 1



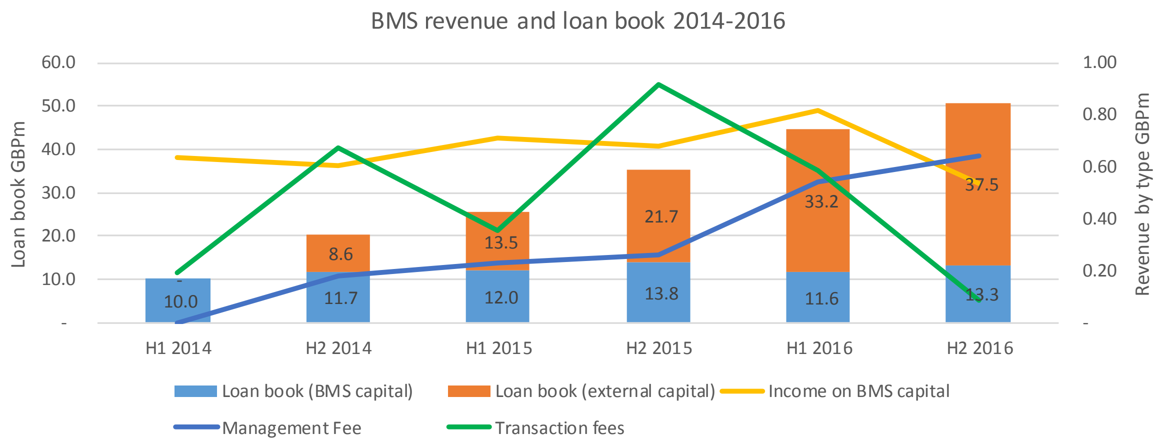
Graph 2



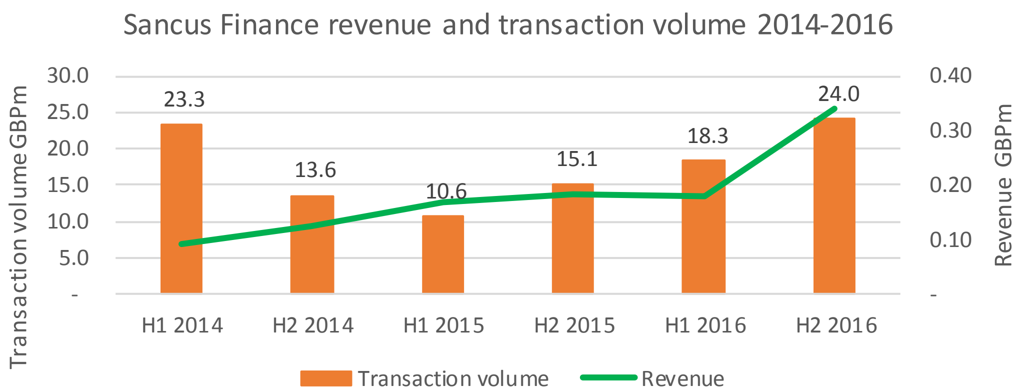
Graph 3



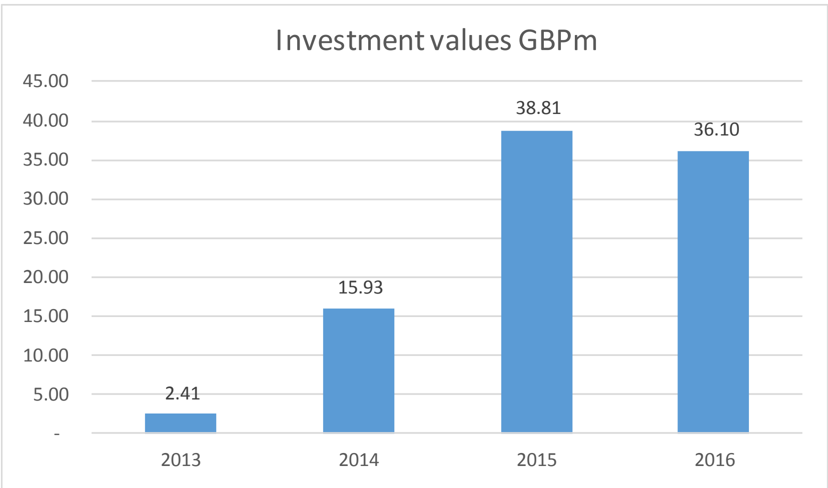
Graph 4



Graph 5



Graph 6



Governence Structure pg 42

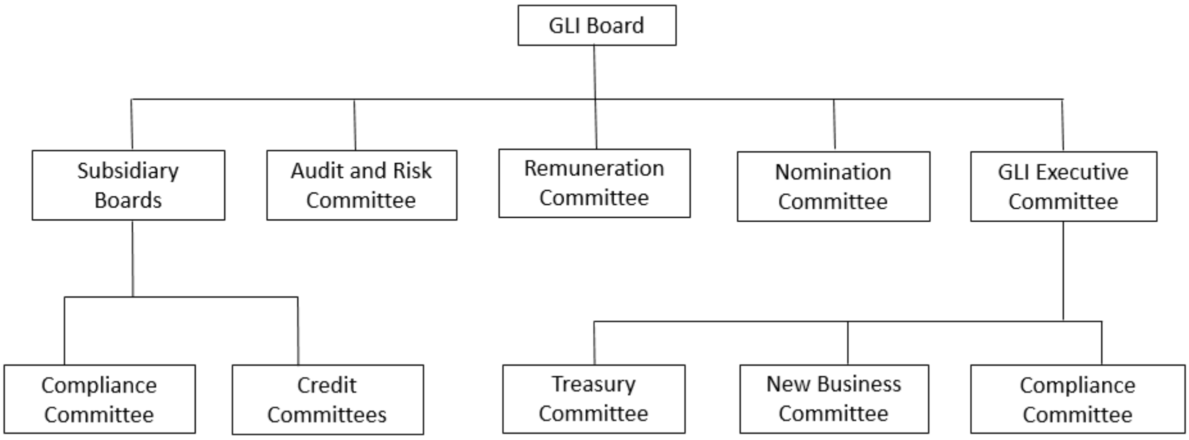


Image 1

At a Glance

Background

An alternative financing business operating in the UK, Ireland and 4 offshore locations, providing a range of borrowing solutions and funder-participation options. It is a hybrid lender, lending its own, as well as syndicated capital.

Strategy

Growing Sancus BMS

Geographic expansion of Sancus products to UK and Ireland.

Profitably expanding the funding base through additional co-funders and a credit facility.

One brand, solutions orientated client proposition, online, direct and intermediary-led origination.

Ensure all operating entities are profitable.

Quality risk management and compliance to capture value.

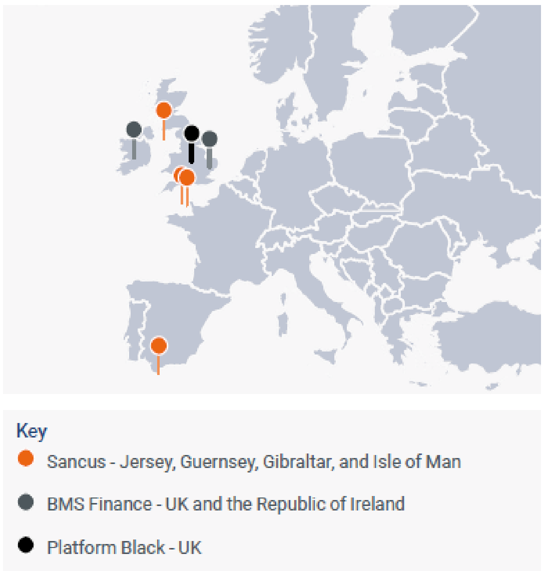


Image 2

At a Glance

Background

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

Strategy

Realise value from the development of platforms in FinTech Ventures.

- Support and guide the development of key platforms
- Realise value at an optimum time

Financial Objective

Achieve a positive Return on Investment (ie. increase in net asset value) over time, creating the healthy option of paying a proportion of realised returns as dividends.

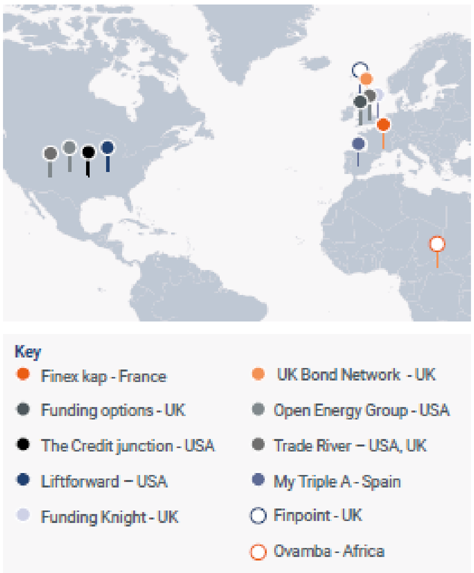


Image 3

Our application of materiality

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

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

Group materiality	GBP1,820,000 (2015: GBP3,744,000)
Basis for determining materiality	2% of the Group's net asset value ("NAV"). In 2015 the previous auditors set materiality on the basis of 4% of net asset value.
Rationale for the benchmark applied	This benchmark is considered the most appropriate as to date net asset value has been the primary performance measure adopted by the Group.

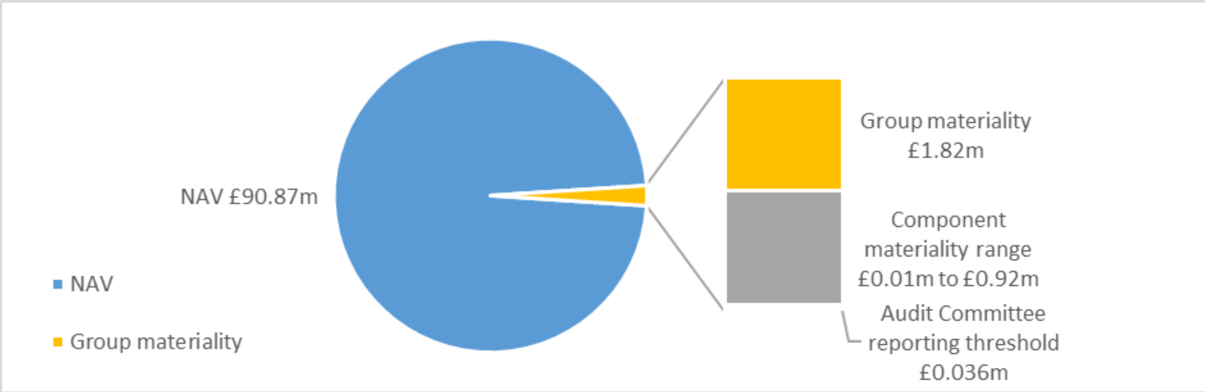

NAV £90.87m
Group materiality
£1.82m
Component
materiality range
£0.01m to £0.92m
Audit Committee
reporting threshold
£0.036m
NAV
Group materiality

Image 5

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

SECTION 1

GLI Finance Limited

For the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

As at 31 December 2016, the Group comprises the Company and its subsidiaries (please refer to Note 17 for full details of the Company's subsidiaries).

Given the changes made as a result of the strategic, the Company has taken advantage of the exemption conferred by the Companies (Guernsey) Law, 2008, Section 244, not to prepare company only financial statements.

2. ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU"), and all applicable requirements of Guernsey Company Law. The financial statements have been prepared under the historical cost convention, as modified for the measurement of investment at fair value through profit or loss. The principal accounting policies of the Group have remained unchanged from the previous year, except as explained in Note 2(b) and are set out below. Comparative information in the primary statements is given for the year ended 31 December 2015.

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

Going Concern

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

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

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

(b) Changes in accounting policies and disclosures

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

Fair value measurement basis for FinTech Ventures' investments

The Group has elected to apply the exemption available under IAS 28 *Investments in Associates and Joint Ventures* which states that when an investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organisation, the entity may elect to measure investments in those associates at fair value through profit or loss in accordance with IAS 39 *Financial Instruments*.

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

(b) Changes in accounting policies and disclosures (continued)

The Directors consider that the Group is of a nature similar to a venture capital organisation on the basis that FinTech Ventures' investments form part of a portfolio which is monitored and managed without distinguishing between investments that qualify as associate undertakings or minority holdings. Furthermore, the most appropriate point in time for exit from such investments is being actively monitored as part of the Group's investment strategy. In addition, FinTech Ventures' investments were measured at fair value through profit or loss in the Company Statement of Financial Position for the years ended 31 December 2015 and 31 December 2014 and therefore reliable fair value estimates can be derived for the comparative information presented in the consolidated financial statements.

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

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

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

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

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

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

Impact on equity

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

Impact on Consolidated Statement of Comprehensive Income

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

Impact on basic and diluted earnings per share (EPS)

Basic EPS, loss for the year attributable to ordinary equity holders (as previously stated)	(5.49)p
Impact on earnings per share	2.66p
Basic EPS, loss for the year attributable to ordinary equity holders	(2.83)p

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

(c) Basis of consolidation

The financial statements comprise the results of GLI Finance Limited and its subsidiaries for the year ended 31 December 2016. The subsidiaries are all entities where the Company has the power to control the investee, is exposed, or has rights to variable returns and has the ability to use its power to affect these returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation.

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

(d) Business combinations

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

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

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

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

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

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

(e) Cash and cash equivalents

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

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

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

Fair Value of the FinTech Ventures' investments

The Group invests in financial instruments which are not quoted in active markets and may receive such financial instruments as distributions on certain investments. Fair values are determined by using valuation techniques as detailed in Note 21.

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

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

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

- Level 3 – Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. If in the case of any investment the Directors at any time consider that the above basis of valuation is inappropriate or that the value determined in accordance with the foregoing principles is unfair, they are entitled to substitute what in their opinion, is a fair value. In this case, the fair value is estimated with care and in good faith by the Directors in consultation with the Executive Team with a view to establishing the probable realisation value for such shares as at close of business on the relevant valuation day. (This was not applied in either 2016 or 2015.)

Given the early stage nature of the investee companies, the valuations are sensitive to the cash flows assumed and discount rates applied and management have made a number of material judgements in concluding on the valuations. The methods and valuation techniques used for the purposes of measuring fair value are unchanged compared to the previous reporting year.

Impairment of goodwill

As detailed in Note 8, the Directors will review the carry value of goodwill and carry out an impairment review annually to assess whether goodwill is recoverable. In doing so, the Directors have assessed the value in use of each cash generating unit through an internal discounted cash flow analysis, details of which are set out in Note 8. Given the nature of the Group's operations, the calculation of value in use is sensitive to the estimation of future cash flows and the discount rates applied.

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

Application of IFRS 10, Consolidated Financial Statements

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

(g) Dividends

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

(h) Expenditure

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

(i) Financial assets and liabilities

Recognition and initial measurement

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

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

Subsequent to initial recognition, financial assets are either measured at fair value or amortised cost. Financial liabilities are either measured at fair value or amortised cost (see Note 2(p)). Realised gains and losses arising on the derecognition of financial assets and liabilities are recognised in the period in which they arise.

Fair value measurement

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

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

If there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Please refer to Note 21.

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

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

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

Loans and receivables

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

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

Derecognition

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

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

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

Fair value accounting for associates (FinTech Ventures' investments)

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

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

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

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

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

The Directors consider 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.

(j) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

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

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

(k) Goodwill

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

(l) Interest costs

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

(m) Intangible intellectual property

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

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

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

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

Computer software 4 years

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

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

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

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

(o) Investment in Joint Venture

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

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

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

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

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

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

(p) Non-Current Liabilities

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

The Zero Dividend Preference Shares ("ZDP shares") are contractually required to be redeemed on their maturity date and they will be settled in cash, thus, ZDP shares are classified as liabilities (refer to Note 14) in accordance with IAS 32 Financial Instruments: Presentation. After initial recognition, these liabilities are measured at amortised cost, which represents the initial proceeds of the issuance plus the accrued entitlement to the date of these financial statements.

(q) Property and equipment

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

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

Furniture and fittings	3 years
Computer equipment	2 to 4 years

(r) Revenue recognition

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

Interest on loans

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

Dividend income

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

Fee income on syndicated and non-syndicated loans

In accordance with the guidance in IAS 18 Revenue, the Group distinguishes between fees that are an integral part of the effective interest rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act.

Commitment and arrangement fees earned for syndicated loans are recognised on origination of the loan as compensation for the service of syndication. This is a reflection of the commercial reality of the operations of the business to arrange and administer loans for other parties i.e. the execution of a significant act.

Consistent with the policy outlined above, commitment and arrangement fees earned on loans originated for the sole benefit of the Group are also recorded in revenue on completion of the service of analysing or originating the loan. Whilst this is not in accordance with the requirements of the effective interest rate method outlined in IAS 39 Financial Instruments, this is not considered to have a material impact on the financial performance or financial positon of the Group.

Fee income earned by peer-to-peer subsidiary platforms

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

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

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

(s) Share based payments

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

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

(t) Taxation

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

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

(u) Trade and other receivables

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

(v) Trade and other payables

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

(w) Treasury shares

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

When such shares are subsequently sold or reissued to the market, any consideration received, net of any directly attributable incremental transaction costs, is recognised as an increase in Share Premium. Where the Company cancels treasury shares, no further action is required to the Share Premium account at the time of cancellation. Shares held in treasury are excluded from calculations when determining statistics on a per share basis.

(x) Warrants

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

(y) Adoption of new and revised Standards

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year.

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board

(IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

3. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the manner in which the Executive Team reports to the Board, 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 the interim report, the Group disclosed three operating segments, which have now been simplified to two, as explained in the Chief Executive's Review on page 8.

The segments are as follows:

Pillar 1 **– Sancus BMS**

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

Pillar 2 **– FinTech Ventures**

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

Group Treasury

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

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

GLI Finance Limited

For the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. SEGMENTAL REPORTING (cont.)

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

GLI Finance Limited

For the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

4. FEE AND OTHER INCOME

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

5. OTHER EXPENSES

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

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

6. LOSS PER ORDINARY SHARE

Consolidated loss per Ordinary Share has been calculated by dividing the consolidated operating loss attributable to Ordinary Shareholders of GBP17,593,313 (31 December 2015: GBP5,810,222) by the weighted average number of Ordinary Shares outstanding during the year of 270,934,270 (31 December 2015: 205,475,679). There was no dilutive effect for Ordinary Shares not yet issued during the current or prior year.

Note 13 describes the warrants in issue which are currently out of the money, and therefore have not been considered to have a dilutive effect on the calculation of Loss per ordinary share.

	31 December 2016 GBP	31 December 2015 GBP
No. of shares in issue at the year end (Note 13)	309,298,113	229,917,364
Weighted average no. of shares in issue throughout the year	270,934,270	205,475,679

7. INTANGIBLE INTELLECTUAL PROPERTY

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

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

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

8. GOODWILL

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

Goodwill comprises:

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

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

Impairment tests

The carrying amount of the goodwill arising on the acquisition of certain subsidiaries is assessed by the Board for impairment on an annual basis, in relation to the fair value of such subsidiaries.

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

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

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

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

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

Goodwill valuation sensitivities

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

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

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

Decreasing revenues by 10%

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

	Impairment implied by sensitivity		
Sensitivity applied	**Sancus 31 December 2016**	**Sancus Finance 31 December 2016**	**Total 31 December 2016**
	GBP	**GBP**	**GBP**
10% pa decrease in revenue	(2,797,852)	(1,181,356)	(3,979,208)
3% increase in discount rates	(3,535,042)	(592,931)	(4,127,973)

9. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Details of subsidiaries acquired during the year are as follows:

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

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

	Sancus Finance Limited	Funding Knight Limited	Sancus (Gibraltar) Limited
Property, plant and equipment	474,577	6,120	25,650
Identifiable intangible assets	270,022	-	-
Investments	-	-	263,141
Loans advanced	-	-	8,509,000
Cash*	587,022	33,050	5,904,820
Other financial assets	90,273	78,647	247,637
Borrowings	(1,783,153)	-	-
Other financial liabilities	(1,956,676)	(105,939)	(89,235)
Total identifiable (liabilities)/assets	(2,317,935)	11,878	14,861,013
Goodwill	5,547,475	738,122	8,638,987
Total consideration	3,229,540	750,000	23,500,000

Attributable to non-controlling interests	(517,590)	-	-
Less: fair value of previously held interest	(1,413,950)	-	-
	1,298,000	750,000	23,500,000
Satisfied by:			
Cash*	1,298,000	750,000	-
Ordinary shares in the Group	-	-	13,500,000
Bonds issued by the Group	-	-	10,000,000
	1,298,000	750,000	23,500,000
Transactions not part of business combination	-	-	(14,322,848)
Total consideration transferred	1,298,000	750,000	9,177,152

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

(1) Sancus Finance Limited

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

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

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

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

(2) Funding Knight Limited

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

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

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

(3) Sancus (Gibraltar) Limited

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

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

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

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

Disposal of subsidiaries

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

	SME Loan Fund plc (formerly GLI Alternative Finance plc)	BMS Finance (UK) Sarl	Amberton Asset Management Ltd (formerly GLI Asset Management Ltd)
	3 March 2016 GBP	3 March 2016 GBP	23 May 2016 GBP
Trade receivables	5,478,576	431,353	69,788
Cash*	2,118,174	358,660	152,244
Intercompany loan	-	30,332,558	-
Investments	1,796,365	-	50,000
Platform Loans	44,303,969	-	-
Trade payables	(186,499)	(66,673)	(223,556)
Loans payable	-	(30,917,057)	-
Net assets	53,510,585	138,841	48,476
Less - Held by minorities	(12,032,121)	(82,337)	-
Less - Retained and transferred to Investments	(25,270,763)	-	(24,238)
Net assets disposed	16,207,701	56,504	24,238
Total consideration			
Satisfied by:			
Cash and cash equivalents *	15,000,000	-	250,000
Gain/(Loss) on disposal	(1,207,701)	(56,504)	225,762

* Net cash received on disposal GBP 12,620,921. Refer Conslidated Statement of Cash Flows.

SME Loan Fund plc sale

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

Amberton Asset Management Ltd sale

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

10. INVESTMENTS AT FAIR VALUE

Investment in Sancus Loan Notes Limited

	31 December 2016 GBP	31 December 2015 GBP
Redeemable Preference Shares	7,500,000	-

Sancus Loan Notes Limited is a special purpose vehicle established to fund loans syndicated by Sancus BMS. In total it has funding of GBP17.5m, including the Group's investment of GBP7.5m, which are the only preference shares issued by the company. The SPV has a two year term until 6 November 2018. The redeemable preference shares act as first credit loss on all loans in the structure. They have rights to all residual profits, after the payment of interest at 8% to the SPV's Noteholders (who provided the balance of the funding), at the end of the term of the company. The structure is designed to deliver to the preference shareholders a return on their GBP 7.5m similar to that which could have been earned by the Group if it had lent the money directly.

FinTech Ventures' Investments

31 December 2016

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

31 December 2015

	Equity	Loans	Total
	GBP	GBP	GBP
Opening fair value	15,930,878	-	15,930,878
New Investments/loans advanced	18,333,378	17,341,015	35,674,393
Disposals/loan repayments	(5,103,309)	(7,675,942)	(12,779,251)
Losses recognised in profit and loss:			-
- realised	(446,455)	(119,688)	(566,143)
- unrealised	5,313,292	(4,767,317)	545,975
Closing fair value	34,027,784	4,778,068	38,805,852

11. TRADE AND OTHER RECEIVABLES

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

12. CASH AND CASH EQUIVALENTS

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

13. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE

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

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

2016

Date	**No of shares issued**	**Share Premium GBP**	**Reason for issue**
20-Jan-16	51,020	18,750	Bonus entitlement
22-Mar-16	237,230	79,709	2015 fourth quarter scrip dividend
13-Jun-16	270,015	84,650	2016 first quarter scrip dividend
30-Jun-16	43,408,360	13,500,000	Acquisition of Sancus Gibraltar Limited
30-Jun-16	11,093,247	3,450,000	Increased stake in GLIF BMS Holdings Limited
15-Aug-16	23,020,560	7,036,374	Placing with Somerston Group
16-Sep-16	295,943	83,974	2016 second quarter scrip dividend
02-Dec-16	636,784	213,591	BIS Management Seller share portion
15-Dec-16	317,590	69,552	2016 third quarter scrip dividend
	79,330,749	24,536,600	

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

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

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

Treasury Shares

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

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

Issue of Warrants

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

10,000,000 Ordinary Shares at 40 pence per Ordinary Share;

10,000,000 Ordinary Shares at 45 pence per Ordinary Share;

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

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

As at 31 December 2016, the above warrants were in issue but not yet exercised. On issue of these warrants, no provision has been made for a fair value adjustment, as following the Board's assessment of the fair value it was not deemed to be materially different to the current carrying value of GBP Nil.

Distributable Reserve

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

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

14. LIABILITIES

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

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

Interest costs on debt facilities

	31 December 2016	31 December 2015
	GBP	**GBP**
ZDP Shares	1,275,029	1,305,760
Syndicated Loan	1,597,407	1,824,949
Corporate Bond	297,500	-
	3,169,936	3,130,709

*Relates to the amount owing by Sancus BMS Group Limited to Sancus IOM Holdings Limited for its subscription for preference shares, which is due by mutual agreement between these companies, and does not bear interest. Refer to note 20.

(1) ZDP shares

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

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

During the year the interest costs accrued on the ZDPs amounted to GBP1,275,029 (31 December 2015: GBP1,305,760), at an average interest rate of 5.5% (31 December 2015: 5.5%).

In accordance with article 7.5.5 of the Company's Memorandum and Articles of Incorporation, the Company may not incur more than GBP30.0m of long term debt without the prior approval from the ZDP shareholders. The Memorandum and Articles also specify that two debt cover tests must be met in relation to the ZDPs. At 31 December 2016 the Company was in compliance with these covenants as Cover Test A was 3.06 (minimum of 1.7) and Cover Test B was 5.86 (minimum of 3.25).

At year end senior debt borrowing capacity amounted to GBP5.1m. After the repayment of the Syndicated Loan (see (2) below), capacity increased to GBP20m.

(2) Syndicated Loan Facility

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

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

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

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

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

(3) Corporate Bond

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

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

15. TAXATION

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

RECONCILIATION OF TAX CHARGE

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

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

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

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

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

16. CASH GENERATED FROM OPERATIONS

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

17. CONSOLIDATED SUBSIDIARIES

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

Subsidiary entity	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
Sancus BMS Group Limited (formerly Sancus Group Limited) ("SBMS")	27 December 2013	Guernsey	Directly held - Equity Shares	100%
GLIF BMS Holdings Limited ("GBHL")	5 November 2012	United Kingdom	Indirectly held - Equity Shares	100%
BMS Finance AB Limited ("BMS Finance AB")	24 November 2006	United Kingdom	Indirectly held - Equity Shares	100%

GLI Finance (UK) Limited	21 October 2014	United Kingdom	Directly held - Equity Shares	100%
Sancus (Jersey) Limited (formerly Sancus Limited)	1 July 2013	Jersey	Indirectly held - Equity Shares	100%
Sancus (Guernsey) Limited	18 June 2014	Guernsey	Indirectly held - Equity Shares	100%
Sancus (Gibraltar) Limited	10 March 2015	Gibraltar	Indirectly held - Equity Shares	100%
Funding Knight Limited	17 February 2011	United Kingdom	Directly held - Equity Shares	100%
Sancus Finance Limited (formerly Platform Black)(1)	7 January 2011	United Kingdom	Indirectly held - Equity Shares	83.93%
GLI Alternative Finance Guernsey Limited	20 April 2015	Guernsey	Directly held - Equity Shares	100%
FinTech Ventures Limited	9 December 2015	Guernsey	Directly held - Equity Shares	100%
Sancus UK Holdings Limited	9 December 2015	Guernsey	Indirectly held - Equity Shares	100%

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

Subsidiary entity	Date of incorporation	Country of incorporation	Nature of holding	Percentage holding
Finpoint Limited (“Finpoint”)	15 January 2014	United Kingdom	Directly held - Equity Shares	75%
Raiseworks LLC (“Raiseworks”)	5 December 2013	United States	Directly held - Equity Shares	100%
Sageworks Capital Inc (Sageworks”)	4 May 2011	United States	Indirectly held - Equity Shares	100%

GLI Investments Holdings Sarl	13 May 2014	Luxembourg	Directly held - Equity Shares	100%
NVF I Limited	10 September 2002	United Kingdom	Indirectly held - Equity Shares	100%
BMS Equity Limited	30 May 2007	Jersey	Indirectly held - Equity Shares	100%
Amberton Asset Management Limited (formerly GLI Asset Management Limited) ("Amberton") (2)	22 May 2015	Guernsey	Directly held - Equity Shares	100%
BMS Finance (UK) Sarl (3)	29 July 2014	Luxembourg	Directly & Indirectly held - Equity Shares	30.17%
The SME Loan Fund plc (formerly GLI Alternative Finance plc) ("SMEF") (3)	13 July 2015	United Kingdom	Directly and indirectly held - Equity Shares	76.47%
GLI Alternative Finance Guernsey Limited	20 April 2015	Guernsey	Directly held - Equity Shares	100%
NVF Tech Limited ("NVF Tech")	7 December 1995	United Kingdom	Indirectly held - Equity Shares	95%
NVF Patents Limited	8 March 2013	Incorporated in Jersey, re-domiciled to Guernsey	Indirectly held - Equity Shares	100%
NACFB Business Finance Limited	11 September 2015	United Kingdom	Directly held - Equity Shares	100%

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

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

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

18. FINTECH VENTURE'S AND OTHER INVESTMENTS

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

Name of Investment:	Nature of holding	Country of incorporation	Percentage holding	Measurement –
FinTech Ventures				
LiftForward Inc.	Directly held - Equity	United States of America	18.40%	Fair Value
Finexkap	Directly held - Equity	France	29.80%	Fair Value
Ovamba Solutions Inc.	Directly held - Equity	United States of America	20.48%	Fair Value
The Credit Junction Holdings	Directly held - Equity	United States of America	24.38%	Fair Value
Funding Options Limited	Directly held - Equity and Preference Shares	United Kingdom	28.90%	Fair Value
TradeRiver Finance Limited	Directly held - Equity and Preference Shares	Guernsey	46.7%	Fair Value
TradeRiver USA Inc	Directly held - Equity and Preference Shares	United States of America	30.25%	Fair Value
Open Energy Group Inc	Directly held - Equity	United States of America	21.57%	Fair Value
MytripleA	Directly held - Equity	United Kingdom	15.00%	Fair Value
UK Bond Network Limited	Directly held - Equity	United Kingdom	19.24%	

Finpoint Limited	Directly held - Equity	United Kingdom	32.50%	Fair Value
Other Investments				
BMS Finance (Ireland) Sarl	Directly held - Equity	Luxembourg	30.25%	Fair Value
BMS Finance (UK) Sarl	Directly held - Equity	Luxembourg	30.17%	Fair Value
The SME Loan Fund plc (formerly GLI Alternative Finance plc) ("SMEF")	Directly held - Equity	United Kingdom	47.94%	Fair Value

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

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

19. FINANCIAL RISK MANAGEMENT

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

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

(1) Capital Risk Management

The Group's capital comprises ordinary shares as well as a number of debt instruments. Its objective when managing this capital is to enable the Group to continue as a going concern in order to provide a consistent, appropriate risk-adjusted return to shareholders, and to support the continued development of its investment activities. Details of the Group's equity is disclosed in Note 13 and of its debt in Note 14.

The Group and its subsidiaries are not subject to regulatory or industry specific requirements to hold a minimum level of capital, other than the legal requirements for Guernsey incorporated entities. The Group considers the amount and composition of its capital is currently in proportion to its risk profile.

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

The Group monitors the ratio of debt (loans payable, bonds and ZDP Shares) to other capital which, based upon shareholder approval, is limited to 5 to 1 (or 500%). At year end this ratio stood at 48.2% (31 December 2015: 53.9%).

(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 Treasury Committee meets twice monthly to manage the liquidity position of the Group. When necessary contingency plans are made to meet liquidity requirements by realising 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 contractual maturity dates. The amounts in the table are the contractual undiscounted cash flows, assuming interest rates in effect at the year end.

GLI Finance Limited

For the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

(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:

GLI Finance Limited

For the year ended 31 December 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Interest rate sensitivities

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

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

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

(4) Investment Risk

Investment risk is defined as the risk that an investment's actual return will be different to that expected. Investment risk primarily arises from the Group's exposure to its Pillar 2 investee entities. This risk in turn is driven by the underlying risks taken by the platforms themselves – their own strategic, liquidity, credit and operational risks.

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

- Seats on the boards of all but one of the platforms, which allow input into strategy and monitoring of progress;
- Pre-emptive rights on participation in capital raises, or the support for capital raises, to protect against dilution;
- Regular monitoring of the financial results of platforms;
- Bi-annual reviews of the valuations of platforms, which provide an opportunity to test the success of platforms' strategies, and,
- Quarterly reporting to the Board on these matters.

The methodology for the valuation of such investments is set out in Note 2.

Investment valuation sensitivities

When the discounted cash flow valuation methodology is utilised, the variables which influence the resultant valuations most significantly are the discount rates applied to the future cash flows, the revenue forecasts and the illiquidity discounts. The table below shows the impact of stressing year end valuations by the sensitivities which the Board believe to be reasonably foreseeable:

Increasing and decreasing revenues by 10%

Increasing and decreasing discount rates by 3% (discount rates in valuation models average 19-20%)

Increasing and decreasing illiquidity discounts by 5% (discounts applied in valuation models vary between 10 and 25%)

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

(5) Credit Risk

Credit risk is defined as the risk that a borrower/debtor may fail to make required repayments within the contracted time scale. The Group invests in senior debt, senior subordinated debt, junior subordinated debt and secured loans.

Credit risk is taken in the following ways:

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

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

The Group mitigates credit risk on its loan portfolio by only entering into agreements related to loan instruments in which the operating strength of the investee companies is considered sufficient to support the loan amounts outstanding. This determination of whether the loan instruments are sufficiently supported is made by the Executive Team at the time of the agreements, and the Executive Team continues to evaluate the loan instruments in the context of these agreements.

The entities in the Sancus BMS Group operate Credit Committees which are responsible for evaluating and deciding upon loan proposals, as well as monitoring the recoverability of loans, and taking action on any doubtful accounts. All lending undertaken by Sancus is fully secured by property, at LTVs up to 60%. BMS generally relies upon debentures taken over the balance sheets of borrowers. The Credit Committees report to their respective boards on a quarterly basis.

Concentration risk is considered at the time each loan is approved. Given the geographically dispersed nature of the Group's operations, this is not a significant risk. Also refer Risk Appetite commentary on pages 34 to 36.

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

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

31 December 2016

Group credit risk (GBP)	Amounts advanced	Provisions/Write offs	Net exposure
Sancus BMS loans and loan equivalents	38,821,114	-	38,821,114
Fintech Ventures' investments	1,405,186	-	1,405,186
Loans through Platforms	4,033,825	-	4,033,825
Total	44,260,125	-	44,260,125

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

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

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

31 December 2016

Co-Funder credit risk (GBP)	Amounts advanced	Doubtful recovery	Net exposure
Sancus	73,524,680	-	73,524,680
BMS	37,246,807	-	37,246,807
Sancus Finance	7,934,312	(443,360)	7,490,952
Total	118,705,799	(443,360)	118,262,439

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

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

(6) Market price risk

The Group is exposed to the market price risk of the financial assets valued on a Level 1 basis as disclosed in Note 21.

Market price risk sensitivities

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

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

(7) Foreign exchange risk

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

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

31 December 2016

Balance sheet exposure (000)	Assets	Liabilities	Net	In GBP	Rates applied	% of Group total assets
Euro	**12,019**	**-**	**12,019**	**10,245**	**1.173**	**7.2%**
USD	**27,300**	**-**	**27,300**	**22,123**	**1.234**	**15.6%**

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

Rate of exchange vs. GBP1

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

Foreign exchange risk sensitivities

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

	Consolidated Statement of Comprehensive Income	
	31 December 2016 GBP	31 December 2015 GBP
15% increase in foreign exchange rates	5,712,034	1,750,854
15% decrease in foreign exchange rates	(4,221,938)	(1,750,854)

The Treasury Committee monitors the Group's currency position on a regular basis, and the Board of Directors reviews it on a quarterly basis. Although this risk may be hedged, the current approach is not to do so. No hedging instruments were used during either 2016 or 2015.

20. RELATED PARTY TRANSACTIONS

Transactions with the Directors and the Executive Team

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

Directors' and PDMR shareholdings in the Company

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

	31 December 2016		31 December 2015	
	No. of Ordinary Shares Held	**% of total issued Ordinary Shares**	**No. of Ordinary Shares Held**	**% of total issued Ordinary Shares**
Patrick Firth *(Chairman)*	271,049	0.09	248,197	0.13

James Carthew (1)	N/A	N/A	300,000	0.14
Andrew Whelan	3,800,000	1.65	3,686,461	1.74
Emma Stubbs	179,640	0.06	62,598	0.03

(1) Resigned 23 September 2016 and therefore their shareholding as at 31 December 2016 is not disclosed

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

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

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

Intra-Group Transactions

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

	31 December 2016 Balance at year end GBP	31 December 2016 Received during the year GBP	31 December 2015 Balance at year end GBP	31 December 2015 Received during the year GBP
Platform loans & corresponding interest				
Fintech Ventures Investments	3,287,840	360,134	1,763,911	338,094
Platform preference shares & corresponding interest				
Fintech Ventures Investments	3,405,009	50,433	3,385,840	86,041
Payable to related party				
Intercompany with Sancus IOM Holdings Ltd	2,400,000	-	-	-

There is no ultimate controlling party of the Company.

All platform loans bear interest at a commercial rate.

All preference shares bear interest at a commercial rate.

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

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

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

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

Acquisition of Sancus Finance Limited

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

Disposal of shares in SMEF and Amberton

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

Intercompany payable to Sancus IOM Holdings Limited

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

21. FAIR VALUE ESTIMATION

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

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

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

Categories of financial instruments

Financial assets in fair value hierarchy

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

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

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

Information on Fair Valued Financial Assets

Type of asset	Level	Valuation methodology
Investment in SMEF	1	This investment is valued at its quoted mid price
Investments in FinTech platforms	3	These investments have significant unobservable inputs as they trade infrequently and are unlisted. Investments in platforms are initially recognised at cost. Subsequently, the Board assesses fair value based on either the value at the last capital transaction or valuation, performed internally or by an independent third-party expert. Unquoted equity security investments, at fair value through profit or loss, are appraised in accordance with the International Private Equity and Venture Capital valuation guidelines or any other valuation model and techniques which can provide a reasonable estimate of fair value of the investment involved. These valuations are consistent with the requirements of IFRS. Factors considered in these valuation analyses include discounted cash flows, comparable company and comparable transaction analysis. The Board considers all

		the information presented to it, including indicative bids, internal analysis, and independent valuations, in order to reach, in good faith, their fair value determination. Assumptions used include costs of equity, illiquidity discount rates, revenue and costs growth rates, interest margins, bad debt experience and tax rates.
Investment in Sancus Loan Notes	3	This investment in the redeemable preference shares of the loan note is valued at the fair value of the Note, which closely approximates the net asset value of the Loan Note special purpose vehicle.

22. COMMITMENTS AND CONTINGENCIES

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

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