GLI Finance Limited

Interim Report 2020

MULTI-JURISDICTIONAL ASSET BACKED ALTERNATIVE LENDER

WE CONTINUE TO MAKE PROGRESS ON THE EXECUTION OF OUR STRATEGY AND OUR FOCUS REMAINS ON MAXIMISING OUR POTENTIAL TO DELIVER VALUE FOR ALL OUR STAKEHOLDERS.

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Highlights

Group highlights

- Group revenue for the half year was £5.5m (H1 2019: £7.1m) the reduction as expected following the runoff of the BMS UK Fund and on-balance sheet loans, and lower transaction revenue from the impact of Covid-19;
- Group operating loss for the half year was £0.5m (H1 2019: loss £0.1m) with reductions in operating costs and IFRS9 adjustments, netting off the impact of a decline in revenue;
- Group retained loss for the half year was £6.5m (H1 2019: loss £6.1m) negatively impacted by Covid-19 with further write downs on the FinTech Ventures portfolio and the elimination of the implied goodwill in Sancus IOM Holdings Limited due to current market conditions;
- Focus on cost control has continued into 2020 with a further reduction of headcount from 34 to 29. Additional cost saving initiatives have been put in place following Covid-19, the full effect of these will not be seen until the second half of the year, however annualised we expect this to be circa £700k;
- The Zero Dividend Preference shares ("ZDPs") were extended for a further year on 5 December 2019, with buy backs during the first half of the year reducing the balance for repayment on 5 December 2020 to £13.1m;
- The Company has certain liabilities that fall due in the next 12 months which are noted below:
  - the final capital entitlement of the Company's ZDP shares is £13.1 million, which is repayable on 5 December 2020;
  - the facility with Honeycomb Investment Trust plc ("HIT"), which as at 30 June 2020 was £40.8m drawn, expires on 28 January 2021; and
  - the £10m bond is repayable on 30 June 2021 (the "GLI Bonds").

The Company has been considering its options regarding these liabilities, which include their repayment and/or extension, and is considering:

- an equity fundraising of up to £2.5m at 2.5p, which represents a premium of 11% to the Company's closing mid-market share price on 29 September 2020, £1.5m of which would be underwritten by Somerston FinTech Limited ("Somerston"), and which would also be supported by Philip J Milton & Company Plc, both major shareholders in the Company; and
- the issue of up to £15m of new corporate bonds, with a coupon of 7% and a maturity date in 2026 of which Somerston would subscribe for £6m (together, the "Proposed Fundraising"). Subscribers of the new bonds would be issued with warrants over ordinary shares at an exercise price of 2.5p, representing 0.25% of the Company's ordinary shares for each £100,000 subscribed.

Somerston's participation in the Proposed Fundraising would be subject to due diligence.

The proceeds of the Proposed Fundraising would be used to repay the GLI Bonds and the Company expects that it would use its own cash resources to fund any shortfall. In conjunction with the Proposed Fundraising, the Company intends to seek a two-year extension to the repayment date of the Company's ZDP shares on terms to be agreed and we are engaged with HIT regarding the extension and increase of the HIT facility.

The Proposed Fundraising together with the proposals outlined above are subject to further consideration by the Board, consultation with the relevant stakeholders, including ordinary shareholders, ZDP shareholders, bondholders and HIT and, if pursued, relevant shareholder and regulatory approvals and consents. Accordingly, there can be no certainty that the Proposed Fundraising or the other proposals will proceed.

Highlights continued

Sancus BMS highlights

- Proforma operating profit[1] for the first half of the year was £0.1m (H1 2019: £0.3m). The reduction is a consequence of lower interest income (as we downsize on-balance sheet exposure) and a decrease in arrangement and commitment fees as new loan origination was severely hampered by Covid-19;
- We continue to divest assets where return on capital, on a risk adjusted basis, is below other areas of the business in line with our objective of efficient capital allocation. This has led to a gradual reduction in our SME lending activities where loans tend to deserve a higher risk weighting and require significant use of our own balance sheet. We have redirected resources to our core asset backed secured lending activities where third-party funding is more accessible and our balance sheet less utilised;
- In line with our focus to improve asset efficiency and the quality of our financials, for the first half of the year proforma on-balance sheet loan exposure reduced by 32% compared to H1 2019, with revenue falling by far less, 20% from £6.8m to £5.4m;
- Costs have been managed well during the period with a £0.5m (18%) reduction in operating expenses;
- During H1 2020 over £50m of loans have been repaid with the Sancus team working continually during the lockdown;
- We continue to diversify and broaden our sources of capital and lending capacity. As at 30 June 2020, Sancus had loans outstanding of £167m with Co-Funders providing £158m, equating to a co-funding ratio of 95% (up from 92% at June 2019); and
- Business in the UK and Ireland continues to expand with the pipeline for these key growth markets strong and although H1 2020 was impacted by Covid-19, the second half of the year is already looking a lot more positive.

The Covid-19 pandemic negatively impacted our performance for the first half of 2020, contributing to an operating loss of £0.5m. We were able to close just a few new loans during this period, largely because we were unable to carry out site visits which is key to us managing our lending risk. We have also taken a further material write-down on the FinTech Ventures portfolio with a net write down of £4.2m. The FinTech sector continues to grow strongly, but increased competition, coupled with the impact of Covid-19 is making it difficult for smaller players, particularly those that are loss making, to raise further equity.

Despite this, our overall performance was more positive than first anticipated at the beginning of March, with the receipt of some large exit fees and positive developments on certain assets that had previously been impaired. We have implemented Group cost savings following the onset of Covid-19 which on an annual basis equate to circa £700k and we expect to see the full impact of this in the second half of 2020.

As we exited lockdown, the Sancus business bounced back and we have seen a backlog of loan transactions close. We are witnessing lots of new loan origination as other lenders pull back from the market or sadly have ceased trading, and in the UK especially, we have a large pipeline of loans. I would like to thank all shareholders for their continued support during this period of change.

Finally, we are pleased to announce that we are in negotiations with Somerston Fintech Limited the Company's largest shareholder, which should hopefully provide all stakeholders with the confidence that the Board is focussed on ensuring the Company is appropriately capitalised to maximise shareholder value.

Andrew Whelan
Chief Executive Officer

1 A proforma reconciliation to Statutory Results is noted in Table 1 and Table 3.

Positioning the business for the future

Patrick Firth Chairman

Our focus for the foreseeable future is growing the UK and Irish operations and continuing to expand the offshore jurisdictions.

Our focus remains on maximising the value potential of our two distinct business units, whilst recognising that Sancus BMS is the key for GLI's future.

Sancus BMS comprises the Group's property backed and SME lending businesses. FinTech Ventures represents the Group's investments in a portfolio of SME focussed lending platforms. Over the last few years, we have seen the valuation of FinTech Ventures become a much smaller part of the Group's assets as certain platforms within the portfolio have not been successful and numerous valuations in the sector have reduced. We are in a difficult position as a minority investor with limited financial resources to continue to support the platforms, but we continue to work hard to maximise the value from this portfolio. We have taken a further net write down of £4.2m in the period as we remain cautious on the impact that Covid-19 has had on the portfolio which at 30 June 2020 is now valued at £2.2m.

Sancus BMS is our core trading business and has fared relatively well despite the disruption caused by Covid-19, successfully returning over £50m to co-funders during this period. This in turn reduced our loan book by 11% from £188m at 30 June 2019 to £167m at 30 June 2020. We have seen a healthy pipeline of loans since coming out of lockdown, and expect our loan book to grow once more as the market picks up. Sancus BMS revenue on a statutory reporting basis has reduced to £5.4m for the six months ended 30 June 2020 compared to £6.8m in the prior period. £2.3m of this revenue related to Sancus Loans Limited ("SLL") which increased by 41% in comparison to the prior period as the loan book grew from £33.9m to £41.2m. In our view, to show the true economic performance of the Group, all Co-Funders should be assessed in the same way. However, as SLL is 100% owned by Sancus BMS Group Limited (as it was required to be set up as an SPV for the HIT facility) it is consolidated into the Group's results. In our proforma statements on Table 1 the SLL results have been deducted from the consolidated statement of comprehensive income ("SOCI") and the consolidated statement of financial position ("SOFP") and we show the results on a net basis which is the same for all our other syndicated lending arrangements.

Sancus BMS revenue on a proforma basis has fallen by 34% (£1.8m) in comparison to H1 2019. £1.1m of this related to interest income which is expected to decrease further over the remainder of this year as we reduce our on-balance sheet loan book. This is in line with our long-term strategy to increase return on tangible assets over time with reduced on-balance sheet risk exposure. Fees and Other Income are 25% down on H1 2019 (£0.9m) which is the main area where we saw Covid-19 impact our results. Looking forward we expect this to be our growth revenue line as we build in more and more exit fees over time and as the deal flow comes back from lockdown, arrangement and commitment fees will pick up.

We continue to see encouraging growth in Co-Funder appetite, which includes the £45m HIT facility that was launched in January 2018, of which the loan balance at the end of June 2020 was £40.8m. In addition to this facility and regular participation by Co-Funders, we also have the Sancus Loan Note programme that has proven very successful and provides Co-Funders with the option of participating in a wider pool of loans with a fixed rate of return. This diversification of funding has allowed us to grow the Sancus BMS loan book and we continue to look at other similar debt providers to aid expansion plans.

The Company's Liabilities

In December 2019 the ZDPs were extended for a further year at an increased coupon of 8% following shareholder approval. This extension was sought as the timing of the repayment of some of the larger loans on our balance sheet has been longer than previously expected. As part of the extension we noted our intention to make a tender offer in March 2020 and on 6 March 2020, shareholder approval was received to buyback 25% of the total ZDP shares in issue (excluding treasury shares) (of which 22% was taken up) and to approve a loan swap in exchange for a shareholder's entire holding of 621,586 ZDP shares. This represented £3.8m in cash repaid to ZDP shareholders and a loan transfer for £0.8m. In June 2020, a further 170,000 ZDP shares were purchased in the market reducing the final capital entitlement due on 5 December 2020 to £13.1m.

The Company has certain liabilities that fall due in the next 12 months which are noted below:

- the final capital entitlement of the Company's ZDP shares is £13.1 million, which is repayable on 5 December 2020;
- the facility with Honeycomb Investment Trust plc ("HIT"), which as at 30 June 2020 was £40.8m drawn, expires on 28 January 2021; and
- the £10m bond is repayable on 30 June 2021 (the "GLI Bonds").

Based on current cash reserves plus the loan maturity profiles of the Sancus and BMS Fund loan books, our cash flow forecasts indicate there would be sufficient cash available to continue on a Going Concern basis. However, as we have seen in the past, timings of the repayment of loans can vary and deviate from expectations as development loans may run over and in the case of the BMS Fund, the refinance of some of the loans may not occur as planned. In the past year especially, we have seen this occur with the impact of Brexit playing some part, but this risk is now heightened by Covid-19.

Based on the Company's liabilities and taking into account the various possible outcomes and assumptions as part of the Going Concern model, they constitute a material uncertainty that may cast significant doubt over the Company's and Group's ability to continue as a Going Concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business. Refer Note 2(c) for further details.

The Company has been considering its options regarding these liabilities, which include their repayment and/or extension, and is considering:

- an equity fundraising of up to £2.5m at 2.5p which represents a premium of 11% to the Company's closing mid-market share price on 29 September 2020, £1.5m of which would be underwritten by Somerston FinTech Limited ("Somerston"), and which would also be supported by Philip J Milton & Company Plc, both major shareholders in the Company; and
- the issue of up to £15m of new corporate bonds, with a coupon of 7% and a maturity date in 2026 of which Somerston would subscribe for £6m (together, the "Proposed Fundraising"). Subscribers of the new bonds would be issued with warrants over ordinary shares at an exercise price of 2.5p, representing 0.25% of the Company's ordinary shares for each £100,000 subscribed.

Somerston's participation in the Proposed Fundraising would be subject to due diligence.

The proceeds of the Proposed Fundraising would be used to repay the GLI Bonds and the Company expects that it would use its own cash resources to fund any shortfall. In conjunction with the Proposed Fundraising, the Company intends to seek a two-year extension to the repayment date of the Company's ZDP shares on terms to be agreed and we are engaged with HIT regarding the extension and increase of the HIT facility.

The Proposed Fundraising together with the proposals outlined above are subject to further consideration by the Board, consultation with the relevant stakeholders, including ordinary shareholders, ZDP shareholders, bondholders and HIT and, if pursued, relevant shareholder and regulatory approvals and consents. Accordingly, there can be no certainty that the Proposed Fundraising or the other proposals will proceed.

Covid-19

The publication of our full year accounts came amidst the start of the Covid-19 crisis, the World Health Organisation had announced its classification as a global pandemic and all operating jurisdictions were in the early stages of lockdown. We remain unsure as to the pandemic's full impact on the economy and how long the disruption will remain, although it looks as if we face a difficult winter ahead. As lockdown eased during the early summer, we were pleased to see a sharp increase in business activity and enquiries across the Group, encouraged by various government stimulus packages, and we hope activity remains at this level as the latter part of the year unfolds. Recent developments on lockdown rules indicate we still face some challenges in the UK. However, we are more positive on the offshore jurisdictions who are able to control their borders more easily to avoid a second full scale lockdown.

The World Bank is forecasting a global contraction of 5.2% this year, which would represent the deepest recession since the Second World War. This combined with increasing tensions between China and USA, the hope of the US economy bouncing back looking increasingly less likely, the weakening of the US Dollar and the turmoil amongst shares in a number of sectors makes for continued uncertainty and large volatility across many asset classes.

Brexit

The Brexit transition period ends on 31st December 2020 and the deadline for extension has now passed. Boris Johnson says an agreement on trade must be completed by 15th October 2020, but we still remain unclear as to whether or not we face a "no deal" scenario, which is now becoming increasingly likely.

These uncertainties make it very difficult to predict what impact this will have on the UK property lending market. However, Sancus has further tightened its credit processes and is more cautious when reviewing lending proposals. The combination of the pandemic and Brexit in the same year have now made our fears of a global recession a reality with the associated correction in stock and bond markets.

However, we do believe that the medium-term benefits will be positive for alternative lenders as banks will step back further from their lending activities as they closely monitor their Tier 1 Capital ratios. In the immediate future, businesses may pause and take a wait and see approach for new projects, however, for already committed projects we expect them to continue to push forward and execute on their plans. In any stressful period, there are arbitrage pricing opportunities and Sancus will seek to benefit from such instability.

Overview

We have made significant strides to lay the foundation for growth and operational improvements to create and build shareholder value in the Sancus BMS Group. The HIT funding facility, Loan Note and Co-Funder network helps to support this growth, but we are also continuing to secure a steady flow of new Co-Funders due to the attractive risk-adjusted returns that are available on our secured lending opportunities. Cash and Bond yields are at all-time lows and this does not seem likely to change for a considerable period of time. Our focus for the foreseeable future is growing the UK and Irish operations and continuing to expand the offshore jurisdictions.

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

Dividend and Shareholders

In line with our dividend policy, we do not propose to declare a dividend for this period. We expect our investments in Ireland and the UK together with further focus on operational matters to drive cash flow in the coming years. This will allow us to resume the dividend. I am grateful to all our Shareholders who have kept confidence with the Group through what continues to be a challenging period as reflected in the depressed share price. We believe that the share price is trading well below the inherent value of the business and we look forward to seeing it recover in due course on the back of the strong growth delivered by the Executive Team within Sancus BMS.

On behalf of the Board I thank shareholders for their continuing support.

Patrick Firth
Chairman

30 September 2020

Continued focus on maximising shareholder value

Andrew Whelan Chief Executive Officer

> We have successfully aligned the business to focus on Sancus, which through its multi-jurisdictional asset backed secured lending service, is in a strong position to deliver future growth.

Overview

The first half of 2020 saw the business cope well with Covid-19. Although revenue was hampered by a lack of fees from new loans, which is to be expected, all staff continued to work successfully from home during the pandemic and were in close contact with Co-Funders and Borrowers during this time. As Sancus is multi-jurisdictional we saw differing levels of lockdown across the offshore regions. We have benefited from a spread of location risk where in smaller jurisdictions such as Guernsey, Jersey and Gibraltar the lockdown restrictions did not last as long as we have seen in the UK and thus have been able to get back to the "new normal" a little quicker. We ensured that Co-Funders were kept informed of developments within the business and took an empathetic approach with Borrowers who requested either extensions of their loan (if they expired during the period of reporting) or deferred interest payments. This has meant that coming out of the pandemic we have a very positive loan origination pipeline and during H1 we returned over £50m to Co-Funders from the successful repayment of loans.

We continue to spend considerable time, energy and focus on the UK and Irish operations to ensure they are well positioned to grow in the coming months and we have started to see these efforts pay off with the UK in particular showing positive signs of growth, particularly with respect to development finance opportunities. We expect we will feel the effects of Brexit in the coming months, but we are doing all we can to prepare in advance, for example, ensuring we are keeping a close eye on our development loans (which are typically riskier than bridging loans) and may rely on building supplies from Europe. We don't expect the remainder of this year to be easy but subject to no further full-scale lockdowns we expect to have a much more positive second half.

We continue to work closely with the FinTech Ventures portfolio providing support where we can. During the first half of the year we sold one of our equity positions (and a second one post period end) for £0.4m. It remains a challenging market for many of the platforms to raise capital with Covid-19, which may bring opportunities in the longer term but at the moment we remain cautious and have made the decision to write down the portfolio with a net adjustment of £4.2m.

The Group results for the first half of 2020 produced revenue of £5.5m (30 June 2019: £7.1m) and an operating loss of £0.5m (30 June 2019: loss £0.1m). As we go onto explain below, the statutory results include the revenue and debt costs of the HIT facility which saw a significant increase from last June as we have utilised our Co-Funder base to grow the loan book. Revenue decreased year on year, which was expected as we run down our loan book and on-balance sheet exposure, largely in the BMS Fund that also has advisory fees linked to AUM, but also due to reduced lending activity during lockdown which impacted transaction fees. The Group net assets have reduced in the period from £40.4m at 31 December 2019, to £33.8m at 30 June 2020 predominantly as a result of the FinTech write down.

Cash management and debt costs

The first half of 2020 has seen the continued focus on our future liabilities. We have been managing cash carefully. In addition to the tender offer in March 2020, we have also purchased ZDPs as they became available in the market.

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

Total cost of sales of £3.0m for the period to June 2020 (2019: £2.5m) includes: debt interest costs on the ZDPs and Bond of £1.1m (2019: £0.9m); £1.8m interest on the HIT facility (2019: £1.3m) and broker fees of £0.1m (2019: £0.3m).

At the period end, interest bearing debt comprised:

- £10m 5-year Bond (7%) matures 30 June 2021, interest paid half yearly;
- £12.6m 2019 ZDPs (8%) income entitlement and principal due on expiry 5 December 2020 (£13.1m); and
- £40.8m HIT facility expires 28 January 2021 (7.25%) (total facility £45m), interest paid monthly.

Commentary on the repayment and/or extension plans of the debt instruments listed above are included in the Going Concern commentary on page 19.

Sancus BMS

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

Financial Results for the six months ended 30 June 2020 (Table 1) – Sancus BMS Group

Sancus BMS SOCI Proforma Results	30 June 2020 £'000	30 June 2019 £'000	Movement %	Movement £'000
Sancus BMS interest on loans	**473**	1,620	(71%)	(1,147)
Sancus BMS Fees and Other Income	**2,662**	3,530	(25%)	(868)
Sancus Loans Limited Fees and Other Income	**444**	271	64%	173
Revenue	**3,579**	5,421	(34%)	(1,842)
Interest costs	**(966)**	(891)	(8%)	(75)
Other cost of sales	**(71)**	(253)	72%	182
Total Cost of Sales	**(1,037)**	(1,144)	9%	107
Gross profit	**2,542**	4,277	(41%)	(1,735)
Operating expenses	**(2,292)**	(2,779)	18%	487
Changes in expected credit losses ("ECLs") (IFRS 9)	**(161)**	(1,175)	86%	1,014
Net operating profit	**89**	323	(72%)	(234)
Other net losses	**(1,776)**	(753)	(136%)	(1,023)
Tax	**(67)**	(144)	53%	77
Loss for the period	**(1,754)**	(574)	(206%)	(1,180)

Reconciliation to SOCI – Revenue	30 June 2020 £'000	30 June 2019 £'000	Movement %	Movement £'000
Revenue per proforma Sancus BMS SOCI	**3,579**	5,421	(34%)	(1,842)
Less Sancus Loans Limited Fee and Other Income	**(444)**	(271)	(64%)	(173)
Sancus Loans Limited Revenue	**2,280**	1,611	42%	669
Revenue per Sancus BMS SOCI (Note 3)	**5,415**	6,761	(20%)	(1,346)

Reconciliation to SOCI – Cost of Sales	30 June 2020 £'000	30 June 2019 £'000	Movement %	Movement £'000
Cost of sales per proforma Sancus BMS SOCI	**(1,037)**	(1,144)	9%	107
Sancus Loans Limited interest costs	**(1,836)**	(1,340)	(37%)	(496)
Cost of Sales per Sancus BMS SOCI (Note 3)	**(2,873)**	(2,484)	(16%)	(389)

Sancus BMS Entity Results (Table 2)

£'000	2020 – Half Year Offshore	BMS	UK & Ireland	Total	2019 – Half Year Offshore	BMS	UK & Ireland	Total	%
Proforma Revenue	**2,650**	**517**	**412**	**3,579**	4,194	807	420	5,421	(34%)
Other Cost of Sales	**(56)**	**–**	**(15)**	**(71)**	(183)	–	(70)	(253)	(70%)
Operating Expenses	**(1,178)**	**(309)**	**(805)**	**(2,292)**	(1,267)	(453)	(1,059)	(2,779)	(18%)
Change in ECLs	**(163)**	**–**	**2**	**(161)**	(565)	(610)	–	(1,175)	(86%)
Debt costs				**(966)**				(891)	8%
Net Operating Profit/(loss)	**1,253**	**208**	**(406)**	**89**	2,179	(256)	(709)	323	(72%)
Loan Book £m	**150**	**30**	**17**	**197**	186	34	2	222	(11%)
On-balance sheet loans £m gross of IFRS 9 (Table 4)	**9**	**8**	**–**	**17**	15	9	–	24	(29%)
Headcount	**12**	**4**	**10**	**26**	14	5	11	36	(28%)

Revenue

Sancus BMS Group revenue on a proforma basis was £3.6m for the first half of the year (H1 2019: £5.4m). On a statutory basis revenue was £5.4m (H1 2019: £6.8m). A reconciliation between the proforma and statutory results is included in Table 1. The reduction in the period is partly due to the run-down of the BMS UK Sarl fund and the impact of Covid-19 which prevented us from closing new deals for the majority of H1 2020. It is hoped that following the relaxation of restrictions we will see this pick up quite substantially in H2 2020 as we have a large pipeline of loans, especially in the UK.

For BMS, which focuses on SME lending, revenue has decreased by 36% compared to the same period last year as a result of the wind down of the UK Sarl fund and consequent reduction in the advisory fee charged to this fund.

The UK and Ireland which we see as our growth potential regions on a combined basis has seen progress slow due to Covid-19 and revenue was flat on last year. There are encouraging signs of this picking up as we move into H2 with Covid-19 restrictions still allowing building sites to remain operational. The UK and Ireland asset backed lending businesses are considered to be our primary focus going forward. The UK office only became fully operational in April 2019 and we are expecting to report an improvement of this revenue stream in the second half of the year, albeit we are concerned that Brexit may have an adverse effect on our expectations. Revenues from interest income on loans relates to the Sancus BMS on-balance sheet loans (Refer Table 4). These have reduced as shown in Table 1 by 71% in the period as on-balance sheet loans have reduced.

Total Cost of Sales

Total cost of sales which includes interest and other direct costs has increased in the period from £2.5m in 2019 to £3.0m in 2020. This increase is predominantly through the increased utilization of the HIT Facility (£1.8m in the period to June 2020 vs £1.3m for the comparative period). In addition, finance costs relating to the ZDPs have edged up slightly as the interest rate moved from 5.5% to 8% on their extension to December 2020. Broker costs have decreased due to lack of closed deals in H1 but these are expected to increase again as deals get closed.

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

Operating Expenses

We continue to manage costs carefully and within the Sancus BMS Group £0.5m of cost savings were achieved in the period with operating expenses for the first 6 months falling from £2.8m to £2.3m. Savings relate predominantly to employment costs. Headcount in the Sancus BMS Group has reduced by 10 heads to 26 at the end of June 2020 from June 2019.

IFRS 9

We have had a movement in expected credit losses (IFRS 9) of £0.2m in the period (June 2019: £1.2m). This movement relates predominantly to interest and fee debtor balances. We did not have any further adjustments to our loan portfolio since 31 December 2019 as those loans that we had concerns around already had provisions made of £2.9m in total. On current analysis these positions have not worsened in total.

Other net losses

We have reported a £1.8m other net loss in the period (June 2019: £0.8m). Part of this balance (£0.8m) relates to the impairment to the carrying value of net assets down from acquisition value plus accumulated earnings in Sancus IOM Holdings Limited. The Directors have taken a conservative view and decided, in the light of Covid-19 and lack of deals being closed in the first half of 2020, it would seem appropriate to eliminate the implied goodwill. This investment will now be valued going forward at our share of the net assets of Sancus IOM Holdings Limited with no uplift for implied goodwill. Of the remainder £1.0m relates to Sancus Properties Limited whereby in light of Covid-19 we have reduced the holding value of this portfolio.

Sancus Properties Limited

During the first half of the year we were delighted to have completed the sale of a large block of apartments which was sold for £1.6m cash (net of sale costs) reducing the assets now held in this entity to a large plot of land and a property being developed into three apartments. We have taken the decision as noted above to reduce the value of this portfolio by £1.0m. As at 30 June 2020 these assets had a value assigned to them of £0.9m. We are continuing to explore options to dispose of this portfolio whilst also attempting to ensure the greatest return to shareholders at the same time.

Honeycomb Investment Trust (HIT) Facility

A special purpose loan vehicle called Sancus Loans Limited ("SLL"), which is non-recourse to GLI, was established during 2018 with a £50m funding capacity. This has been backed by a £45m credit facility from HIT, with a term of 3 years. Sancus has £5m equity invested in this vehicle. Although non-recourse to GLI the SPV is 100% owned by the Group and is therefore consolidated. As a result, both the Sancus Loans Limited loans and HIT facility appear on the consolidated balance sheet but deducted from our proforma results as noted earlier. Revenue within Sancus Loans Limited has increased by £0.7m in the period from £1.6m to £2.3m for the period ended 30 June 2020. This reflects the increased draw down of the facility from £32.6m at the end of June 2019 to £40.8m at the end of June 2020 (maximum facility £45m). At the period end, interest bearing debt comprised:

> £41m HIT facility (7.25%) (maximum facility £45m), interest paid monthly.

Sancus BMS Proforma Statement of Financial Position (Table 3)

£'000	30 June 2020 (unaudited) Note 3	30 June 2020 SLL	30 June 2020 Proforma	31 December 2019 (audited) Note 3	31 December 2019 SLL	31 December 2019 Proforma
Sancus BMS on-Balance Sheet Loans and loan equivalents	**14,237**	**–**	**14,237**	18,347	–	18,347
Sancus Loans Limited loans	**41,168**	**41,168**	**–**	45,885	45,885	–
Goodwill	**22,894**	**–**	**22,894**	22,894	–	22,894
Sancus Properties Limited	**902**	**–**	**902**	3,336	–	3,336
Trade and other receivables	**8,222**	**4,377**	**3,845**	5,627	2,793	2,834
Other assets	**2,823**	**–**	**2,823**	3,761	–	3,761
Cash and cash equivalents	**4,933**	**3,859**	**1,074**	6,568	4,029	2,539
Total Assets	**95,179**	**49,404**	**45,775**	106,418	52,707	53,711
ZDPs payable	**(12,604)**	**–**	**(12,604)**	(16,825)	–	(16,825)
Bond payable	**(10,000)**	**–**	**(10,000)**	(10,000)	–	(10,000)
HIT Debt	**(40,748)**	**(40,748)**	**–**	(44,191)	(44,191)	–
Other Liabilities	**(1,763)**	**(383)**	**(1,380)**	(1,764)	(12)	(1,752)
Total Liabilities	**(65,115)**	**(41,131)**	**(23,984)**	(72,780)	(44,203)	(28,577)
Sancus BMS net assets	**30,064**	**8,273**	**21,791**	33,638	8,504	25,134
Sancus own equity within SLL	**–**		**8,273**	–		8,504
Sancus BMS net assets including SLL equity			**30,064**			33,638

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

On-balance sheet loan and loan equivalents have decreased in the period from £18.3m to £14.2m. As previously noted, the disinvestment from SME lending is allowing asset utilisation to improve, which will drive an improvement in ROTA and shareholder value over time. As we have also seen from our loan book funding, our access to capital has also improved allowing funding of asset backed secured loans from other sources such as the HIT facility, SLNs and Co-Funders.

Post period end the BMS loan book has reduced by a further £0.7m following the successful refinancing of one of the loans within the fund and cash returned to note holders.

£'000	30 June 2020	31 December 2019
Jersey	**6,024**	8,434
Gibraltar	**1,722**	3,274
Guernsey	**1,067**	1,074
BMS – Investment in the fund and other loans	**8,161**	8,273
Sancus UK	**32**	60
Ireland	**99**	100
IFRS 9 Provision	**(2,868)**	(2,868)
Total Sancus BMS on-Balance Sheet Loans and loan equivalents (ex SLL)	**14,237**	18,347

Marketing

Although Covid-19 has put the brakes on growth for H1 2020 the Sancus brand is becoming increasingly well-known and we are receiving a healthy flow of new lending opportunities with strong growth in new Co-Funders.

Loan Book

We have seen a reduction in the loan book of 11% since last June from £222m to £197m. This is a function of the offshore loan book seeing a large repayment of loans in the period but only £22m loan deployments in the first six months of the year due to Covid-19. During Covid-19, the completion of new loans slowed as on-site visits were hampered by lockdown. Now we are getting back to some normality, especially in the offshore regions, we except to see the loan book increase again.

Our on-balance sheet loans have decreased by 32% from 30 June 2019 with the continued focus on improving ROTA.

Loan deployment for asset backed lending is a key metric we use to monitor the performance of the Sancus BMS Group. Over the last three years we have seen a steady increase in loan deployments from £102m for the full year 2017, £115m for the full year 2018 and £123m in 2019. For the first six months of 2020 loan deployments were 70% behind the same period last year at £22m (H1 2019: £73m). We have set ourselves stretching targets for this year incorporating the new asset backed lending for the UK and Ireland. Although we have not been able to reach the targets we set for ourselves in H1, we are hoping to narrow the shortfall in H2 with a strong backlog of loans coming through the pipeline.

Sancus Loan Notes

The Sancus Loan Notes ("SLNs") comprise a planned series of Special Purpose Vehicles ("SPVs") designed to act like securitisation vehicles to help diversify our funding options and enable additional Co-Funder participation in diversified loan portfolios. These are attractive to new clients that want to participate in a pooled vehicle, delivered across a number of loans, rather than via direct participation in individual loans. SLN5 had a successful launch in November 2018, and has now grown to £19.6m. This matures on 8 November 2021 and has a coupon of 7%. Following that SLN6 had a successful launch in December 2019 with a coupon of 8%. This note currently stands at £4.4m and matures on 30 November 2021. As part of the structure of the loan notes, Sancus BMS has provided a 10% first loss position on SLN5. On SLN6 Sancus BMS has not provided a first loss position. Following the successful demand of this product, Amberton Asset Management are looking into launching SLN7 on maturity of SLN5 and SLN6.

Technology

The Group continues to invest in its technology. Following the successful launch of the Group's proprietary Loan Management System (LMS) in 2017, an online reporting platform for offshore Co-Funders was rolled out in 2018. We have now rolled out a fully online transactional platform in the UK.

Sancus BMS Group KPIs

We set out in our 2018 Annual Report that we will be reporting our KPIs going forward to demonstrate the progress we are making over time. We are committed to driving shareholder value through judicious growth, improving asset utilisation and cost controls. We believe the share price will positively reflect improvement in these metrics over time (Refer to Note 20 Performance Measures).

The Directors consider the following financial indicators as KPIs:

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

The table on page 11 gives a breakdown of Sancus BMS KPIs. This also includes those items not considered KPIs, but which give a better understanding of the figures.

Sancus BMS – KPIs (Table 5)

	June 2020	June 2019	% Change	December 2019	% Change	December 2018
BMS managed loan book	**£30m**	**£34m**	**(12%)**	£33m	(8%)	£40m
Sancus asset backed lending book	**£167m**	**£188m**	**(11%)**	£199m	(16%)	£168m
Total Sancus BMS Loan Book	**£197m**	**£222m**	**(11%)**	£232m	(15%)	£208m
Loan Deployments	**£22m**	**£73m**	**(70%)**	£123m	N/A	£115m
Return on Tangible Assets	**0.5%**	**1.4%**	**(64%)**	0.9%	(44%)	(0.4%)
Net operating profit/(loss)	**£0.1m**	**£0.3m**	**(72%)**	£0.4m	N/A	(£0.2m)
Cost Income Ratio	**98%**	**94%**	**4%**	96%	2%	102%
On-balance sheet loans before IFRS9	**£17.1m**	**£23.7m**	**(28%)**	£21.2m	(19%)	£26.0m
Revenue (proforma)	**£3.6m**	**£5.4m**	**(34%)**	£9.6m	N/A	£11.7m
Operating expenses	**£2.3m**	**£2.8m**	**(18%)**	£5.5m	N/A	£6.4m
Gross Profit	**£2.5m**	**£4.3m**	**(41%)**	£7.5m	N/A	£9.3m
Cost of borrowing	**£1.0m**	**£0.9m**	**8%**	£1.7m	N/A	£1.8m

Lending – loan deployment and loan book growth

Sancus asset backed lending has decreased by 16% since last December 2019 when it was £199m to £167m at 30 June 2020. Although we have seen a decline, this hides a positive message that over £50m of Co-Funder money was returned during the period as the lending team worked tirelessly to ensure loans competed as planned. As we have seen the new loans deployed decline in the period due to Covid-19 this is not unexpected. We are positive that as new loan opportunities arise the loan book will increase as Co-Funders are attracted to the risk adjusted returns, especially when compared to the all-time low alternative yielding assets such as cash or bonds.

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

Loan deployments in 2020 to 30 June 2020 was only £22m as we saw the impact of Covid-19. Loan deployments are classified as new loans written in the year and a key target for the sales teams to focus on.

Return on Total Assets ("ROTA") (Refer Note 20 for performance measure calculations)

Due to the effects of Covid-19 we are unable to report an improvement in this ratio in the first half of the year, it having declined to 0.5% from 0.9% at the 2019 year-end. As Covid-19 restrictions are eased and the world gets back to some sense of normality we expect to see progress made on this ratio going forwards.

Cost Income Ratio ("CIR") (Refer Note 20 for performance measure calculations)

The total costs include operating expenses, debt costs, broker costs and IFRS9 adjustments as set out in Note 20. CIR for the first half of 2020 has increased to 98% from 96% for the full year 2019. Whilst cost efficiencies have been delivered across a number of areas the lack of revenue has nullified this benefit. As Covid-19 restrictions are eased and the world gets back to some sense of normality we expect to see progress made on this ratio going forwards.

FinTech Ventures

The total fair value at 30 June 2020 of £2.2m (31 December 2019: £6.3m) is made up of investments mainly in debt in the form of convertible loan notes where we retain the potential upside from being able to convert on favourable terms should the platforms deliver a successful opportunity for us to exit. Given the difficult market conditions, some further tough decisions have been made to write down the portfolio which has resulted in a net movement of £4.2m during the period.

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

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

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

Strategic Objectives

The Group's strategy is to maximise shareholder value through growing the profitability of Sancus BMS and realising value from its investments in FinTech Ventures. We are focused on the main key targets below, and our aim is to improve the performance of these KPIs gradually over time.

> Become a capital efficient business
> Focus on creating shareholder value
> Profitably expand the funding base
> Realise value from FinTech Ventures Investments

Become a capital light entity

We have been focussed on reducing our on-balance sheet loan book exposure and deploying these funds into acquiring and repaying the ZDPs. This in turn will de-risk our balance sheet and improve the Return of Tangible Assets ("ROTA") (Refer Note 20 for Performance Measures calculations). At the end of June 2020 ROTA for Sancus BMS was 0.5% (31 December 2019: 0.9%).

Sancus needs capital to underwrite its deal flow but continual efforts to diversify and grow our Co-Funders improves our ability to syndicate and drive better returns on the Group's assets.

Focus on creating shareholder value

We believe value creation will be achieved by:

> Revenue growth - this is largely driven by loan deployment.
> Improving our ROTA – by reducing our on-balance sheet loan book and increasing operating profits.
> Increasing operating profits - by increasing gross margin and reducing costs.

Over time we expect the UK and Ireland to be our largest revenue generating entities and as noted our focus is on growing these offices. The UK office was opened in London in April 2019 (after closing the larger Basingstoke office). Whilst revenue in the UK has been modest to date, the pipeline is healthy, and we expect revenue to pick up in the second half. The position is similar in Ireland. The UK business also benefits from our own proprietary fully transactional electronic platform. These are the largest potential markets and are key for growth.

We have seen a decrease in Sancus BMS Group ROTA from 0.9% in 2019 to 0.5% at 30 June 2020.

2019 saw a reorganization within the Group. Since then we have reduced headcount across the Group by a further 5 in the first half of 2020, resulting in an improved cost income ratio.

Profitably expand the funding base

Growing and diversifying pools of lending capital is critical for our growth. Our funding sources include institutional, corporate and high net worth individuals. We continue to launch further loan notes through Amberton Asset Management or similar structured vehicles to expand our Co-Funder base. We also continue to target the Co-Funder base and nurture relationships. The HIT funding line is designed to be complementary to our Co-Funder base and work alongside it to complete on larger sized loans which have a greater revenue impact on the Group. Following some large loan repayments in the period our total syndicated lending has decreased by 11% in the last twelve months from £188m at 31 June 2019 to £167m at 30 June 2020. The co-funder ratio however has increased up to 95% from 92% a year ago as we reduce our on-balance sheet exposure.

We also continue to explore long term financing lines that sit alongside our syndicated lending approach.

Realise value from FinTech Ventures Investments

We continue to assist platforms with strategy, corporate finance and capital restructuring within the FinTech Ventures portfolio. Monitoring and governance of FinTech Ventures continues. It remains a challenging market for many of the FinTech platforms to raise further capital, which in several cases is impacting their growth. Sadly, the outcome is binary in that they will either succeed or be forced into administration.

Outlook

Last year was a year of reorganisation as we built out the Sancus BMS entities and focused on the core business, which is capable of creating significant value for shareholders. Our target was to deleverage our balance sheet and become a capital efficient business, which in turn will enable us to start paying dividends again. Management remains focused on these objectives, which it expects to translate into improved profitability and ROTA over time. Covid-19 has negatively affected our results for the first half of the year, but we do see a lot of opportunities for alternative lenders such as ourselves and expect to see improvements in the second half of this year.

Finally, I want to thank all shareholders for their continued support during this period of change. I fully acknowledge that the journey to date has been disappointing. However, we have successfully aligned the business to focus on Sancus, which through its multi-jurisdictional asset backed secured lending service, is in a strong position to deliver future growth, profitability and in due course recommence the dividend programme.

Please keep safe and look after your loved ones.

Andrew Whelan
Chief Executive Officer

30 September 2020

Risks, uncertainties and responsibility statement
for the period ended 30 June 2020

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the group's performance over the remainder of the financial year. These include, but are not limited to, Capital and liquidity risk, Regulatory and compliance risk, Market risk, Credit risk with respect to the loan book (primarily bridging loans and, increasingly, development loans), Operational risk – execution of Sancus BMS strategy and Investment risk – platform valuations. These risks along with the risks arising from Covid-19, remain unchanged from December 2019 and are not expected to change in the 6 months to the end of the financial year. Further details on these risks and uncertainties can be found in the December 2019 Annual Report.

Responsibility statement

The Directors confirm that to the best of their knowledge:

> The Interim Report has been prepared in accordance with the AIM rules of the London Stock Exchange;
> This financial information has been prepared in accordance with IAS 34 as adopted by the EU;
> The interim results include a fair review of the important events during the first half of the financial year and their impact on the financial information as required by DTR 4.2.7R; and
> The interim results include a fair review of the disclosure of related party transactions as required by DTR 4.2.8R.

Approved and signed on behalf of the Board of Directors
30 September 2020

Independent review report to GLI Finance Limited
for the period ended 30 June 2020

We have been engaged by the Company to review the condensed set of Consolidated Financial Statements in the Interim Report for the six months ended 30 June 2020 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Shareholders' Equity, the Condensed Consolidated Statement of Cash Flows and related Notes 1 to 20. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Consolidated Financial Statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK & Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of Financial Statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the Interim Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK & Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the Interim Report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Material uncertainty relating to going concern

We draw attention to Note 2(c) in the financial statements, which indicates that there is a material uncertainty over the timing and quantum of cash flows needed to generate sufficient cash reserves to extinguish its liabilities as they fall due. The mitigations identified by the Directors are inherently uncertain as to their success.

As stated in Note 2(c), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Deloitte LLP
Guernsey, Channel Islands

30 September 2020

Condensed consolidated statement of comprehensive income (unaudited)

for the period ended 30 June 2020

	Notes	Period ended 30 June 2020 (unaudited) £'000	Period ended 30 June 2019 (unaudited) £'000
Revenue	4	**5,498**	7,086
Cost of sales	5	**(3,011)**	(2,488)
Gross profit		**2,487**	4,598
Operating expenses	6	**(2,824)**	(3,565)
Changes in expected credit losses	18	**(161)**	(1,175)
Operating loss		**(498)**	(142)
FinTech Ventures fair value movement	18	**(4,238)**	(5,190)
FinTech Ventures foreign exchange gain		**64**	39
Other net losses	7	**(1,776)**	(699)
Loss for the period before tax		**(6,448)**	(5,992)
Income tax expense		**(67)**	(144)
Loss for the period after tax		**(6,515)**	(6,136)
Items that may be reclassified subsequently to profit and loss			
Foreign exchange arising on consolidation		**(26)**	(5)
Other comprehensive losses for the period after tax		**(26)**	(5)
Total comprehensive loss for the period		**(6,541)**	(6,141)
Basic and Diluted loss per Ordinary Share	8	**(2.14)p**	(2.02)p

The accompanying Notes on pages 19 to 35 form an integral part of these financial statements.

Condensed consolidated statement of financial position (unaudited)

as at 30 June 2020

	Notes	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
ASSETS			
Non-current assets			
Fixed assets	9	**887**	1,018
Goodwill	10	**22,894**	22,894
Other intangible assets	11	**251**	334
Sancus BMS loans and loan equivalents	18	**3,982**	8,950
FinTech Ventures investments	18	**2,164**	6,299
Investments in joint ventures and associates		**1,948**	2,703
Total Non-current assets		**32,126**	42,198
Current assets			
Loans through platforms		**21**	31
Other assets	13	**902**	3,336
Sancus BMS loans and loan equivalents	18	**51,423**	55,282
Trade and other receivables	12	**8,588**	5,909
Cash and cash equivalents		**6,621**	7,244
Total current assets		**67,555**	71,802
Total assets		**99,681**	114,000
EQUITY			
Share premium	14	**112,557**	112,557
Treasury shares	14	**(1,099)**	(1,099)
Retained earnings		**(77,626)**	(71,085)
Total Equity		**33,832**	40,373
LIABILITIES			
Non-current liabilities	15	**576**	54,870
Current liabilities	15	**65,273**	18,757
Total liabilities		**65,849**	73,627
Total equity and liabilities		**99,681**	114,000

The financial statements were approved by the Board of Directors on 30 September 2020 and were signed on its behalf by:

Director: Patrick Firth Director: John Whittle

The accompanying Notes on pages 19 to 35 form an integral part of these financial statements

Condensed consolidated statement of changes in shareholders' equity (unaudited)

for the period ended 30 June 2020

	Share Premium £'000	Treasury Shares £'000	Foreign Exchange Reserve £'000	Retained Earnings/ (Losses) £'000	Total Equity £'000
Balance at 31 December 2019 (audited)	112,557	(1,099)	22	(71,107)	40,373
Transactions with owners	–	–	–	–	–
Total comprehensive loss for the period	–	–	(26)	(6,515)	(6,541)
Balance at 30 June 2020 (unaudited)	**112,557**	**(1,099)**	**(4)**	**(77,622)**	**33,832**
Balance at 31 December 2018 (audited)	112,557	(1,162)	1	(61,169)	50,227
Adjustment on adoption of IFRS 16	–	–	–	(18)	(18)
Restated balance at 1 January 2019	112,557	(1,162)	1	(61,187)	50,209
Transferred from management	–	(336)	–	–	(336)
Bonuses settled by shares	–	399	–	(170)	229
Transactions with owners	–	63	–	(170)	(107)
Total comprehensive loss for the period	–	–	(5)	(6,136)	(6,141)
Balance at 30 June 2019 (unaudited)	112,557	(1,099)	(4)	(67,493)	43,961

The accompanying notes on pages 19 to 35 form an integral part of these financial statements.

Condensed consolidated statement of cash flows (unaudited)

for the period ended 30 June 2020

	Notes	Period ended 30 June 2020 (unaudited) £'000	Period ended 30 June 2019 (unaudited) £'000
Cash outflow from operations, excluding loan movements	16	**(2,823)**	(1,860)
Decrease / (Increase) in Sancus BMS loans		**3,168**	(1,182)
Decrease in loans through platforms		**10**	13
Decrease in loans to UK and Irish SARLS		**113**	1,515
Decrease / (Increase) in loans through the HIT facility		**5,084**	(8,242)
Repayment of Sancus Loan notes		**–**	3,311
Net cash inflow / (outflow) from operating activities		**5,552**	(6,445)
Cash inflows / (outflows) from investing activities			
Disposal of IOM Preference Shares		**–**	950
Repayments / (Investments) in FinTech Ventures		**(49)**	70
Divestment in UK and Irish SARLS		**–**	82
Expenditure on SPL Properties	13	**(147)**	(708)
Sale of SPL Properties	13	**1,598**	435
Expenditure on fixed assets and intangibles		**(8)**	(172)
Net cash inflow from investing activities		**1,394**	657
Cash inflows / (outflows) from financing activities			
(Repayment) / Draw down of HIT facility	16	**(3,499)**	9,706
Purchase of own shares		**–**	(336)
Capital element of lease payments	16	**(128)**	(94)
Repayment of ZDPs	16	**(3,942)**	(4,290)
Net cash (outflow) / inflow from financing activities		**(7,569)**	4,986
Net decrease in cash and cash equivalents		**(623)**	(802)
Cash and cash equivalents at beginning of period		**7,244**	5,863
Cash and cash equivalents at end of period		**6,621**	5,061

£3,859,000 of the £6,621,000 cash held at 30 June 2020 is for the exclusive use of Sancus Loans Limited (June 2019: £2,172,000 of the £5,061,000).

The accompanying Notes on pages 19 to 35 form an integral part of these financial statements.

Notes to the condensed interim financial statements

for the period ended 30 June 2020

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 30 June 2020, the Group comprises the Company and its subsidiaries.

The Company has taken advantage of the exemption conferred by the Companies (Guernsey) Law, 2008, Section 244, not to prepare company only financial statements which is consistent with the 2019 Annual Report.

2. ACCOUNTING POLICIES

(a) Basis of preparation

These condensed consolidated financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standard (IAS) 34 'Interim Financial Reporting', as adopted by the European Union and all applicable requirements of Guernsey Company Law. They do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

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.

These financial statements were authorised for issue by the Company Directors on 30 September 2020.

(b) Principal accounting policies

The same accounting policies and methods of computation are followed in these financial statements as in the last annual financial statements for the year ended 31 December 2019.

(c) Going Concern

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

The assessment has been supported by subjecting the Group's financial forecasts over a period of at least twelve months from the end of the reporting date to severe but reasonable scenarios and reviewing the effectiveness of any mitigating actions.

The Company has certain liabilities that fall due in the next 12 months which are noted below:

- the final capital entitlement of the Company's ZDP shares is £13.1 million, which is repayable on 5 December 2020;
- the facility with Honeycomb Investment Trust plc ("HIT"), which as at 30 June 2020 was £40.8m drawn, expires on 28 January 2021; and
- the £10m bond is repayable on 30 June 2021 (the "GLI Bonds").

Notes to the condensed interim financial statements continued

for the period ended 30 June 2020

2. ACCOUNTING POLICIES continued

Based on current cash reserves plus the loan maturity profiles of the Sancus and BMS Fund loan books, our cash flow forecasts indicate there would be sufficient cash available to continue on a Going Concern basis. However, as we have seen in the past, timings of the repayment of loans can vary and deviate from expectations as development loans may run over and in the case of the BMS Fund, the refinance of some of the loans may not occur as planned. In the past year especially, we have seen this occur with the impact of Brexit playing some part, but this risk is now heightened by Covid-19.

Based on the Company's liabilities and taking into account the various possible outcomes and assumptions as part of the Going Concern model, they constitute a material uncertainty that may cast significant doubt over the Company's and Group's ability to continue as a Going Concern, such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has been considering its options regarding these liabilities, which include their repayment and/or extension, and is considering:

> an equity fundraising of up to £2.5m at 2.5p which represents a premium of 11% to the Company's closing mid-market share price on 29 September 2020, £1.5m of which would be underwritten by Somerston FinTech Limited ("Somerston"), and which would also be supported by Philip J Milton & Company Plc, both major shareholders in the Company; and

> the issue of up to £15m of new corporate bonds, with a coupon of 7% and a maturity date in 2026 of which Somerston would subscribe for £6m (together, the "Proposed Fundraising"). Subscribers of the new bonds would be issued with warrants over ordinary shares at an exercise price of 2.5p, representing 0.25% of the Company's ordinary shares for each £100,000 subscribed.

Somerston's participation in the Proposed Fundraising would be subject to due diligence.

The proceeds of the Proposed Fundraising would be used to repay the GLI Bonds and the Company expects that it would use its own cash resources to fund any shortfall. In conjunction with the Proposed Fundraising, the Company intends to seek a two-year extension to the repayment date of the Company's ZDP shares on terms to be agreed and we are engaged with HIT regarding the extension and increase of the HIT facility.

The Proposed Fundraising together with the proposals outlined above are subject to further consideration by the Board, consultation with the relevant stakeholders, including ordinary shareholders, ZDP shareholders, bondholders and HIT and, if pursued, relevant shareholder and regulatory approvals and consents. Accordingly, there can be no certainty that the Proposed Fundraising or the other proposals will proceed.

The Board further notes that management have undertaken a detailed review of the loan books and stress tested for the impact of a second phase of Covid-19. Based on this review and on current available information, the results are very similar to the conclusions made in the 2019 Annual Report in that it is likely to impact the timing of receipt of the outstanding loan book in the short to medium term, but not the ultimate recoverability of the loans as these are largely asset backed with an average LTV of 59%. At this stage however we cannot forecast with certainly the full impact a second wave of Covid-19 will have on the timings of the loan repayments or whether there is a more severe deterioration in the markets for the underlying security which would impact recoverability. As part of the stress testing, the assumptions we have made regarding the operational performance (income and expenditure) driven by loan book growth, remains unchanged and that even under the more conservative scenarios the Group is forecast to generate sufficient income to meet expenses.

There are sensitivities around the various assumptions described above which have been stress tested for delays and other risks that the loans may not repay on time, that the unfunded commitments may not all be funded by Co-Funders and that the real estate asset sales may not occur as planned in 2020/21.

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

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

The critical accounting estimates and judgements are as outlined in the financial statements for the year ended 31 December 2019.

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 as well as group treasury.

The segments are as follows:

(1) Sancus BMS which consists of Platforms with an established business model, Amberton (which fundraises for Sancus BMS) and Investments in the BMS UK fund;

(2) FinTech Ventures which holds eight platform investments (31 December 2019: nine); and

(3) Group Treasury which primarily includes cash balances and related expenses to manage the Group's consolidated position and 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.

	30 June 2020				30 June 2019			
£'000	Sancus BMS	FinTech Ventures	Group Treasury	Total Group	Sancus BMS	FinTech Ventures	Group Treasury	Total Group
Revenue	5,415	83	–	5,498	6,761	325	–	7,086
Cost of sales	(2,873)	–	(138)	(3,011)	(2,484)	–	(4)	(2,488)
Gross profit / (loss)	2,542	83	(138)	2,487	4,277	325	(4)	4,598
Operating expenses	(2,292)	(167)	(365)	(2,824)	(2,779)	(234)	(552)	(3,565)
Changes in expected credit losses	(161)	–	–	(161)	(1,175)	–	–	(1,175)
Operating profit / (loss)	89	(84)	(503)	(498)	323	91	(556)	(142)
FinTech Ventures fair value movement	–	(4,238)	–	(4,238)	–	(5,190)	–	(5,190)
FinTech Ventures foreign exchange gain	–	64	–	64	–	39	–	39
Other net (losses) / gains	(1,776)	–	–	(1,776)	(753)	54	–	(699)
Loss for the period before tax	(1,687)	(4,258)	(503)	(6,448)	(430)	(5,006)	(556)	(5,992)
Income tax expense	(67)	–	–	(67)	(144)	–	–	(144)
Loss for the period after tax	(1,754)	(4,258)	(503)	(6,515)	(574)	(5,006)	(556)	(6,136)
Other comprehensive losses								
Foreign exchange on consolidation	(26)	–	–	(26)	(5)	–	–	(5)
Total comprehensive loss for the period	(1,780)	(4,258)	(503)	(6,541)	(579)	(5,006)	(556)	(6,141)

Notes to the condensed interim financial statements continued

for the period ended 30 June 2020

3. SEGMENTAL REPORTING continued

	30 June 2020				31 December 2019			
£'000	Sancus BMS	FinTech Ventures	Group Treasury	Total Group	Sancus BMS	FinTech Ventures	Group Treasury	Total Group
ASSETS								
Non-current assets								
Fixed assets	**603**	**–**	**284**	**887**	694	–	324	1,018
Goodwill	**22,894**	**–**	**–**	**22,894**	22,894	–	–	22,894
Other intangible assets	**251**	**–**	**–**	**251**	334	–	–	334
Sancus BMS loans and loan equivalents	**3,982**	**–**	**–**	**3,982**	8,950	–	–	8,950
FinTech Ventures investments	**–**	**2,164**	**–**	**2,164**	–	6,299	–	6,299
Joint ventures and associates	**1,948**	**–**	**–**	**1,948**	2,703	–	–	2,703
Total Non-current assets	**29,678**	**2,164**	**284**	**32,126**	35,575	6,299	324	42,198
Current assets								
Loans through platforms	**21**	**–**	**–**	**21**	30	1	–	31
Other assets	**902**	**–**	**–**	**902**	3,336	–	–	3,336
Sancus BMS loans and loan equivalents	**51,423**	**–**	**–**	**51,423**	55,282	–	–	55,282
Trade and other receivables	**8,222**	**286**	**80**	**8,588**	5,627	282	–	5,909
Cash and cash equivalents	**4,933**	**22**	**1,666**	**6,621**	6,568	19	657	7,244
Total current assets	**65,501**	**308**	**1,746**	**67,555**	70,843	302	657	71,802
Total assets	**95,179**	**2,472**	**2,030**	**99,681**	106,418	6,601	981	114,000
LIABILITIES								
Non-current liabilities	**450**	**–**	**126**	**576**	54,708	–	162	54,870
Current liabilities	**64,665**	**–**	**608**	**65,273**	18,072	12	673	18,757
Total liabilities	**65,115**	**–**	**734**	**65,849**	72,780	12	835	73,627
Net Assets	**30,064**	**2,472**	**1,296**	**33,832**	33,638	6,589	146	40,373

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

4. REVENUE

	30 June 2020 (unaudited) £'000	30 June 2019 (unaudited) £'000
Co-Funder fees	**890**	965
Earn out (exit) fees	**926**	561
Advisory fees	**230**	325
Transaction fees	**563**	1,227
Total revenue from contracts with customers	**2,609**	3,078
Interest on loans	**556**	1,945
HIT interest income	**2,280**	1,611
Other income	**53**	452
Total Revenue	**5,498**	7,086

5. COST OF SALES

	30 June 2020 (unaudited) £'000	30 June 2019 (unaudited) £'000
Interest costs	**1,104**	895
HIT interest costs	**1,836**	1,340
Other cost of sales	**71**	253
Total cost of sales	**3,011**	2,488

6. OPERATING EXPENSES

	30 June 2020 (unaudited) £'000	30 June 2019 (unaudited) £'000
Administration and secretarial fees	**25**	63
Amortisation and depreciation	**216**	263
Audit fees	**111**	107
Corporate Insurance	**42**	28
Directors Remuneration	**64**	49
Employment costs	**1,647**	2,260
Investor relations expenses	**36**	44
Legal and professional fees	**114**	106
Marketing expenses	**19**	22
NOMAD fees	**38**	38
Other office and administration costs	**348**	404
Pension costs	**141**	155
Registrar fees	**15**	17
Sundry	**8**	9
Total operating expenses	**2,824**	3,565

Notes to the condensed interim financial statements continued

for the period ended 30 June 2020

7. OTHER NET LOSSES

Of the £1,776,000 Other net losses £763,000 relates to the write down of the investment in Sancus IOM Holdings Limited. The Directors have taken a conservative view and decided, in light of Covid-19 and lack of deals being closed in this entity in the first half of 2020, that it would seem appropriate to write down this investment. This investment will be valued on share of Net Assets going forward. Of the remainder, £983,000 relates to the write down of other assets (see note 13).

8. LOSS PER ORDINARY SHARE

Consolidated loss per Ordinary Share has been calculated by dividing the consolidated loss attributable to Ordinary Shareholders in the period by the weighted average number of Ordinary Shares outstanding (excluding treasury shares) during the period. There was no dilutive effect for potential Ordinary Shares during the current or prior periods.

	30 June 2020 (unaudited)	30 June 2019 (unaudited)
Number of shares in issue	**312,065,699**	312,065,699
Weighted average number of shares outstanding (excluding treasury shares)	**304,139,700**	304,520,121
Consolidated loss attributable to Ordinary Shareholders in the period	**£6,515,000**	£6,136,000
Consolidated Loss per Ordinary Share	**(2.14)p**	(2.02)p

9. FIXED ASSETS

	Right of use assets	Property & Equipment	Total
Cost	£'000	£'000	£'000
At 31 December 2019	1,089	433	1,522
Additions in the period	–	8	8
Lease adjustment	262	–	262
Expired lease	(75)	–	(75)
At 30 June 2020	1,276	441	1,717
Accumulated depreciation	£'000	£'000	£'000
At 31 December 2019	231	273	504
Lease adjustment	268	–	268
Charge in the period	107	26	133
Expired lease	(75)	–	(75)
At 30 June 2020	531	299	830
Net book value 30 June 2020	**745**	**142**	**887**
Net book value 31 December 2019	858	160	1,018

10. GOODWILL

Goodwill at 30 June 2020 and 31 December 2019 comprises:

	£'000
Sancus Jersey	14,255
Sancus Gibraltar	8,639
Total	22,894

Impairment tests

The carrying amount of goodwill arising on the acquisition of certain subsidiaries is assessed by the Board for impairment on an annual basis or sooner if there has been any indication of impairment. The Covid-19 pandemic is considered to be an indicative event of impairment. As a result, the Board have carried out a full impairment review of the carrying amount of goodwill. The value in use of Sancus Jersey and Sancus Gibraltar was based on an internal Discounted Cash Flow ("DCF") value in use analysis using cash flow forecasts for the years 2020/21 to 2024/25. The starting point for each of the cash flows was the revised forecast for 2020 produced by Sancus Jersey and Gibraltar management. Management's revenue forecasts applied a compound annual growth rate (CAGR) to revenue of 7.3% and 8.4% for Jersey and Gibraltar respectively. A cost of equity discount rate of 12.8% was employed in the valuation model for Sancus Jersey and 13.3% for Sancus Gibraltar. The resultant valuation indicated that no impairment of goodwill was required in either Sancus Jersey or Sancus Gibraltar, with significant headroom.

Goodwill valuation sensitivities

When the discounted cash flow valuation methodology is utilised as the primary goodwill impairment test, the variables which influence the results most significantly are the discount rates applied to the future cash flows and the revenue forecasts. The table below shows the impact on the headroom in each model of stress testing the period end goodwill valuation with a decrease in revenues of 10% and an increase in cost of equity discount rate of 3%. These potential changes in key assumptions fall within historic variations experienced by the business (taking other factors into account) and are therefore deemed reasonable. The current model reveals that a sustained decrease in revenue of circa 20% for Jersey and circa 25% for Gibraltar or a sustained increase of circa 8% in the cost of Equity discount rate for Jersey and circa 12% for Gibraltar would remove the headroom. The model assumes that the downturn relating to Covid-19 is a temporary downturn and that once things get back to normal, activity in each of Jersey and Gibraltar will get back to more normal levels within a year. Should the recovery be delayed due to Covid-19, Brexit or some other factor then there is a heightened risk that headroom in either model could be substantially affected and may result in an impairment of goodwill.

	Reduction in headroom implied by sensitivity		
Sensitivity Applied	Sancus Jersey £'000	Sancus Gibraltar £'000	Total £'000
10% decrease in revenue per annum	5,526	3,359	8,885
3% increase in cost of Equity discount rate	5,054	3,091	8,145

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

Notes to the condensed interim financial statements continued

for the period ended 30 June 2020

11. OTHER INTANGIBLE ASSETS

	£'000
Cost	
At 30 June 2020 and 31 December 2019	1,584
Amortisation	
At 31 December 2019	1,250
Charge for the period	83
At 30 June 2020	1,333
Net book value at 30 June 2020	**251**
Net book value at 31 December 2019	334

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

12. TRADE AND OTHER RECEIVABLES

Current	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Dividend income receivable	**68**	68
Loan fees and similar receivable	**1,608**	1,093
Loan interest receivable	**6,140**	4,047
Receivable from associated companies	**42**	13
Derivative contracts	**–**	156
Other trade receivables and prepaid expenses	**730**	532
	8,588	5,909

13. OTHER ASSETS

Cost	Properties held for sale £'000	Development properties £'000	Total £'000
At 31 December 2018	1,377	3,027	4,404
Transfers	(509)	509	–
Additions	17	787	804
Disposals	(885)	–	(885)
Write down	–	(987)	(987)
At 31 December 2019	–	3,336	3,336
Additions	–	147	147
Write down	–	(983)	(983)
Disposals	–	(1,598)	(1,598)
At 30 June 2020	**–**	**902**	**902**

Other assets are developments which were previously held as security against certain loans which have defaulted. These assets are held at the lower of cost and net realisable value.

14. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE

GLI Finance Limited has the power under its articles of association to issue an unlimited number of Ordinary Shares of nil par value.

No Ordinary Shares were issued in the period to 30 June 2020 (Period to 30 June 2019: Nil).

Share Capital

Ordinary Shares – nil par value	Shares in issue
At 30 June 2020 (unaudited) and 31 December 2019 (audited)	312,065,699

Share Premium

Ordinary Shares – nil par value	£'000
At 30 June 2020 (unaudited) and 31 December 2019 (audited)	112,557

Treasury Shares

As at 30 June 2020 and 31 December 2019 a total of 7,925,999 Ordinary Shares, with an aggregate value of £1,098,814 were held by a Subsidiary, Sancus BMS Group Limited ("SBMSGL") and eliminated on consolidation.

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Balance at start of the period/year	**1,099**	1,162
GLI shares transferred by SBMSGL to key members of management	–	(399)
GLI shares purchased by SBMSGL from BMS management	–	336
Balance at end of period/year	**1,099**	1,099

Warrants in Issue

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

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

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

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

These warrants expired on 25 February 2020.

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

None of the above warrants were exercised prior to their expiry dates and therefore all have now expired.

Notes to the condensed interim financial statements continued

for the period ended 30 June 2020

15. LIABILITIES

Non-current liabilities

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Corporate Bond (1)	–	10,000
HIT Facility (2)	–	44,191
Lease creditor	**576**	679
Total non-current liabilities	**576**	54,870

Current liabilities

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Corporate Bond (1)	**10,000**	–
HIT Facility (2)	**40,748**	–
ZDP shares (3)	**12,604**	16,825
Accounts payable	**251**	91
Accruals and other payables	**928**	1,404
Tax payable	**188**	221
Deferred income	**67**	5
Derivative contracts (note 18)	**307**	–
Lease creditor	**180**	211
Total current liabilities	**65,273**	18,757

Interest costs on debt facilities

	30 June 2020 (unaudited) £'000	30 June 2019 (unaudited) £'000
Corporate Bond (1)	**348**	347
HIT Facility (2)	**1,836**	1,340
ZDP shares (3)	**726**	530
Lease interest	**30**	18
Total interest costs on debt facilities	**2,940**	2,235

(1) Corporate Bond

On 30 June 2016, GLI Finance issued £10m corporate bonds as part of the acquisition of Sancus Gibraltar. The bond maturity date is 30 June 2021 and they bear interest at 7% (2019: 7%). This has been moved to current liabilities as it matures within one year of the balance sheet date.

(2) HIT Facility

On 29 January 2018, GLI Finance signed a new funding facility with Honeycomb Investment Trust plc (HIT). The funding line has a term of 3 years and comprises a £45m accordion and revolving credit facility. The facility bears interest at 7.25%. This has been moved to current liabilities as it matures within one year of the balance sheet date.

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

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

(3) ZDP shares

The ZDP shares have a maturity date of 5 December 2020 with a final capital entitlement of £1.4115 per ZDP share, and bear interest at an average rate of 8.0% (2019: 5.5%).

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.

In accordance with article 7.5.5 of the Company's Memorandum and Articles of Incorporation, the Company may not incur more than £30m of long term debt without the prior approval from the ZDP shareholders. The Memorandum and Articles also specify that two debt cover tests must be met in relation to the ZDPs. At 30 June 2020 the Company was in compliance with these covenants as Cover Test A was 4.84 (minimum of 1.7) and Cover Test B was 4.84 (minimum of 3.25).

At the period end senior debt borrowing capacity amounted to £20m. The HIT facility does not impact on this capacity as this is non-recourse to GLI.

16. NOTES TO THE CASH FLOW STATEMENT

Cash outflow from operations (excluding loan movements)

	30 June 2020 (unaudited) £'000	30 June 2019 (unaudited) £'000
Loss for the period	**(6,515)**	(6,136)
Adjustments for:		
Net loss on FinTech Ventures	**4,238**	5,166
Other net (gains) / losses	**(147)**	393
Adjustment in carrying value of Sancus IOM Holdings Limited	**755**	–
Accrued interest on ZDPs	**554**	530
Impairment of financial assets	**253**	1,175
Impairment / loss on sale of SPL assets	**983**	567
Gain on purchase of ZDPs	**(44)**	(308)
Amortisation / depreciation of fixed assets	**216**	263
Amortisation of debt issue costs	**96**	56
Changes in working capital:		
Trade and other receivables	**(3,272)**	(2,710)
Trade and other payables	**60**	(856)
Cash outflow from operations, excluding loan movements	**(2,823)**	(1,860)

Notes to the condensed interim financial statements continued

for the period ended 30 June 2020

16. NOTES TO THE CASH FLOW STATEMENT continued

Changes in liabilities arising from financing activities

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

	1 January 2020 £'000	Financing cash flows[1] £'000	Loan swap Non-cash £'000	Amortisation of debt issue costs Non-cash £'000	Other Non-cash £'000	30 June 2020 £'000
ZDP shares	**16,825**	**(3,942)**	**(829)[2]**	**40**	**510[3]**	**12,604**
Corporate Bond	**10,000**	**–**	**–**	**–**	**–**	**10,000**
HIT Facility	**44,191**	**(3,499)**	**–**	**56**	**–**	**40,748**
Lease Liability	**890**	**(128)**	**–**	**–**	**(6)[4]**	**756**
Total liabilities from financing activities	**71,906**	**(7,569)**	**(829)**	**96**	**504**	**64,108**

	1 January 2019 £'000	Financing cash flows[1] £'000	Loan swap Non-cash £'000	Amortisation of debt issue costs Non-cash £'000	Other Non-cash £'000	30 June 2019 £'000
ZDP shares	24,059	(4,290)	–	–	222[3]	19,991
Corporate Bond	10,000	–	–	–	–	10,000
HIT Facility	22,684	9,706	–	56	–	32,446
Lease Liability	847	(94)	233	–	–	986
Total liabilities from financing activities	57,590	5,322	233	56	222	63,423

1 These amounts can be found under financing cash flows in the cash flow statement.
2 A loan to the value of £829,000 which sat within Sancus BMS loans and loan equivalents was swapped for 621,586 ZDP shares.
3 Interest accruals.
4 Lease variation.

17. RELATED PARTY TRANSACTIONS

Transactions with the Directors/Executive Team

Non-executive Directors

As at 30 June 2020, the non-executive Directors' annualised fees, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

	30 June 2020 £	30 June 2019 £
Patrick Firth (Chairman)	**50,000**	50,000
John Whittle	**42,500**	42,500
Nick Wakefield	**35,000**	35,000

On 4 June 2019 Mr Wakefield was appointed as a non-executive Director to the Board. Mr Wakefield's directorships were listed in the RNS issued on 5 June 2019. Golf Investments Limited ("Golf"), of which Mr Wakefield is a Director, holds 50,815,167 ordinary shares in the Company. Golf is part of the Somerston Group of companies which collectively holds 83,017,496 ordinary shares in the Company, representing 26.6 per cent of the current issued share capital. From time to time, the Somerston Group may participate as a Co-Funder in Sancus BMS loans. Other than this and the Directors' fees and expenses in relation to Mr Wakefield's appointment as a Director the Group has not recorded any transactions with either Golf or Somerston for the period ended 30 June 2020 (30 June 2019: none).

There was no increase in the other Directors' base fees during the period ended 30 June 2020. Total Directors' fees charged to the Company for the period ended 30 June 2020 were £63,750 (30 June 2019: £48,839). From 1 July 2020 Directors' fees will be reduced by 10% as part of Covid-19 cost saving initiatives.

Executive Team

For the period ended 30 June 2020, the Executive Team members' remuneration from the Company, excluding all reasonable expenses incurred in the course of their duties which were reimbursed by the Company, were as detailed in the table below:

	30 June 2020 £'000	30 June 2019 £'000
Aggregate remuneration in respect of qualifying service – fixed salary	**343**	364
Aggregate amounts contributed to Money Purchase pension schemes	**47**	51

All amounts have been charged to Operating Expenses.

From 1 July 2020 all staff have taken a pension holiday (except for statutory minimums) until further notice as part of Covid-19 cost saving initiatives.

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

As at 30 June 2020, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	30 June 2020		31 December 2019	
	No. of Ordinary Shares Held	% of total issued Ordinary Shares	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth (Chairman)	**278,669**	**0.09**	278,669	0.09
John Whittle	**104,550**	**0.03**	104,550	0.03
Andrew Whelan	**9,553,734**	**3.06**	9,553,734	3.06
Emma Stubbs	**1,380,940**	**0.44**	1,380,940	0.44
Dan Walker	**911,300**	**0.29**	911,300	0.29
Nick Wakefield	**–**	**–**	–	–

In the six month period to June 2020 and the year to December 2019, none of the above received any amounts relating to their shareholding.

During the period Mr Whelan received £27,847 in relation to the coupon on his holding of £800,000 GLI Bonds (30 June 2019: £20,567).

Transactions with connected entities

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

	30 June 2020		30 June 2019	
	Balance £'000	Interest accrued in the period £'000	Balance £'000	Interest accrued in the period £'000
Loans (and corresponding interest receivable) to entities in which GLI Group has a significant stake	**1,853**	**82**	2,201	174
Preference shares (and corresponding interest receivable) in entities which GLI Group has a significant stake	**–**	**–**	–	129

Receivable from related parties

	30 June 2020 £'000	31 December 2019 £'000
Sancus (IOM) Limited	**32**	1
Amberton Asset Management	**10**	12

Notes to the condensed interim financial statements continued

for the period ended 30 June 2020

17. RELATED PARTY TRANSACTIONS continued

Office and staff costs recharges

	30 June 2020	30 June 2019
Amberton Asset Management	**20**	17

There is no ultimate controlling party of the Company.

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

18. FINANCIAL INSTRUMENTS – Fair values and risk management

Sancus BMS loans and loan equivalents

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Non-current		
Sancus BMS loans	**366**	3,099
Sancus Loans Limited loans	**3,616**	5,851
Total Non-current Sancus BMS loans and loan equivalents	**3,982**	8,950
Current		
Sancus BMS loans	**13,767**	15,145
Loan equivalents	**104**	103
Sancus Loans Limited loans	**37,552**	40,034
Total Current Sancus BMS loans and loan equivalents	**51,423**	55,282
Total Sancus BMS loans and loan equivalents	**55,405**	64,232

Fair Value Estimation

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

	30 June 2020 (unaudited)		31 December 2019 (audited)	
	Level 2 £'000	Level 3 £'000	Level 2 £'000	Level 3 £'000
FinTech Ventures investments	**–**	**2,164**	–	6,299
Derivative contracts	**(307)**	**–**	156	–
Total assets / liabilities at fair value	**(307)**	**2,164**	156	6,299

The classification and valuation methodology remains as noted in the 2019 Annual Report.

In relation to the Level 3 valuation methodology for the FinTech Ventures investments the Board assesses the fair value based on either the value at the last capital transaction or valuation techniques, performed internally or by an independent third-party expert. Factors considered in these valuation analyses include comparable company and comparable transaction analysis based on recent fundraising activity. The Board considers all the information presented to it, including indicative bids, internal analysis, and independent valuations, in order to reach, in good faith, their value determination. In other cases cost, adjusted for FX movement and new investment etc, is used to determine fair value.

Assets at Amortised Cost

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Sancus BMS loans and loan equivalents	**55,405**	64,232
Loans through platforms	**21**	31
Trade and other receivables	**8,588**	5,909
Cash and cash equivalents	**6,621**	7,244
Total assets at amortised cost	**70,635**	77,416

Liabilities at Amortised Cost

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
ZDP shares	**12,604**	16,825
Corporate Bond	**10,000**	10,000
HIT Facility	**40,748**	44,191
Trade and other payables	**1,741**	1,721
Lease creditor	**756**	890
Total liabilities at amortised cost	**65,849**	73,627

Refer to Note 15 for further information on liabilities.

FinTech Ventures Investments

30 June 2020	Total Portfolio £'000
At 31 December 2019	**6,299**
Net new investments / divestments	**49**
Unrealised losses recognised in profit and loss	**(4,238)**
Foreign exchange gain	**54**
At 30 June 2020	**2,164**

31 December 2019	Total Portfolio £'000
At 31 December 2018	13,804
New investments / loans advanced	38
Unrealised losses recognised in profit and loss	(7,493)
Foreign exchange loss	(50)
At 31 December 2019	6,299

Credit Risk

Credit risk is defined as the risk that a borrower/debtor may fail to make required repayments within the contracted timescale. The group invests in senior debt, senior subordinated debt, junior subordinated debt and secured loans. Credit risk is taken in direct lending to third party borrowers, investing in loan funds, lending to associated platforms and loans arranged by associated platforms. The group mitigates credit risk by only entering into agreements related to loan instruments in which there is sufficient security held against the loans or where the operating strength of the investee companies is considered sufficient to support the loan amounts outstanding.

Credit risk is determined on initial recognition of each loan and re-assessed at each balance sheet date. It is categorized into Stage 1, Stage 2 and Stage 3 with Stage 1 being to recognise 12 month Expected Credit Losses (ECL), Stage 2 being to recognise Lifetime ECL not credit impaired and Stage 3 being to recognise Lifetime ECL credit impaired.

Notes to the condensed interim financial statements continued

for the period ended 30 June 2020

18. FINANCIAL INSTRUMENTS – Fair values and risk management continued

Foreign Exchange Risk – Derivative instruments

The Treasury Committee Team monitors the Group's currency position on a regular basis, and the Board of Directors reviews it on a quarterly basis. Loans denominated in Euros which are taken out through the HIT facility are hedged. Forward contracts to sell Euros at loan maturity dates are entered into when loans are drawn in Euros. At 30 June 2020 the following forward foreign exchange contracts were open:

June 2020

Counterparty	Settlement date	Buy currency	Buy amount £'000	Sell currency	Sell amount €'000	Unrealised loss £'000
EWealthGlobal Group Limited	September 2020 to March 2021	**GBP**	**3,346**	**Euro**	**3,883**	**(182)**
Liberum Wealth Limited	January 2021 to June 2021	**GBP**	**2,585**	**Euro**	**2,953**	**(125)**
Unrealised loss on forward foreign contracts						**(307)**

December 2019

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

No hedging has been taken out against investments in the FinTech Ventures platforms (2019: £Nil).

Provision for ECL

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

A probability of default is assigned to each loan. This probability of default is arrived at by reference to historical data and the ongoing status of each loan which is reviewed on a regular basis. The probability of loss is arrived at with reference to the LTV and consideration of cash that can be redeemed on recovery.

Movement of provision for ECL in the period

	30 June 2020 £'000	31 December 2019 £'000
At beginning of period / year	**2,868**	2,597
(Credited) / Charged through profit and loss in the period/year	**(92)**	1,212
Utilised in the period / year	**92**	(941)
At end of period / year	**2,868**	2,868

In addition to the above £253,000 has been provided against Trade debtors giving a total ECL charge for the period to June 2020 of £161,000.

19. GUARANTEES

The Group undertakes a number of Guarantees and first loss positions which are not deemed to be contingent liabilities under IAS37 as there is no present obligation for these guarantees and it is considered unlikely that these liabilities will crystallise.

HIT Facility

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

Sancus Loan Notes

SLN5, launched in 2018, currently stands at £19.6m. Sancus BMS has a 10% first loss position on this loan note. SLN6, launched in 2019, currently stands at £4.4m. Sancus BMS has no first loss position on this loan note. No other Loan notes are currently in existence.

Commitments

As at 30 June 2020 the Group has unfunded commitments of £24.2m (31 December 2019: £21.4m). These unfunded commitments primarily represent the undrawn portion of development finance facilities. Drawdowns are conditional on satisfaction of specified conditions precedent, including that the borrower is not in breach of its representations or covenants under the loan or security documents. The figure quoted is the maximum exposure assuming that all such conditions for drawdown are met. Directors expect the majority of these commitments to be filled by Co-Funders.

20. PERFORMANCE MEASURES

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

Return on Tangible Assets ("ROTA")

This is Sancus BMS net operating profit (after IFRS9 adjustments) divided by Sancus BMS total assets less Goodwill and HIT.

Sancus BMS	June 2020	December 2019
Net operating profit (Note 3)	**£0.1m**	£0.4m
Total Assets less Goodwill and HIT	**£36.1m**	£42.6m
Return on Tangible Assets	**0.5%**	0.9%

Cost Income Ratio

Total costs include, operating expenses, debt costs, broker costs and IFRS9 adjustments, divided by proforma revenue.

Sancus BMS	June 2020	December 2019
Total Costs	**£3.5m**	£9.3m
Proforma revenue	**£3.6m**	£9.6m
Cost Income Ratio	**97.5%**	96.1%

Officers and professional advisers

for the period ended 30 June 2020

Directors

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

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

Executive Team

Chief Executive Officer:	Andrew Whelan
Chief Financial Officer:	Emma Stubbs
Chief Operating Officer:	Aaron Le Cornu (resigned 16 April 2020)
Chief Operating Officer and UK Managing Director:	Dan Walker (Chief Operating Officer role – appointed 16 April 2020)
Registered office:	Block C, Hirzel Court, St Peter Port, Guernsey, GY1 2NL, Channel Islands

Professional Advisers

Nominated Adviser and Broker:	Liberum Capital Limited Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9LY, United Kingdom
Company Secretary:	Praxis Fund Services Limited Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 1GR, Channel Islands
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Legal Advisers, US:	Pepper Hamilton LLP 3000 Two Logan Square, Eighteenth and Arch Streets, Philadelphia, PA 19103-2799, United States
Bankers:	Barclays International 1st Floor, 39041 Broad Street, St Helier, Jersey, JE4 8NE
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