

Sancus Lending Group Limited
(Formerly GLI Finance Limited)

Interim Report and
Unaudited Condensed Consolidated Financial Statements
For the six month period ended 30 June 2021

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

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Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

HIGHLIGHTS

Rory Mepham, Interim Chief Executive Officer of Sancus Lending Group Limited, commented:

“I am delighted to have assumed the position of Interim CEO from the 1 July 2021. The last eighteen months have been highly dynamic and it is our expectation that the outlook will continue to provide both opportunities and challenges. Reduced willingness of traditional lenders to participate in the residential development and bridge lending space has offered Sancus the opportunity to increase the speed of our growth in the target expansion markets of Ireland and the UK, and continue to grow the Offshore markets, whilst at the same time various Covid related factors have continued to delay our exit from a number of historical loan positions. As we navigate our path through the expected recovery, we remain confident that the business is in a strong position from which to grow.”

Highlights

- Change of name from GLI Finance Limited to Sancus Lending Group Limited announced on 11 May 2021 reflecting the Group’s continued focus on property lending in residential development and bridge financing;
- Change in personnel in the period following the resignation of Andy Whelan, Rory Mepham was appointed as Interim CEO on 1 July 2021 and Dan Walker as Deputy CEO effective on 2 June 2021. Steve Smith was appointed as Non-Executive Chairman on 31 August 2021, with the previous Chairman, Patrick Firth stepping down after sixteen years with the Group;
- The successful fundraise at the end of 2020 and a positive shift in the real estate market presents the Group with a favourable outlook and an opportunity to focus on growth in the coming period;
- Our geographic focus remains unchanged with Offshore being our largest market and the business in the UK and Ireland continues to expand. The pipeline for these key growth markets is strong with revenue growth in the UK up five-fold in comparison to last June;
- Group revenue for the half year was £5.0m (H1 2020: £5.5m) with lower exit fees in the period which can vary year on year. However, transaction fees are up from £0.6m last year to £1.7m in 2021 reflecting an increase in loan activity;
- Group operating loss for the half year was £4.1m (H1 2020: loss £0.5m) with £3.0m relating to an increase in expected credit losses under IFRS9; and
- A strong start to 2021 with new loan facilities written at £53m for the first half of 2021 against £50m for the full year 2020.

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

CHAIRMAN'S STATEMENT

Positioning the business for the future

I was delighted to join the Group earlier in the year and, having taken on the role of Chairman on 31 August 2021, I am looking forward to the challenge ahead.

A number of key events took place prior to my appointment and the successful fundraise at the end of last year was the first step in what the Group believes will be a structured programme of change and repositioning for growth. Our target markets continue to provide good opportunities and reduced appetite amongst traditional balance sheet lenders may add to our capacity to write favourable new business.

It has been a busy first half of the year, during this time the Group was rebranded as Sancus Lending Group Limited (from GLI Finance Limited) on 11 May 2021. This change reflects the Group's continued focus on lending to residential property development and bridge financing.

There have been a number of changes to our senior executive team which are outlined more fully below.

As part of a wider review of the business, we have carried out a detailed impairment review and have made additional IFRS9 provisions of £3.0m. The provisions are largely against interest due and not loan principal, as the Group has been impacted by the late repayment of certain loans (due to Covid delays). As we are required under the accounting rules to book revenue due from interest and it follows that we have applied commensurate expected credit loss provisions.

Finally, after a five-year tenure our auditor, Deloitte LLP is standing down to be replaced by Moore Stephens following a tender process carried out in the period.

Our People

There have been a number of personnel changes in the last six months, following the resignation of Andy Whelan, Rory Mepham was appointed as Interim CEO on 1 July 2021 and Dan Walker as Deputy CEO on 2 June 2021. Rory has extensive experience in corporate finance, capital raising, debt finance, asset and fund management and property development. Prior to his appointment as Interim CEO Rory was responsible for funding and origination for the Group, having joined in January 2021. Dan has assumed the role of Deputy CEO and continues to act as the Managing Director of Sancus UK, having joined the Group in January 2018.

On 31 August 2021, Patrick Firth stepped down after sixteen years with the Group and we would like to thank Patrick for his invaluable contribution during this time.

Dividend and Shareholders

In line with our dividend policy, it is not proposed to declare a dividend for this period.

While our operational focus, Offshore, UK and Ireland, remains largely unchanged, we expect the Sancus offices in Ireland and the UK, to drive free cash flow in the coming periods and to return the Group to profitability. We fully intend to recommence the dividend programme but only at such time as the Company is in a position to make such payments.

On behalf of the Board, I would like to thank shareholders for their continuing support and patience. We certainly do not underestimate the scale and challenge ahead, but with the continuing support of shareholders and other stakeholders we believe that we have the strategy, the systems and the personnel to put the business onto a much firmer footing. I look forward to reporting positive developments in the coming period.

Steve Smith
Chairman

Date: 24 September 2021

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

INTERIM CHIEF EXECUTIVE OFFICER'S REVIEW

Overview

Having joined Sancus at the beginning of 2021, I am delighted to have been offered the opportunity to assume the position of Interim CEO from 1 July 2021. The Company has ambitious growth objectives which will rely upon a combination of growing our loans under management together with improving our margins. In order to deliver these plans the Company is reviewing its capital requirements and considering its options in terms of potential sources of funding.

During the first half of 2021 we have completed a number of re-organisational initiatives which now enables the business to focus on its strategy to be a leading alternative lender in the residential lending space. The initiatives undertaken include the rebranding of the Company and reorganisation of staff into teams aligned with our business priorities: Origination, Funding, Lending and Finance & Operations. Our geographic focus remains unchanged, and we will continue to invest in growing our business across the jurisdictions in which we are active (UK, Ireland, and the Offshore markets of Channel Islands & Gibraltar). It is our belief that the UK and Irish markets offer us the greatest growth opportunities and consequently we foresee a significant scaling up of our businesses there. We are looking to simplify the Group over the course of 2021 and will be reporting a new simplified Group basis at the end of the year when we will set out the Group's strategy in further detail and set key performance metrics that we will report on going forward.

We are looking at our options for the FinTech Ventures portfolio and we will communicate any developments to shareholders as appropriate. It has certainly been a difficult, challenging and hugely disappointing journey over the years with the FinTech Ventures portfolio. Many of the platforms have reached key points in their development and the market for raising equity and debt financing is challenging, which has had a material impact on valuations in the past.

Business Priorities

The essence of the Sancus business involves matching sources of capital to appropriate risk/return lending opportunities. In order to continue to grow, the business therefore needs to (1) continue to focus on the Origination of suitable lending opportunities for its existing sources of capital; (2) work with current secured Funders and to identify complementary sources of capital seeking differing risk/return criteria; (3) continue to increase our Lending book and maintain a high quality loan management process; and (4) ensure Finance and Operations is fully equipped to support the growth of the business.

1. Origination

We have seen a strong start to 2021 with new loan facilities written at £53m for the first half of 2021 against £50m for the full year 2020 and loan deployments of £46m for the first half of the year compared to £69m for the full year 2020. Arrangement fees and commitments fees are received on the full loan facility written and therefore we believe loan facilities written is a more meaningful metric when tracking growth. We continue to see significant demand for development finance and are increasing our presence in the bridging market with a couple of key hires.

2. Funding

We are confident 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. The business has recently recruited two senior team members to focus on both managing relations with our existing funding sources and identify additional complementary sources of funding. A longer-term objective remains to identify capital sources domestic to the market in which the lending opportunity has been identified and this is an ongoing initiative in Ireland for example. Growing and diversifying pools of lending capital is critical for our growth. Our funding sources include institutional, corporate and high net worth individuals which are in excess of 200. We also continue to target the Co-Funder base and nurture relationships. The Honeycomb Investment Trust plc ("HIT") funding line, noted below, 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.

Our existing committed sources of funding include Sancus Loan Notes ("SLNs") and a credit facility provided by HIT.

The SLNs comprise a series of Special Purpose Vehicles ("SPVs") designed to act like securitisation vehicles, enabling Co-Funders to participate in a diversified loan portfolio rather than individual loans. On 10 May 2021 SLN7 was launched with £16.6m assets managed by Amberton Limited, following the repayment of SLN5 and SLN6. SLN7 matures on 10 May 2024 and has a coupon of 7% p.a. (payable quarterly), with Sancus providing a 10% first loss guarantee.

As announced on 4 December 2020 the HIT credit facility was increased to £75m from £45m and the term was extended to 28 January 2025. At 30 June 2021 the total drawn was £47.5m (31 December 2020: £45.0m).

The availability and cost of funding is key to achieving our growth ambitions and we are reviewing the capital position of the business with a view to ensuring it's best placed to grow funding capacity on improved terms.

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

INTERIM CHIEF EXECUTIVE OFFICER'S REVIEW

3. Lending

The senior management team have carried out an extensive review of the current loan book, particularly in the context of Covid and the impact this has had on the wider real estate market and individual borrowers. Where concerns have been identified the loans have been placed on a recoveries watchlist allowing a more detailed recovery strategy to be prepared and worked through. The senior management team believe that initial progress is being made on the various recoveries strategies but note that working these through to realisation will take time to ensure the best result for all stakeholders. The Group has also refreshed its credit process and we expect to build out this team further as we execute on our growth strategy.

The Sancus asset backed lending loan book decreased by 7% since the end of 2020 from £171m to £160m as we saw some large loans repay in the period which does not reflect the increase in activities, we are seeing with new facilities written. We have a strong pipeline and expect the loan book to increase by the end of the year. Within the loan book, the Offshore loan book makes up the majority of this at the moment at £132m (Dec 2020: £147m) with the UK loan book £18m (Dec 2020: £15m) and Irish loan book at £10m (Dec 2020: £9m).

4. Finance and Operations

Effective compliance and corporate governance remains a priority for the Board. This is critical to ensuring that only well-considered risks are taken, and expected returns emerge as planned.

A key milestone at the end of last year was the successful new equity raise as well as restructuring our debt (Bonds and ZDPs) and increasing and extending the term of our facility with HIT. This transaction had the full support of our largest shareholder Somerston Group who participated in both the equity raise and new bond issue.

The development of our digital trading platform (Loan Management System "LMS") continues with increased online functionality for Co-Funders across the Group allowing them to participate online in asset backed lending opportunities. During the course of 2021 we have been making further improvements to the platform to ensure it is well set to support our growth plans.

As highlighted above, we have made a number of recent hires across the business, in particular to bolster our Funding and Origination capabilities in the markets in which we are active. At the end of June 2021, the Group headcount stood at 29 (31 December 2020: 25) and as we build out our presence across the UK and Ireland, we expect this to increase over time.

Summary of Financial Performance

Group revenue for the first half of 2021 was £5.0m against £5.5m last year and an operating loss of £4.1m (June 2020: loss of £0.5m). As disclosed in Note 4 of the accounts, transaction fees were £1.7m in the first half of 2021, in comparison to £0.6m last year, which highlights the increase in activity of loans written as noted above. Exit fees which were £0.9m last year have reduced this year to £0.3m. Due to the nature of these fees, they can vary significantly year on year.

Note 3 Segmental Reporting sets out the results by Offshore, UK and Ireland. We have seen Offshore revenue decrease by 11% in the period, largely due to some large exit fees which were received in 2020. The UK for the first time has reported an operating profit of £0.1m against a loss of £0.5m last year with revenue growth up five-fold in comparison to last June. Ireland results are relatively flat (revenue up 6%) against last year however loan closures have been slow in the first half of the year due to continued lockdowns in that region, so we expect results to pick up in the second half of the year.

The movement in expected credit losses (IFRS 9) of £3.0m in the period (June 2020: £0.2m) predominantly relates to interest debtor balances where we have seen loan repayments taking longer to complete over the last eighteen months due to market conditions and this has impacted the expected recoverability of the interest due. The underlying loans however have not seen a material deterioration.

The loss for the period was £4.2m (30 June 2020: loss of £6.5m)

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

INTERIM CHIEF EXECUTIVE OFFICER'S REVIEW

Summary of Financial Performance (Continued)

The Group's net assets have reduced in the period from £29.5m at 31 December 2020 to £25.2m as a result of the operating loss in the period which includes an increase in the expected credit loss provision of £3.0m.

The Board has carried out a full impairment review of the carrying amount of goodwill and the resultant value-in-use calculation indicated that no impairment of goodwill was required in either Sancus Jersey or Sancus Gibraltar. The goodwill value therefore remains at £22.9m.

Group cash remains healthy. Within the £16.2m of cash and cash equivalents balance at 30 June 2021, £3.8m relates to Group operational cash with £12.4m within Sancus Loans Limited. Post period end one of the development sites within Sancus Properties Limited was sold for £0.7m cash, leaving just one block of flats which is being developed and due to complete around the end of this year.

On balance sheet loans (excluding those loans in Sancus Loans Limited) were £11.4m before IFRS9 provisions at 30 June 2021 compared to £11.8m at 31 December 2020. During the period £1.8m was received following the sale of the BMS fund, leaving £1.9m on the balance sheet by way of a convertible loan note in one entity. Following this sale, Sancus BMS Holdings Limited was liquidated on 13 September 2021. Sancus Loans Limited has loans of £40.6m at 30 June 2021 (31 December 2021: £45.0m).

The Group's liabilities consist of the Bond of £12.5m which has a quarterly coupon of 7% p.a. and matures on 31 December 2025; and ZDPs of £10.1m with a coupon of 8% and payable on 5 December 2022. As the Group considers what capital mix will best support its growth ambitions, it may seek to acquire ZDPs in the market during the course of the year and explore other options for reducing balance sheet leverage. The HIT credit facility was increased to £75m from £45m on 4 December 2020 and at 30 June 2021 was £40.6m (31 December 2020: £45.0m).

Outlook

The wider market offers a positive outlook for an alternative lender such as Sancus, particularly in the development lending space where traditional banks remain inactive. Whilst we have recently seen some increased competition from alternative lenders, the residential property supply/demand dynamic in all of our target markets remains favourable meaning that there is sufficient scale of opportunity for the business to achieve its growth objectives. With reasonable prospects for economic growth in the remainder of the year and thereafter, it is expected that there will continue to be favourable underlying market fundamentals for the foreseeable future.

Finally, I want to thank all shareholders for their support during this period of change. We are excited about the opportunities that lie ahead of us and look forward to delivering profitability in due course. In the short time I have been in my new position, I have done my best to meet as many stakeholders as possible and look forward to continuing that during the second half of the year.

Rory Mephram
Interim Chief Executive Officer
24 September 2021

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

RISKS, UNCERTAINTIES AND RESPONSIBILITY STATEMENT

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 and the execution of Sancus strategy. These risks remain unchanged from December 2020 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 2020 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 UK;
- 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
24 September 2021**

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

INDEPENDENT REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

Conclusion

We have been engaged by Sancus Lending Group Limited (the “Company”) to review the condensed set of Consolidated Financial Statements in the Interim Report for the six months ended 30 June 2021 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 19. 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.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the UK and the AIM Rules of the London Stock Exchange.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (the “ISRE”) issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, 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.

As disclosed in Note 2 of the annual financial statements of the Company are prepared in accordance with IFRS as adopted by the UK. The condensed set of financial statements included in this half-yearly financial report has been prepared in International Accounting Standard 34, “Interim Financial Reporting”, as adopted by the UK.

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with the ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of Directors

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.

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

Our responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of consolidated financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Moore Stephens Audit and Assurance (Guernsey) Limited

Level 2 Park Place
Park Street
St Peter Port
Guernsey, GY1 3HZ

24 September 2021

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

	Notes	Period ended 30 June 2021 (unaudited)	Period ended 30 June 2020 (unaudited)
		£'000	£'000
Revenue	4	5,002	5,498
Cost of sales	5	(3,386)	(3,011)
Gross profit		1,616	2,487
Operating expenses	6	(2,671)	(2,824)
Changes in expected credit losses	17	(3,028)	(161)
Operating loss		(4,083)	(498)
FinTech Ventures fair value movement	17	8	(4,238)
Other net losses		(95)	(1,712)
Loss for the period before tax		(4,170)	(6,448)
Income tax expense		(58)	(67)
Loss for the period after tax		(4,228)	(6,515)
Items that may be reclassified subsequently to profit and loss			
Foreign exchange arising on consolidation		9	(26)
Other comprehensive income/(loss) for the period after tax		9	(26)
Total comprehensive loss for the period		(4,219)	(6,541)
Basic loss per Ordinary Share	7	(0.88)p	(2.14)p
Diluted loss per Ordinary Share		(0.81)p	(2.14)p

The accompanying Notes on pages 14 to 31 form an integral part of these financial statements.

Sancus Lending Group Limited (Formerly GLI Finance Limited)

As at 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)

		30 June 2021 (unaudited)	31 December 2020 (audited)
	Notes	£'000	£'000
ASSETS			
Non-current assets			
Fixed assets	8	638	774
Goodwill	9	22,894	22,894
Other intangible assets	10	97	168
Sancus loans and loan equivalents	17	18,683	3,863
FinTech Ventures investments	17	500	-
Investments in joint ventures and associates		766	866
Other investments		50	-
Total non-current assets		43,628	28,565
Current assets			
Other assets	12	1,067	1,015
Sancus loans and loan equivalents	17	29,600	49,369
Trade and other receivables	11	6,984	8,204
Cash and cash equivalents		16,246	15,786
Total current assets		53,897	74,374
Total assets		97,525	102,939
EQUITY			
Share premium	13	116,218	116,218
Treasury shares	13	(1,172)	(1,099)
Other reserves		(89,844)	(85,625)
Total Equity		25,202	29,494
LIABILITIES			
Non-current liabilities			
Borrowings		69,705	69,450
Other liabilities		357	469
Total non-current liabilities	14	70,062	69,919
Current liabilities			
Trade and other payables	14	1,235	1,638
Tax liabilities	14	106	118
Provisions	14	733	1,542
Other liabilities	14	187	228
Total current liabilities		2,261	3,526
Total liabilities		72,323	73,445
Total equity and liabilities		97,525	102,939

The financial statements were approved by the Board of Directors on 24 September 2021 and were signed on its behalf by:

Director: John Whittle

The accompanying Notes on pages 14 to 31 form an integral part of these financial statements.

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

	Share Premium	Treasury Shares	Warrants Outstanding	Foreign Exchange Reserve	Retained Earnings/ (Losses)	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2020 (audited)	116,218	(1,099)	847	(1)	(86,471)	29,494
Acquired on sale of BMS Finance AB	-	(73)	-	-	-	(73)
Fair value of warrants	-	-	616	-	(616)	-
Transactions with owners	-	(73)	616	-	(616)	(73)
Total comprehensive profit/(loss) for the period	-	-	-	9	(4,228)	(4,219)
Balance at 30 June 2021 (unaudited)	116,218	(1,172)	1,463	8	(91,315)	25,202
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

The accompanying Notes on pages 14 to 31 form an integral part of these financial statements.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Notes	Period ended 30 June 2021 (unaudited) £'000	Period ended 30 June 2020 (unaudited) £'000
Cash outflow from operations, excluding loan movements	15	(2,654)	(2,797)
(Increase) / Decrease in Sancus loans		(2,298)	3,168
Decrease in loans through platforms		-	10
Decrease in loans to UK and Irish SARLS		1,796	113
Decrease in loans through the HIT facility		4,518	5,084
Investment in Sancus Loan notes		(50)	-
Net cash inflow from operating activities		1,312	5,578
Cash inflows / (outflows) from investing activities			
Investment in IOM Preference Shares		(16)	-
Net Repayments / (Investments) in FinTech Ventures		(492)	(49)
Divestment in joint ventures		9	-
Expenditure on SPL Properties	12	(52)	(147)
Sale of SPL Properties		51	1,598
Expenditure on fixed assets and intangibles		(4)	(8)
Net cash (outflow) / inflow from investing activities		(504)	1,394
Cash inflows / (outflows) from financing activities			
Draw down / (Repayment) of HIT facility	15	2,496	(3,499)
Capital element of lease payments	15	(97)	(128)
Repayment of ZDPs	15	(2,756)	(3,942)
Net cash outflow from financing activities		(357)	(7,569)
Effects of Exchange		9	(26)
Net increase / (decrease) in cash and cash equivalents		460	(623)
Cash and cash equivalents at beginning of period		15,786	7,244
Cash and cash equivalents at end of period		16,246	6,621

£12.4m of the £16.2m cash held at 30 June 2021 is for the exclusive use of Sancus Loans Limited (June 2020: £3.9m of the £6.6m).

The accompanying Notes on pages 14 to 31 form an integral part of these financial statements.

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Sancus Lending Group Limited (the "Company"), (formerly known as GLI Finance Limited), 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 2021, the Group comprises the Company and its subsidiaries. During 2021 as part of the Group's rebranding the Company and a number of its subsidiaries have been renamed:

Previous name	New name	Date of name change
Sancus BMS Group Limited	Sancus Group Holdings Limited	17 March 2021
Sancus BMS (Ireland) Limited	Sancus Lending (Ireland) Limited	29 March 2021
GLI Finance Limited	Sancus Lending Group Limited	11 May 2021
Sancus (Guernsey) Limited	Sancus Lending (Guernsey) Limited	12 July 2021
Sancus Funding Limited	Sancus Lending (UK) Limited	13 July 2021
Sancus Finance Limited	Sancus Holdings (UK) Limited	13 July 2021

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 2020 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 United Kingdom 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 2020, 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 24 September 2021.

(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 2020.

(c) Going Concern

The Board has assessed the Group's financial position as at 30 June 2021 and the factors that may impact its performance in the forthcoming year. After considering the maturity profile of the debt structure of the Group and projected cash flows, the Directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis.

(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 2020.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

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 main focus of the Group is Sancus. Bearing this in mind the Executive team have identified 4 segments based on operations and geography.

Finance costs and Head Office costs are not allocated to segments as such costs are driven by central teams who provide, amongst other services, finance, treasury, secretarial and other administrative functions based on need. The Group's borrowings are not allocated to segments as these are managed by the Central team. Segment assets and liabilities are measured in the same way as in these financial statements and are allocated to segments based on the operations of the segment and the physical location of those assets and liabilities.

The four segments based on geography, whose operations are identical (within reason), are listed below. Note that Sancus Loans Limited, although based in the UK, is reported separately as a stand-alone entity to the Board and as such is considered to be a segment in its own right.

1. Offshore

Contains the operations of Sancus (Jersey) Limited, Sancus Lending (Guernsey) Limited, Sancus (Gibraltar) Limited, Sancus Properties Limited and Sancus Group Holdings Limited.

2. United Kingdom (UK)

Contains the operations of Sancus Lending (UK) Limited and Sancus Holdings (UK) Limited.

3. Ireland

Contains the operations of Sancus Lending (Ireland) Limited.

4. Sancus Loans Limited

Contains the operations of Sancus Loans Limited.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENTAL REPORTING (Continued)

Reconciliation to Consolidated Financial Statements

Six months to 30 June 2021

	Offshore £'000	UK £'000	Ireland £'000	Sancus Loans Limited (SLL) £'000	Sancus Debt Costs £'000	Total Sancus £'000	Head Office £'000	SLL Debt Costs £'000	FinTech Ventures Fair Value & Forex £'000	Other £'000	Consolidated Financial Statements £'000
Revenue	1,883	1,018	230	(239)	-	2,892	-	2,033	-	77	5,002
Operating Profit/(loss) *	685	136	(8)	(248)	-	565	(693)	-	-	73	(55)
Credit Losses	(2,270)	-	-	(746)	-	(3,016)	-	-	-	(12)	(3,028)
Debt Costs	-	-	-	-	(1,000)	(1,000)	-	-	-	-	(1,000)
Other Gains/(losses)	96	2	(26)	1	-	73	-	-	(4)	(49)	20
Loss on JVs and associates	-	-	-	-	-	-	-	-	-	(107)	(107)
Taxation	(58)	-	-	-	-	(58)	-	-	-	-	(58)
Profit After Tax	(1,547)	138	(34)	(993)	(1,000)	(3,436)	(693)	-	(4)	(95)	(4,228)

Six months to 30 June 2020

Revenue	2,160	196	216	444	-	3,016	-	1,836	-	646	5,498
Operating Profit/(loss) *	979	(470)	(7)	437	-	939	(539)	-	-	337	737
Credit Losses	(163)	2	-	-	-	(161)	-	-	-	-	(161)
Debt Costs	-	-	-	-	(1,074)	(1,074)	-	-	-	-	(1,074)
Other Gains/(losses)	(946)	-	2	(27)	-	(971)	-	-	(4,174)	(50)	(5,195)
Loss on JVs and associates	-	-	-	-	-	-	-	-	-	(755)	(755)
Taxation	(67)	-	-	-	-	(67)	-	-	-	-	(67)
Profit After Tax	(197)	(468)	(5)	410	(1,074)	(1,334)	(539)	-	(4,174)	(468)	(6,515)

* Operating Profit/(loss) before credit losses and debt costs

Sancus Loans Limited is consolidated into the Group's results as it is 100% owned by Sancus Group. However, the reality is that Sancus Loans Limited is a Co-Funder the same as any other Co-Funder. As a result the Board reviews the economic performance of Sancus Loans Limited in the same way as any other Co-Funder, with revenue being stated net of debt costs. Operating expenses include recharges from UK to Offshore £238,000, Offshore to Ireland £37,000 and Head Office to Offshore £36,000. "Other" includes FinTech (excluding fair value and forex) and Sancus BMS Holdings operations.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

3. SEGMENTAL REPORTING (Continued)

At 30 June 2021						Reconciliation to Financial Statements					Consolidated Financial Statements £'000
	Offshore £'000	UK £'000	Ireland £'000	Sancus Loans Limited (SLL) £'000	Total Sancus £'000	Head Office £'000	Investment in IOM £'000	Fintech Portfolio £'000	Other £'000	Inter Company Balances £'000	
Total Assets	49,613	10,314	372	57,250	117,549	43,931	766	500	374	(65,595)	97,525
Total Liabilities	(42,847)	(11,187)	(587)	(58,246)	(112,867)	(24,177)	-	-	(874)	65,595	(72,323)
Net Assets/(liabilities)	6,766	(873)	(215)	(996)	4,682	19,754	766	500	(500)	-	25,202
At 31 December 2020											
Total Assets	44,486	7,203	488	54,131	106,308	47,137	866	-	4,177	(55,549)	102,939
Total Liabilities	(38,720)	(8,214)	(679)	(53,255)	(100,868)	(27,774)	-	-	(352)	55,549	(73,445)
Net Assets/(liabilities)	5,766	(1,011)	(191)	876	5,440	19,363	866	-	3,825	-	29,494

Head Office liabilities include borrowings £22.6m (December 2020: £24.9m). Other FinTech assets and liabilities, and Sancus BMS Holdings Limited assets and liabilities are included within "Other"

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

4. REVENUE

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000
Co-Funder fees	777	890
Earn out (exit) fees	270	926
Advisory fees	-	230
Transaction fees	1,662	563
Total revenue from contracts with customers	<u>2,709</u>	<u>2,609</u>
Interest on loans	117	556
HIT interest income	1,794	2,280
Other income	382	53
Total Revenue	<u><u>5,002</u></u>	<u><u>5,498</u></u>

5. COST OF SALES

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000
Interest costs	1,016	1,104
HIT interest costs	2,033	1,836
Other cost of sales	337	71
Total cost of sales	<u><u>3,386</u></u>	<u><u>3,011</u></u>

6. OPERATING EXPENSES

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000
Administration and secretarial fees	67	25
Amortisation and depreciation	195	216
Audit fees	84	111
Corporate Insurance	27	42
Directors Remuneration	69	64
Employment costs	1,719	1,647
Investor relations expenses	37	36
Legal and professional fees	123	114
Marketing expenses	20	19
NOMAD fees	38	38
Other office and administration costs	247	348
Pension costs	28	141
Registrar fees	15	15
Sundry	2	8
Total operating expenses	<u><u>2,671</u></u>	<u><u>2,824</u></u>

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

7. 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.

Note 13 describes the warrants in issue. Taking these warrants into account the weighted average number of Ordinary Shares used in calculating the diluted loss per share was 524,011,652. There was no dilutive effect in the prior year.

	30 June 2021 (unaudited)	30 June 2020 (unaudited)
Number of shares in issue	489,843,477	312,065,699
Weighted average number of shares outstanding	478,294,522	304,139,700
Loss attributable to Ordinary Shareholders in the period	£4,228,000	£6,515,000
Basic Loss per Ordinary Share	(0.88)p	(2.14)p
Diluted Loss per Ordinary Share	(0.81)p	(2.14)p

8. FIXED ASSETS

	Right of use assets	Property & Equipment	Total
Cost	£'000	£'000	£'000
At 31 December 2020	1,267	462	1,729
Additions in the period	-	4	4
Lease adjustment	(16)	-	(16)
Disposals	-	(15)	(15)
Expired lease	(132)	-	(132)
At 30 June 2021	<u>1,119</u>	<u>451</u>	<u>1,570</u>
Accumulated depreciation	£'000	£'000	£'000
At 31 December 2020	628	327	955
Charge in the period	98	26	124
Disposals	-	(15)	(15)
Expired lease	(132)	-	(132)
At 30 June 2021	<u>594</u>	<u>338</u>	<u>932</u>
Net book value 30 June 2021	<u>525</u>	<u>113</u>	<u>638</u>
Net book value 31 December 2020	<u>639</u>	<u>135</u>	<u>774</u>

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

9. GOODWILL

Goodwill at 30 June 2021 and 31 December 2020 comprises:

	£'000
Sancus Jersey	14,255
Sancus Gibraltar	8,639
Total	<u>22,894</u>

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 annual review is due on 30 June each year. As a result the Board has assessed the Goodwill for impairment on 30 June 2021.

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 2021/22 to 2025/26. The starting point for each of the cash flows was the revised forecast for 2021 produced by Sancus Jersey and Gibraltar management. Management's revenue forecasts applied a compound annual growth rate (CAGR) to revenue of 16.1% and 19.6% for Jersey and Gibraltar respectively. A cost of equity discount rate of 11.5% was employed in the valuation model for Sancus Jersey and 12.0% for Sancus Gibraltar. The resultant valuation indicated that no impairment of goodwill was required in either Sancus Jersey or Sancus Gibraltar, with significant headroom.

Goodwill valuation sensitivities

When the discounted cash flow valuation methodology is utilised as the primary goodwill impairment test, the variables which influence the results most significantly are the discount rates applied to the future cash flows and the revenue forecasts. The table below shows the impact on the Consolidated Statement of Comprehensive Income of stress testing the period end goodwill valuation with a decrease in revenues of 10% and an increase in cost of equity discount rate of 3%. These potential changes in key assumptions fall within historic variations experienced by the business (taking other factors into account) and are therefore deemed reasonable. The current model reveals that a sustained decrease in revenue of circa 20% for Jersey and circa 28% for Gibraltar or a sustained increase of circa 11% in the cost of Equity discount rate for Jersey and circa 14% for Gibraltar would remove the headroom.

Sensitivity Applied	Reduction in headroom implied by sensitivity		
	Sancus Jersey £'000	Sancus Gibraltar £'000	Total £'000
10% decrease in revenue per annum	5,650	3,063	8,713
3% increase in cost of Equity discount rate	4,040	2,679	6,719

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.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

10. OTHER INTANGIBLE ASSETS

	£'000
Cost	
At 30 June 2021 and 31 December 2020	<u>1,584</u>
Amortisation	
At 31 December 2020	1,416
Charge for the period	<u>71</u>
At 30 June 2021	<u>1,487</u>
Net book value at 30 June 2021	<u>97</u>
Net book value at 31 December 2020	<u>168</u>

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.

11. TRADE AND OTHER RECEIVABLES

	30 June 2021 (unaudited)	31 December 2020 (audited)
Current	£'000	£'000
Loan fees, interest and similar receivable	5,734	7,438
Receivable from associated companies	2	49
Derivative contracts (Note 17)	504	94
Other trade receivables and prepaid expenses	744	623
	<u>6,984</u>	<u>8,204</u>

12. OTHER ASSETS

	Development properties £'000
Cost	
At 31 December 2019	3,336
Additions	236
Disposals	(1,665)
Write down	<u>(892)</u>
At 31 December 2020	1,015
Additions	<u>52</u>
At 30 June 2021	<u>1,067</u>

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. The remaining £1.1m comprises of one development property which is held at cost plus the net realisable value of a development plot.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

13. SHARE CAPITAL, SHARE PREMIUM & DISTRIBUTABLE RESERVE

Sancus Lending Group 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 2021 (Period to 30 June 2020: Nil).

Share Capital

Number of Ordinary Shares – nil par value

At 30 June 2021 (unaudited) and 31 December 2020 (audited)	489,843,477
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Share Premium

Ordinary Shares – nil par value

At 30 June 2021 (unaudited) and 31 December 2020 (audited)	£'000 116,218
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Ordinary shareholders have the right to attend and vote at Annual General Meetings and the right to any dividends or other distributions which the company may make in relation to that class of share.

Treasury Shares

	30 June 2021 (unaudited) Number of shares	31 December 2020 (audited) Number of shares
Balance at start of the period/year	7,925,999	7,925,999
Sancus Lending Group shares acquired on the sale of BMS Finance AB	3,926,677	-
Balance at end of period/year	11,852,676	7,925,999

	30 June 2021 (unaudited) £'000	31 December 2020 (audited) £'000
Balance at start of the period/year	1,099	1,099
Sancus Lending Group shares acquired on the sale of BMS Finance AB	73	-
Balance at end of period/year	1,172	1,099

Warrants in Issue

On 22 December 2020, in connection with the issue of new bonds, the Company issued 153,994,543 Warrants to subscribe in cash for new Ordinary Shares at a subscription price of 2.25 pence per Ordinary Share. The Warrants will be exercisable on at least 30 days notice in the period to 31 December 2025. As at 30 June 2021 and up to the date of signing these condensed interim financial statements none of these warrants have been exercised. The warrants are classified as equity instruments because a fixed amount of cash is exchangeable for a fixed amount of equity, there being no other features which could justify a financial liability classification. The fair value of the Warrants at 30 June 2021 is £1,463,000 (31 December 2020: £847,000).

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

14. LIABILITIES

	30 June 2021 (unaudited) £'000	31 December 2020 (audited) £'000
Non-current liabilities		
Corporate bond (1)	12,461	12,473
HIT facility (2)	47,130	44,553
ZDP shares (3)	10,114	12,424
Lease Creditor	357	469
Total non-current liabilities	70,062	69,919

	30 June 2021 (unaudited) £'000	31 December 2020 (audited) £'000
Current liabilities		
Accounts payable	262	436
Accruals and other payables	973	1,202
Taxation	106	118
Deferred income	-	40
Provision for financial guarantees	733	1,542
Lease creditor	187	188
Total current liabilities	2,261	3,526

Movement on provision for financial guarantees

	£'000
At 31 December 2019	-
Profit and loss charge in the year	1,542
At 31 December 2020	1,542
Profit and loss credit in the period	(809)
At 30 June 2021	733

Provisions for financial guarantees were recognised in the year to 31 December 2020 in relation to ECLs on off-balance sheet loans and debtors where the company has provided a guarantee (see Note 18). The fair value is determined using the exact same methodology as that used in determining ECLs (Note 17).

(1) Corporate Bond

On 22 December 2020 Sancus Lending Group issued £12,575,000 corporate bonds of which £3,875,000 were rolled from the existing £10m bonds (the remaining £6,125,000 being repaid) and £8,700,000 issued for cash. Over the term of the bonds £15m may be issued. The bond maturity date is 31 December 2025 and they bear interest at 7% (2020: 7%).

(2) HIT Facility

On 29 January 2018, Sancus Funding Limited signed a new funding facility with Honeycomb Investment Trust plc (HIT). The funding line had a term of 3 years and comprised of a £45m accordion and revolving credit facility. On 3 December 2020 the term of the facility was extended to 28 January 2024. On the same date the facility was increased to £75m. The facility bears interest at 7.25%. The HIT facility has portfolio performance covenants including that actual loss rates are not to exceed 4% in any twelve month period and underperforming loans are not to exceed 10% of the portfolio. Sancus Group has an obligation to maintain a 10% first loss position on the HIT facility. Sancus Lending Group 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 Group, given its position as facility and security agent.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

14. LIABILITIES (Continued)

(3) ZDP shares

The ZDP shares have a maturity date of 5 December 2022 with a final capital entitlement of £1.6464 per ZDP share, and bear interest at an average rate of 8.0% (2020: 8.0%).

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.sancus.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 2021 the Company was in compliance with these covenants as Cover Test A was 3.08 (minimum of 1.7) and Cover Test B was 5.40 (minimum of 3.25).

At the period end senior debt borrowing capacity amounted to £17.4m. The HIT facility does not impact on this capacity as this is non-recourse to the Company.

In addition to a tender offer in March 2021, whereby the company acquired and subsequently cancelled 1,690,034 ZDP shares, a further 226,718 shares have been acquired during the period. As a result, the number of ZDP shares in issue at 30 June 2021 was 19,101,384 (31 December 2020: 20,791,418) of which 12,235,748 (31 December 2020: 12,009,030) with an aggregate value of £18,085,888 (31 December 2020: £17,051,409) are held by the company.

15. NOTES TO THE CASH FLOW STATEMENT

	30 June 2021 (unaudited) £'000	30 June 2020 (unaudited) £'000
Cash outflow from operations (excluding loan movements)		
Loss for the period	(4,228)	(6,515)
Adjustments for:		
Net (gain) / loss on FinTech Ventures	(8)	4,238
Other net losses / (gains)	88	(121)
Adjustment in carrying value of Sancus IOM Holdings Limited	116	755
Accrued interest on ZDPs	468	554
Impairment of financial assets	3,028	253
(Gain) / loss on SPL assets	(51)	983
Gain on purchase of ZDPs	(34)	(44)
Amortisation / depreciation of fixed assets	195	216
Amortisation of debt issue costs	105	96
Changes in working capital:		
Trade and other receivables	(1,793)	(3,272)
Trade and other payables	(540)	60
Cash outflow from operations, excluding loan movements	(2,654)	(2,797)

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

15. 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 2021 £'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 2021 £'000
ZDP Shares	12,424	(2,756)	-	12	434 ³	10,114
Corporate Bond	12,473	-	-	12	(24) ³	12,461
HIT Facility	44,553	2,496	-	81	-	47,130
Lease Liability	657	(97)	-	-	(16) ⁴	544
Total liabilities from financing activities	70,107	(357)	-	105	394	70,249

	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

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

²A loan to the value of £829,000 which sat within Sancus loans and loan equivalents was swapped for 621,586 ZDP shares.

³Interest accruals.

⁴Lease variation.

16. RELATED PARTY TRANSACTIONS

Transactions with the Directors/Executive Team

Non-executive Directors

As at 30 June 2021, 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 2021 £	30 June 2020 £
Patrick Firth (Chairman)	50,000	50,000
Stephen Smith (appointed 11 May 2021)	35,000	-
John Whittle	42,500	42,500
Nick Wakefield	35,000	35,000

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

16. RELATED PARTY TRANSACTIONS (Continued)

On 11 May 2021 Mr Smith was appointed as a non-executive Director to the Board. Mr Smith's directorships were listed in the RNS issued on 11 May 2021.

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 200,349,684 ordinary shares in the Company, representing 40.9 per cent of the current issued share capital. From time to time, the Somerston Group may participate as a Co-Funder in Sancus 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 2021 (30 June 2020: none).

Total Directors' fees charged to the Company for the period ended 30 June 2021 were £68,640 (30 June 2020: £63,750).

Executive Team

For the period ended 30 June 2021, 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 2021	30 June 2020
	£'000	£'000
Aggregate remuneration in respect of qualifying service – fixed salary	303	343
Aggregate amounts contributed to Money Purchase pension schemes	8	47
Aggregate bonus paid	125	-

All amounts have been charged to Operating Expenses.

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

As at 30 June 2021, the Directors had the following beneficial interests in the Ordinary Shares of the Company:

	30 June 2021		31 December 2020	
	No. of Ordinary Shares Held	% of total issued Ordinary Shares	No. of Ordinary Shares Held	% of total issued Ordinary Shares
Patrick Firth (<i>Chairman</i>)	367,966	0.08	367,966	0.08
John Whittle	138,052	0.03	138,052	0.03
Andrew Whelan	9,553,734	1.95	9,553,734	1.95
Emma Stubbs	1,380,940	0.28	1,380,940	0.28
Dan Walker	911,300	0.19	911,300	0.19

In the six month period to June 2021 and the year to December 2020, none of the above received any amounts relating to their shareholding.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

16. RELATED PARTY TRANSACTIONS (Continued)

Transactions with connected entities

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

	30 June 2021		30 June 2020	
	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 Sancus Lending Group has a significant stake	-	-	1,853	82

Receivable from related parties	30 June 2021 £'000	31 December 2020 £'000
Sancus (IOM) Limited	2	36
Sancus (IOM) Holdings Limited	-	2
Amberton Asset Management	1	11

Cost recharges

	30 June 2021	30 June 2020
Amberton Asset Management	18	20
Sancus (IOM) Limited	-	62

There is no ultimate controlling party of the Company.

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

17. FINANCIAL INSTRUMENTS – Fair values and risk management

Sancus loans and loan equivalents

	30 June 2021 (unaudited) £'000	31 December 2020 (audited) £'000
Non-current		
Sancus loans	1,005	442
Sancus Loans Limited loans	17,678	3,421
Total Non-current Sancus loans and loan equivalents	18,683	3,863
Current		
Sancus loans	7,281	7,873
Loan equivalents	31	117
Sancus Loans Limited loans	22,288	41,379
Total Current Sancus loans and loan equivalents	29,600	49,369
Total Sancus loans and loan equivalents	48,283	53,232

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

17. FINANCIAL INSTRUMENTS – Fair values and risk management (Continued)

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 2021 (unaudited)		31 December 2020 (audited)	
	Level 2	Level 3	Level 2	Level 3
	£'000	£'000	£'000	£'000
Fintech Ventures investments	-	500	-	-
Derivative contracts	504	-	94	-
Total assets / liabilities at fair value	504	500	94	-

The classification and valuation methodology remains as noted in the 2020 Annual Report.

All of the FinTech Ventures investments are categorised as Level 3 in the fair value hierarchy. In the past the Directors have estimated the fair value of financial instruments using discounted cash flow methodology, comparable market transactions, recent capital raises and other transactional data including the performance of the respective businesses. Having considered the terms, rights and characteristics of the equity and loan stock held by the Group in the FinTech Ventures investments, as well as the challenges that have faced the platforms during the pandemic, the Board's estimate of liquidation value of these assets is £0.5m at 30 June 2021 (31 December 2020: £Nil) following £0.5m deployed into an existing investment in March 2021. Changes in the performance of these businesses and access to future returns via its current holdings could affect the amounts ultimately realised on the disposal of these investments, which may be greater or less than £0.5m. There have been no transfers between levels in the period (2020: None).

Assets at Amortised Cost

	30 June 2021	31 December 2020
	(unaudited)	(audited)
	£'000	£'000
Sancus loans and loan equivalents	48,283	53,232
Trade and other receivables	5,736	7,487
Cash and cash equivalents	16,246	15,786
Total assets at amortised cost	70,265	76,505

Liabilities at Amortised Cost

	30 June 2021	31 December 2020
	(unaudited)	(audited)
	£'000	£'000
ZDP shares	10,114	12,424
Corporate Bond	12,461	12,473
HIT facility	47,130	44,553
Trade and other payables	1,885	2,453
Provision in respect of guarantees	733	1,542
Total liabilities at amortised cost	72,323	73,445

Refer to Note 14 for further information on liabilities.

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

17. FINANCIAL INSTRUMENTS – Fair values and risk management (Continued)

FinTech Ventures Investments

	Total Portfolio
	£
30 June 2021	
At 31 December 2020	-
Net new investments / loan repaid	492
Realised gain recognised in profit and loss	8
At 30 June 2021	<u>500</u>

	Total Portfolio
	£
31 December 2020	
At 31 December 2019	6,299
Net ne investments / (divestments)	(277)
Unrealised losses recognised in profit and loss	(5,996)
Foreign exchange loss	(26)
At 31 December 2020	<u>-</u>

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.

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 2021 the following forward foreign exchange contracts were open:

June 2021

Counterparty	Settlement date	Buy Currency	Buy Amount £'000	Sell currency	Sell amount €'000	Unrealised loss £'000
EWealthGlobal Group Limited	July 2021 to September 2022	GBP	9,680	Euro	10,806	406
Liberum Wealth Limited	December 2021 to February 2022	GBP	2,626	Euro	2,928	98
Unrealised loss on forward foreign contracts						<u>504</u>

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

17. FINANCIAL INSTRUMENTS – Fair values and risk management (Continued)

Foreign Exchange Risk – Derivative instruments (continued)

December 2020

Counterparty	Settlement date	Buy Currency	Buy Amount £'000	Sell currency	Sell amount €'000	Unrealised gain £'000
EWealthGlobal Group Limited	January 2021 to February 2022	GBP	4,121	Euro	4,641	(50)
Liberum Wealth Limited	February 2020 to November 2020	GBP	8,062	Euro	8,854	144
Unrealised gain on forward foreign contracts						94

No hedging has been taken out against investments in the FinTech Ventures platforms (2020: £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

	Loans £'000	Trade Debtors £'000	Guarantees £'000	Total £'000
Loss allowance at 31 December 2019	2,868	311	-	3,179
Charge for the year 2020	1,238	1,885	1,542	4,665
Utilised in the year 2020	93	(6)	-	87
Loss allowance at 31 December 2020	4,199	2,190	1,542	7,931
Charge/(credit) for the period to June 2021	437	3,400	(809)	3,028
Utilised in the period to June 2021	(878)	-	-	(878)
Loss allowance at 30 June 2021	3,758	5,590	733	10,081

Sancus Lending Group Limited (Formerly GLI Finance Limited)
For the period ended 30 June 2021
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Continued)

18. 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 Group has a 10% first loss position as part of the HIT facility. Sancus Group 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 Group Holdings Limited, given its position as facility and security agent.

Sancus Loan Notes

SLN7 launched on 10 May 2021 with £16.6m assets, and at the end of August 2021 had increased to £17.3m. Sancus Group Holdings Limited has a 10% first loss position on this loan note. No other Loan notes are currently in existence.

Commitments

As at 30 June 2021 the Group has unfunded commitments of £43.0m (31 December 2020: £28.4m). 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.

19. SUBSEQUENT EVENTS

Sale of asset in Sancus Properties Limited

On 26 August 2021, the sale of a development site held by Sancus Properties Limited completed for £0.7m.

Liquidation of Amberton Asset Management Limited

The Guernsey registered Company, Amberton Asset Management Limited was liquidated on 2 September 2021. Amberton Limited, which is a Jersey registered entity, was incorporated in January 2021 and has been established as a joint venture to manage the loan note programme going forward.

Liquidation of Sancus BMS Holdings Limited

On 13 September 2021, Sancus BMS Holdings Limited dissolved following the sale of the BMS Fund during the period.

Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Non-executive:	Patrick Anthony Seymour Firth (Chairman – resigned 31 August 2021) John Richard Whittle Nicholas Michael Wakefield Steve Smith (appointed as a NED on 11 May 2021, appointed Chairman 31 August 2021)
Executive:	Andrew Noel Whelan (resigned 30 June 2021) Emma Stubbs

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

Executive Team:

Chief Executive Officer: Andrew Whelan (resigned 30 June 2021)

Interim Chief Executive Officer: Rory Mepham (appointed 1 July 2021)

Deputy Chief Executive Officer: Dan Walker (appointed 2 June 2021)

Chief Financial Officer: Emma Stubbs

Registered office: Block C
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St Peter Port
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Channel Islands

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Company Secretary: Praxis Fund Services Limited
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**Legal Advisers,
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Sancus Lending Group Limited (Formerly GLI Finance Limited)

For the period ended 30 June 2021

OFFICERS AND PROFESSIONAL ADVISERS (Continued)

Bankers:	Barclays International 1 st Floor, 39041 Broad Street St Helier Jersey, JE4 8NE
Auditors:	Moore Stephens P.O. Box 146, Park Place Park Street St Peter Port Guernsey, GY1 3HZ Channel Islands
Registrar:	Link Market Services Limited The Registry, 34 Beckenham Road Beckenham Kent, BR3 4TU United Kingdom
Public Relations:	Instinctif Partners Limited 65 Gresham Street London, EC2V 7NQ United Kingdom